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# India in the Era of China's Belt and Road Initiative

## How Modi Responds to Xi

Anil Sigdel



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To global stability and growth





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# List of Abbreviations

AAGC	Asia Africa Growth Corridor
ADB	Asian Development Bank
AEP	Act East Policy
AFINDEX	Africa-India Field Training Exercise
AIIB	Asian Infrastructure Investment Bank
ALBA	Bolivarian Alliance for the Peoples of Our America
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BBIN	Bangladesh-Bhutan-India-Nepal
BCIM	Bangladesh-China-India-Myanmar
BECA	Basic Exchange and Cooperation Agreement
BHEL	Bharat Electronics Limited
BIMSTEC	Bay of Bengal Multisectoral Technical and Economic Cooperation
BRI	Belt and Road Initiative
BRICS	Brazil-Russia-India-China-South Africa
CAATSA	Countering America’s Adversaries Through Sanctions Act
CBIC	Chennai-Bengaluru Industrial Corridor
CCP	Chinese Communist Party or Communist Party of China
CECA	Comprehensive Economic Cooperation Agreement

CELAC	China and the Community of Latin American and Caribbean States
CEPA	Comprehensive Economic Partnership Agreement
CMEC	China Myanmar Economic Corridor
COMCASA	Communication Compatibility and Security Agreement
CPEC	China-Pakistan Economic Corridor
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership
CSRS	Coastal Surveillance Radar System
DRDO	Defense Research and Development Organization
EAM	External Affairs Minister
EEF	Eastern Economic Forum
EEU	Eurasian Economic Union
EEZ	Exclusive Economic Zone
ELIM	East Turkistan Islamic Movement
EU	European Union
FDI	Foreign Direct Investment
FOIP	Free and Open Indo-Pacific
FONOP	Freedom of Navigation Operation
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HADR	Humanitarian Assistance and Disaster Relief
IAF	Indian Air Force
IBSA	India Brazil South Africa
IBSAMAR	Exercise IBSAMAR—India, Brazil, South Africa
IMF	International Monetary Fund
INDOPACOM	Indo-Pacific Command
INSTC	International North-South Transport Corridor
IONS	Indian Ocean Naval Symposium
IOR	Indian Ocean Region
IORA	Indian Ocean Rim Association
ISIS	Islamic State of Iraq and the Levant
ISK	Islamic State Khorasan

ITEC	Indian Technical And Economic Cooperation
JAI	Japan-America-India
JASDF	Japan Air Self-Defense Force
JCPOA	Joint Comprehensive Plan of Action
JGSDF	Japan Ground Self-Defense Force
JICA	Japan International Cooperation Agency
JIMEX	Japan-India Maritime Exercise
JMSDF	Japan Maritime Self-Defense Force
LAC	Line of Actual Control
LAC	Latin America and the Caribbean
LEMOA	Logistics Exchange Memorandum of Agreement
LOC	Line of Control
LOC	Line of Credit
MEA	Ministry of External Affairs
MERCOSUR	Southern Common Market
MOU	Memorandum of Understanding
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NDB	New Development Bank
NPT	Nuclear Non-Proliferation Treaty
NSA	National Security Advisor
NSG	Nuclear Suppliers Group
OBOR	One Belt One Road
ODA	Official Development Assistance
ONGC	Oil and Natural Gas Corporation
PACOM	Pacific Command
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
PTA	Preferential Trade Agreement
Quad or QUAD	Quadrilateral consultation format between the United States, Japan, Australia and India
RMB	Renminbi

RCEP	Regional Comprehensive Economic Partnership
RIC	Trilateral between Russia, India and China
SAARC	South Asian Association for Regional Cooperation
SAGAR	Security and Growth for All in the Region
SCO	Shanghai Cooperation Organization
SCS	South China Sea
SEZ	Special Economic Zone
SLOC	Sea Lines of Communication
SPIEF	St. Petersburg International Economic Forum
STA-1	Strategic Trade Authorization-1
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TPP	Trans-Pacific Partnership
UN	United Nations
UNCLOS	United Nations Convention for the Law of the Seas
UNSC	United Nations Security Council
WTO	World Trade Organization

# Introduction

The long-standing India-China geopolitical rivalry, which has seen both conflict and cooperation, has now entered a new phase as China under Xi Jinping with its flagship Belt and Road initiative (BRI) is officially going global to build a new type of international relations. Some China scholars see Xi's BRI as an attempt to create a Sinocentric world architecture. China's proactive foreign policy, especially under the highly ambitious Chinese President Xi Jinping, represents, according to the prominent China expert Cheng Li, a "remarkable departure" from that of President Hu Jintao.<sup>1</sup>

This departure has implications for India, leading to several questions, old and new, about India's foreign policy and response strategy. What is India's regional and global strategic posture to put up a competition with China? Will India side with the likeminded democratic forces under the leadership of the United States to counter China and, if so, to what extent? Will India stick to its traditional "strategic autonomy" or what now India's External Affairs Minister S. Jaishankar refers to as "issue-based alignment," meaning a careful engagement with its friends and foes alike? What order will India support to secure its economic, diplomatic and security interests? Will it endorse unipolarity, which is the existing United States-led order, an order that refuses to accommodate China's rise given that China does not comply with the existing norms and that frames China's regional and international activism as part of the "great power rivalry" between United States and China? Will it support bipolarity, which was a potential G2 when US President Barack Obama and Chinese President Hu Jintao stated their commitment to build a "comprehensive US-China relationship for the 21st century" which would serve the interest of the global community?<sup>2</sup> Or will it promote multipolarity, in which India takes the role of a different pole and a global power in its own right, or, in the words of Ram Madhav, who has played an impor-

tant role in Indian Prime Minister (PM) Narendra Modi's global outreach, a "multistakeholderism" characterized by new alliances and partnership of the twenty-first century, an "Asian way," in which India is a stakeholder not just participant?<sup>3</sup>

Under these larger questions, this book will examine what India is specifically doing to respond to China's BRI. Is India pushing back or defending against it? Or is India competing and, if so, how is PM Modi pursuing that strategy? Many more such questions are of major interest for scholars, policymakers and interested readers. As the world debates "the great decoupling" between China and the United States, and India has become an opportunity that China cannot pass up, this topic is becoming all the more important. For India's part, it does not have option but to respond to that with different strategies. Therefore, this volume proposes a hypothesis that India is pursuing a combination of strategies to turn China challenge into opportunity and use it to work toward its own goal of becoming a leading power or a separate pole. Indian strategic experts believe that being a separate pole is not for the sake of power but it will better manage external pressure, including China, and shape geopolitics and geo-economics to India's favor and provide more space for maneuvering.

It should be noted, however, that although the book makes India's response to BRI as the major focus, it also goes beyond the framework of BRI in its analyses of different regions and realms. Therefore, the framework will look more like the larger India-China global competition. This owes to a couple of factors. First, any strict distinction between what is BRI and what is not BRI has been a matter of global debate as Chinese documents or practices have not been always clear. China typically applies "strategic ambiguity" in its foreign policy.<sup>4</sup> Therefore, the analyses would make more sense if BRI is not siloed from China's larger engagement with the world and the same is true of India's response. Second, BRI has not emerged from a vacuum because there is a link, and to some extent continuity, between BRI and China's previous leadership and policies. Just as Modi's foreign policy shows to a large extent continuity between his and his predecessors' policies. Former diplomats put: they "were as struck by the continuity in India's approach as by the change."<sup>5</sup>

## CHINA'S RISE AND BRI

Over the recent decades, the world has watched China's rise and has wondered with concern whether its implications would be peaceful. China's "going out" or "going global" policies initiated in the time of the former President Jiang Zemin which began to show successful results since the 2000s had already caused skepticism in China's neighborhood and beyond. Global and



regional powers have been in growing discomfort with China's deepening presence in different regions and sub-regions of the world. India, for its part, voiced its concerns regarding China's "assertiveness" in the Indian Ocean and "encirclement" around its vicinity. However, there was still some Western benevolence toward the "reformers" in China who would need the benefit of the doubt so that they would finally align China with the existing global norms and standards.

However, all that began to fall apart as the distance grew between the United States and China owing to China's unilateral claims in the South China Sea. Moreover, since Xi's coming to power in 2012 and his revisionist statements stressing Chinese nationalism and global activism, there has been less doubt about China challenging the American leadership of the post-WWII world. Amidst all this, Xi's BRI epitomizes China's desire to arguably build a Sinocentric architecture which he calls a "community of common destiny." Xi launched the BRI, which was then called One Belt One Road (OBOR), from Kazakhstan in 2013, an initiative that envisages to build connectivity on land and at sea, connecting China to regions near and far. BRI's land component is named the Silk Road Economic Belt and begins in the landlocked Western China, continues via Central Asia to several corners of Europe. The sea component called the 21st Century Maritime Silk Road starts from China's coast, continues via the South China Sea to the Indian Ocean and further to the Mediterranean Sea. Over time, BRI went on to add regions as far as Latin America and the South Pacific. China's pledges are unprecedented, such as: \$46 billion for Pakistan, \$1 trillion in the next few years for Africa, \$250 billion for Latin America, based upon its \$3.5 trillion foreign currency reserves.<sup>6</sup>

China's newfound strength also comes along with China's transformation from the largest resources consumer to infrastructure investor, from cheap toys manufacturer to producer of high-end products and state-of-the-art technologies as well as Industry 4.0 with robotics. Such advancement depicted China as the next leader in world affairs. China repeatedly stated that BRI is an initiative for mutual benefit and that countries should make good use of China's financing in a "win-win cooperation." However, the sheer scale of Chinese investment under BRI amidst the sensitivities about China's rise, such benign projection of cooperation raised eyebrows in the wider world, leading China observers to ask what Xi's motives behind such largesse were.

In the words of Robert Kaplan, BRI is a "branding operation" for projects Chinese have already accomplished or that are underway in order to deal with China's "internal demon" which is the Muslim majority state of Xinjiang through economic development, and diversify its dependence on the Malacca strait through infrastructure connectivity—*asphalt roads, railways, oil and gas pipelines*—with Central Asia, as well as deepen its ties with Iran, a relationship which is now "deeply organic."<sup>7</sup> Kaplan makes the case that

China's "land bridge" to Europe via Central Asia—the new Silk Road—will alter the power balance in the region by posing difficult choices for the United States.<sup>8</sup> China's pursuit of BRI has multiplied concerns among world powers by adding the geopolitics of a supercontinent Central Asian land mass to the existing South China Sea dispute.

Nadège Rolland argues that for Beijing the physical infrastructure connectivity with Central Asia is a "first step toward Eurasian integration."<sup>9</sup> She argues that the "vast economic corridors that will enable greater regional policy coordination," bringing BRI partner countries under a Chinese umbrella and that, if successful, "all roads will eventually lead to Beijing."<sup>10</sup> She defines BRI as an "organizing foreign policy concept" as China has made rapid progress in establishing finance institutions for enabling BRI, promoting the initiative and swiftly increasing membership, and making BRI the leading theme in discussions between Chinese negotiators and their counterparts. Similarly, Bruno Mações defines BRI as a Sinocentric global supply chain with less transparency.<sup>11</sup> In terms of China's "charm offensive," Phillipe Le Corre and Alain Sepulchre show how Chinese have made inroads into the European business world by evolving from hesitant outsiders to confident business partners and how China won hearts of leaders by standing by crisis-hit countries like Greece, Spain, Ireland and buying their bonds.<sup>12</sup> David Shambaugh comprehensively examines how China is faring in its global engagement and concludes that despite its broad presence in the world, its power is not deep, for which he calls China a "partial power."<sup>13</sup> It should be noted, however, that Shambaugh's arguments came before Xi came to power and therefore do not reflect China under Xi whose global engagement is arguably growing deep as well.<sup>14</sup>

While the aforementioned works weigh China's external engagement and its implications, Elizabeth Economy's provides deep analysis of the domestic dimensions of change in China, especially under Xi. Economy argues that Xi and his close aides have gone beyond Deng Xiaoping's low-profile foreign policy to "bold initiatives to reshape the world order."<sup>15</sup> Amidst vibrant debate in the nation about which path China should take, Economy argues that due mainly to the 2008 financial crisis and the subsequent decreasing clout of the West, China listened to its "inner call" to step up to take its "rightful place" in the world.<sup>16</sup>

However, Robert Sutter argues that although recent moves by China show that China has gained enough power and confidence to continuously push for global influence, there are several constraints that make it uncertain that China will actually achieve its global objectives.<sup>17</sup> One such limitation is China's frequent inability to implement much less than its generous pledges: for instance, 80 percent of Chinese mining deals failed and, in terms of trade in developing countries, China is just like any other actor.<sup>18</sup> Daniel Markey explains whether Beijing's global aspirations do well will depend upon BRI

countries' local politics and ground realities by studying the cases of Eurasia.<sup>19</sup> The view on China's limitation to lead in fact echoes what most Chinese say. For instance, Huiyao Wang argues that China has "a long way to go before taking the lead" in global affairs and that China is "unlikely to replace the United States" as a global leader.<sup>20</sup> Wang argues that although Chinese investment has diversified target sectors and increased ten times in the last few years, the BRI will not be effective unless the world gets the benefit, for which China still has to contribute a lot. Derek Scissors, who leads China Global Investment Tracker at the American Enterprise Institute in Washington, DC, points out that China's surplus has gone down due to economic slowdown, therefore, he argues, the BRI pledges have only remained rhetorical, but the actual investments have gone down.<sup>21</sup>

Others argue that there is nothing unusual for China, or for any country for that matter, to engage with the world. Parag Khanna contends that the twenty-first century belongs to China just like the twentieth did to the United States and the nineteenth to Europe.<sup>22</sup> And in that "Asian system" of his, he argues, China is an important feature, but not the only one.<sup>23</sup> Xi's "China dream" means a stronger nation, says Liu Mingfu, a retired Chinese colonel.<sup>24</sup> However, especially in Washington, the idea that China is up to supplant the United States increasingly gains ground. Michael Pillsbury, an unofficial advisor of US President Donald Trump, explains that China is working to replace America by quietly using American strength itself.<sup>25</sup> Similarly, Jonathan Ward warns that "China is undertaking something dangerous."<sup>26</sup> Obviously, both Chinese officials and commentators strongly defy such interpretations, but the reality is that China's global engagement is deepening and showing results. Evan Feigenbaum argues that it should not surprise Washington that the powerful China of today will "not accept all global institutions, rules, standards and norms."<sup>27</sup>

Chinese firms are leading several projects around the world, and by the end of 2019, over one hundred nations had already signed various BRI-related Memorandum of Understanding (MOUs). Regardless of their level of implementation or other constraints, only by this measure, there is little doubt that Xi has managed to substantially increase Chinese influence in the world—countries from the South Pacific to the Caribbean have switched their diplomatic ties from Taiwan to Beijing. For instance, Seth Cropsey argues that there is a "clear link" between Chinese investment and Panama's decision to switch ties from Taipei to Beijing.<sup>28</sup> Dozens of world leaders, international organizations, have participated in BRI forums in Beijing, most countries in South East Asia seem to be accommodating China's "rightful place" in the region—Singapore's Foreign Minister Vivian Balakrishnan says while Singapore wants "sustained US presence," it also wants "China to be able to assume its rightful place" as it is becoming a "superpower in its own right."<sup>29</sup> Similarly, every neighbor of India, with the exception of Bhutan

(Bhutan does not have formal diplomatic ties with China), signed China's BRI despite India's boycott.

In addition to everything discussed above on China's global engagement and its future, what is already true is the tremendous pressure India has felt in terms of its neighborhood relations, global diplomacy, economics and trade, not to mention BRI adding insult to injury as China blatantly disregarded India's sensitivity regarding Kashmir, as the China-Pakistan Economic Corridor (CPEC), a major component of BRI, passes through the region which is internationally recognized as Pakistan-administered Kashmir. China has either built or leased ports at strategic points from the Indian Ocean to the Mediterranean Sea. The one in Djibouti is already a declared People's Liberation Army Navy's (PLAN) base. Transcontinental trains frequently travel between China and Western Europe. Most of Central Asian energy goes through pipelines to China. Trade among BRI countries has shown an upward growth trend. Politically, from the Indian sub-continent to the Caribbean, Latin America to Africa, politicians are divided along the line of pro-China or anti-China stance. Chapter 1 in this book discusses in more detail about the Belt and Road initiative.

## MODI'S ECONOMIC AND FOREIGN POLICY AND CHINA

India's concerns regarding China's BRI cannot be overstated as it has impacted India in every way, from security to prestige, from economy to diplomacy and from land to sea. Like China, India has since post-colonial days claimed a "rightful place" on the global stage and put a lot of diplomatic capital to promote it. Especially in the 2000s when India enjoyed big economic growth and lifted millions out of poverty, India gained unprecedented power and confidence to take the lead in several international initiatives and fora, especially in the United Nations, further reinforcing India's objective to get a permanent seat in the United Nations Security Council. Especially for a nation that was, as Stephen Philip Cohen puts it, always "emerging" but never actually "arriving," it started to look like that the global high table is closest ever.<sup>30</sup> A journey of growth and power that began from painful market liberalization and a controversial nuclear test in the 1990s to a civil nuclear agreement with the United States in the 2000s, India's interest to engage with the world only increased as it looked for commodities and investments. India seemed to have woken up to the idea, as China did, that "going out" for resources and investment and "bringing in" technology and investment will keep the growth momentum going and will earn India diplomatic favors as a spillover effect.

Speaking at the India-Africa Forum Summit, Indian Prime Minister Manmohan Singh had told African counterparts that "the time has come to create

a new architecture for our engagement in the 21st century.”<sup>31</sup> As Modi arrived at the helm, fed the phrase “leading power” into the lexicon of Indian diplomacy and his first tenure saw India’s economy growing at the fastest rate in the world even surpassing China. Modi announced that India’s time has finally come. Alyssa Ayers captures that feeling of India and argues that India has come of age.<sup>32</sup> Strengthened by its economic boom as India became over \$2 trillion economy and the nation that will soon be the largest in terms of population, Ayers argues that India’s actions will impact global affairs. India’s story of a leading power is undoubtedly a part of India’s outstanding economic growth and, unsurprisingly, India continues to leverage that for further benefits. Youth bulge is the buzzword in India. The government has the tremendous pressure to create employment.

Modi is redoubling his bet on India’s economic growth by announcing a highly ambitious target of becoming a \$5 trillion economy by 2025 and his EAM Jaishankar has repeatedly stated that India has economic cards to play that will enable India to shape geopolitics and geo-economics to its interests. Indian establishment makes economic growth the essential requirement to be met before India can really become the leading power. Moreover, Indians are confident that it is in the world’s interest to support India that can be a democratic counterweight to communist China. PM Modi’s National Security Advisor Ajit Doval contends that: “today the world is excited about India. Not because they wish India very well, but India as a pluralistic free democracy, its rise means many things to the world.”<sup>33</sup>

India is also counting on Modi’s dynamic personality, especially his ability to establish a personal rapport with hard-to-get world leaders from President Trump to Russian President Vladimir Putin to even President Xi, not to mention his good chemistry with Japanese Prime Minister Shinzo Abe. Indians have big hope on him as someone that could sell India brand in the world. Commentators call him a “grassroot level prime minister,” or a “shrewd businessman” who makes friends with everyone, but Modi believes making friends with everyone works best for India. In India, mostly prime ministers themselves oversee foreign policy, and according to Shivshankar Menon, PM Singh’s NSA, personality has mattered in terms of groundbreaking decisions.<sup>34</sup> International observers agree that Modi with his personal outreach has succeeded in creating that psychology of India being a willing partner for international investments and lucrative returns, and that the psychology itself is 50 percent already in terms of international trust. However, at the end of his second term that optimism was clearly decreasing internationally.

Nevertheless, Modi is proud to have visited both Israel and Palestine—in fact, Modi is the first Indian prime minister to visit Palestine—and says that unlike the bipolar world of the past in this globalized era: “we should try to take everyone along and this is what we have done in the recent past and

have got good results.”<sup>35</sup> A policy that somewhat mirrors China’s policy which also engages for instance with both Saudi Arabia and Iran. Put differently, China engages with everyone regardless of the nature of the regime or hostilities between regimes. Therefore, it becomes clear that Modi will not bother as much about values as he will about strategic interests. A case in point is that Modi failed to have a principled approach toward Rohingya problems, one of the largest humanitarian crises the world has witnessed, arguably because of his strategic interests with both Myanmar and Bangladesh. Later India did come to emphasize the development of the Rakhine state in Myanmar to resettle Rohingya people there and build capacity. Similarly, on the one hand India signs foundational defense agreements with the United States and on the other joined hands with Russia and China in defiance of United States–led order. The president of Belarus, a controversial figure in Europe, enjoys a warm welcome in New Delhi and Indian diplomats talk about deepening ties. Indian EAM Jaishankar is frequently seen interacting with Hungary that openly defies liberal values. India is a founding member of the China-led Asian Infrastructure Investment Bank (AIIB) and became the biggest recipient of its loan. However, Indian elites openly talk about how to bring in the American and other manufacturing firms that were leaving China into India, but at the same time talk about how to increase India’s soy export to China as United States soy exports to China decline. And there are several such incongruent stances for a democratic power.

Having said that, nonetheless, India performs its diplomacy under external constraints. Former Indian diplomat Shyam Saran says: “India has to balance pressure from U.S., China and Russia.”<sup>36</sup> Paul Staniland recommends that both India and the United States keep their “expectations limited and realistic.”<sup>37</sup>

## INDIA-CHINA RIVALRY

In any case, in India’s quest for growth and stability, China continues to remain the elephant in the room. As India and China were already crossing their path in several regions of the world, China’s BRI has only increased India’s concerns that China will exercise undue influence around the world and will deprive India of any potential economic opportunities. Moreover, India fears that China becoming successful in BRI would mean not only less diplomatic favor by countries in the UN which India badly needs for its UNSC bid but also a Sinocentric world or a sort of unipolarity that India rejects. However, for India, managing its relations with China is increasingly challenging because of: their historical rivalry, contemporary capabilities gap with China faring far better, economic dependency, not to mention China’s deep ties with India’s enemy Pakistan.

A set of scholarship on the India-China relationship rivalry provides a sweeping historical survey that includes different areas of contention from civilizational aspects of the two nations to border conflict and Indian Ocean competition in order to explore what causes rivalry between the two and what options there are to minimize it. John Garver talks about wide areas of geopolitical rivalry.<sup>38</sup> He talks in detail about the overlapping sphere of influence of India and China in South Asia, mainly China's overtures in India's neighborhood in order to undermine India's domination and eventually reduce Indian influence in China's sub-region, and discusses about India's policy option to either accept China's preeminence or resist it. Mohan Mallik digs into the civilizational dimension—Han and Hindu—and strategic culture of China. Mallik argues that India's and China's global ambitions, their priority for Asian leadership and need to go out for resources make their rivalry stronger than cooperation.<sup>39</sup> Similarly, Jeff Smith further explores the rivalry dimension in line with John Garver's framework.<sup>40</sup> Smith also introduces the importance of India's Andaman Nicobar island in the growing competition at the confluence of the Indian Ocean and the Pacific Ocean. Tanvi Madan argues that China does affect India's foreign policy and that this is not only a current phenomenon but happened in the past by showing how China impacted India's policy toward the United States.<sup>41</sup>

In terms of the rise of these powers and their global competition, some scholars argue that the competition between India and China comes from their desire to get international status, among others.<sup>42</sup> As India benefited significantly with its increasing economic engagement with the world in the post-Cold War era although quite late compared to China, the world community began to look at India more seriously, and with the newly gained status the India-China rivalry expanded into the security realm.<sup>43</sup> Similarly, Amrita Narlikar goes further into the nature of their engagement.<sup>44</sup> She argues that India and China, although similar in their civilizational attitude, have different approaches in their global engagement.<sup>45</sup> She contrasts India's "limited regional strategy" and "more proactive commitment to multilateralism" with China giving priority to "global power via BRI."<sup>46</sup>

The fact that, like the Chinese, the civilizational thinking is salient among Indian elites is shown by some recent scholarship on India's foreign policy that brings in ancient India's strategist Chanakya, also known as Kautilya. Former Indian diplomat Shyam Saran talks about Kautilya to Modi to show that connection between ancient India and the modern independent India's foreign and security policy.<sup>47</sup> Aparna Pande also argues along these lines.<sup>48</sup> These works remind international observers that India's foreign policy paradigm has ancient elements embedded in addition to what British, Pandit Nehru or others contributed to shape the thinking. Ancient India is especially relevant in the Modi era—a regime that gives top priority to Hindu tradition and ancient knowledge of the sub-continent. Some scholarship analyzes

Modi's role in India's international relations. Some scholars have compared India's branding strategy, if any, with Modi's personality in terms of India's proactive international engagement.<sup>49</sup> But Harsh Pant argues that Modi was likely to change Indian establishment's thinking on foreign policy because India simply did not have any foreign policy.<sup>50</sup> Ian Hall argues that Modi has linked the Hindu nationalist ideology with Indian foreign policy.<sup>51</sup>

## MODI'S CHALLENGES

As far as contemporary ties are concerned, regardless of India's balancing game against China, China's venture capital investments in India have been increasing exponentially and hit \$5.6 billion in 2018.<sup>52</sup> India has over \$57 billion trade deficit with China, which is around 60 percent of the total bilateral trade.<sup>53</sup> Some analysts argue that India's economic, foreign and security policies seem to be guided by its deficit concerns with China more than anything else. And regardless of traditional rivalry or the fact that at the time of China's "reform and opening up" three decades ago India was better off than China, by Modi's era the Chinese economy has become almost five times bigger than India's and Chinese middle class has become ten times bigger than India's. After being the fastest growing economy, in 2019 India's growth slowed and again trailed behind China's. Whereas China's overall advancement, from having high-end technology products to surpassing the United States in terms of Fortune 500 list of firms to having four out of ten top international banks, not to mention its military advancement, India seems to be lagging behind. China has five times more researchers than India, to put things in perspective.<sup>54</sup>

Modi has been criticized for not keeping his promise to really open up the Indian market as it should to achieve higher growth rate and, in fact, despite some real efforts and positive changes in the trade indicators, such as improvement in the "ease of doing business" ranking, outsiders fear that Modi's administration is increasingly becoming protectionist. Similarly, observers claim that the government's defense spending does not reflect Modi's rhetoric of India being a "leading power." Indian defense analyst Bharat Karnad argued that if India wanted to become a global power, it must start thinking like one.<sup>55</sup> He insisted that India should be able to see beyond Pakistan that continued to take a good chunk of the Indian defense budget. In his recent work, Karnad also assesses Modi's tenure and concludes that, despite expectations, Modi has been unable to formulate proactive defense policies for fear of upsetting China.<sup>56</sup>

Nevertheless, the Indian air force entered Pakistani skies and attacked in the aftermath of a terror attack in Pulwama in Jammu and Kashmir (J&K)—the region which is internationally recognized as Indian-administered Kash-



mir. New Delhi's move to end the status of J&K as an autonomous state to some extent affected such narrative of being defensive. In fact, Modi's move was interpreted internationally as something that could even risk a full-blown war with nuclear adversary Pakistan. India blames Pakistan's hands-off approach toward terrorist outfits as means for continuous unconventional war against India. In response to India's move on Kashmir, even China was forced to react as a stakeholder since China controls a little part of Kashmir that it had taken from Pakistan. And while Modi was widely criticized for his informal summits with Xi—Wuhan summit after Doklam Standoff and Mammallapuram summit after India's constitutional change regarding Kashmir—some see Modi pursuing a pragmatic policy vis-à-vis China. Former Indian diplomats echo that the PRC has become so powerful that in response what India can do best is to make India as strong as possible by keeping China engaged. They support Modi's policy to informally meet with Xi to “keep the ball rolling.” Indian strategic experts also echo the fact that India is cognizant of increasing power differential between India and China, and that India has to adjust accordingly.

## POLICY FRAMEWORK

Given such difficult relations between the two with several different dynamics at play, it looks hard for India to see the BRI initiative in isolation, but it is more likely to see it as a strategy that complements China's grand strategy. Although India might see some particular BRI cases or corridors separately from this broad initiative, that does not deny the fact that BRI belongs to China's grand strategy. And especially since India's archrival Pakistan has emerged as an integral part of the Chinese initiative, BRI takes an entirely different meaning for India. China's BRI has not only amplified India's stress along the land border but also increased concerns in the waters around India. India was quite unsettled by China's deepening ties with Sri Lanka and the Maldives in the Indian Ocean and other of its neighbors such as Bangladesh or Nepal. But India's smaller neighbors “maintain different levels of interactions with China,” argues Nilanthi Samaranayake.<sup>57</sup> In any case, the Indian peninsula, rich in maritime heritage, has 7,500 kilometers of extensive coastline and an Exclusive Economic Zone (EEZ) of 2.37 million square kilometers where India has exclusive rights to use the resources. About 90 percent of India's trade volume and almost entire oil imports transit through the Indian Ocean. Therefore, the PLAN's forays in the Indian Ocean have increased India's sense of insecurity. Consequently, India has started pursuing a policy that prioritizes neighborhood relations, carves out economic and defense partnerships with likeminded powers, commits to enhanced maritime security cooperation and military capabilities, and active global diplomatic

outreach. The underlying logic seems that by being an effective “net security provider” or a power, India will be able to maintain stability in its region. India is pursuing a policy of getting more by doing more. India repeatedly leveraged its strength, for instance, India’s role in Humanitarian Assistance and Disaster Relief (HADR) in the Indo-Pacific. Similarly, India’s participation in the Indo-Pacific vision, or any related plurilateral formats and initiatives—such as Blue Dot Network, Asia-Africa Growth Corridor, and so on—promoted by the United States or Japan is expected to get for India investments, technologies, capacity building, defense cooperation and more interoperable operations and exercises that will work as a deterrence against China. Therefore, with the above discussed arguments, Modi’s foreign, security, economic and diplomatic approaches will work under a certain framework that will have the following underlying logics and components:

- A multipolar world, not unipolar or bipolar, is in India’s best interests, therefore, India rejects “great power rivalry” and embraces “multistakeholderism.” India manages external pressures by engaging with everyone. “Don’t put all your eggs in one basket,” several Indian strategic commentators have argued along these lines.
- Any vision and strategy promoted by world powers must be inclusive or, in other words, likeminded powers cannot establish a club that excludes China, or even Russia, therefore, India rejects “containment” of any of them. PM Modi spoke in these lines in his Shangri La Dialogue speech in Singapore.
- Regardless of the domestic regime, to the extent possible, India will continue to engage with every country with a view mainly to garnering votes for India’s UNSC bid and fight against terrorism especially targeted toward Pakistan. India did some diplomatic heavy lifting for its policy of isolating Pakistan to succeed. And the joint statements between India and other countries reflect India’s prioritization of the UNSC bid.
- Regarding China, while India is willing to cooperate with Beijing in certain areas, India is determined to push back when it comes to its vital interests. In terms of China’s economic engagement with the wider world, India wants to make sure that China won’t get it on a silver platter. India tries to protect India’s market and compete where it can outside. “Wherever China is, India must be there,” several Indian strategic experts echo these arguments.
- India wants to sell India’s economic prospects, carve out partnerships, shape geopolitics and geo-economics to India’s interests. Indian EAM Jaishankar has been seen putting such arguments on several occasions.
- India is punching above its weight. Modi’s declaration of making India a \$5 trillion economy by 2025 speaks for itself.

- India wants to turn crisis into opportunity. It seeks to manage potential threats from China's BRI by being part of the Indo-Pacific vision or strategy strongly pushed by Japan and the United States. India looks for opportunity to bring more of their investment and technology.<sup>58</sup>

## SCOPE OF THIS BOOK

Under the broad framework laid out above, the book will provide contemporary analyses on how India's strategies are playing out from its neighborhood to faraway continents. This book will take a detailed look from both a geographic and a functional perspective at, for instance: who will do better in areas around the world—in Latin America, Africa or Europe? How is India leveraging its economic potential and how is it faring in trade ties? How effective has India been in penetrating markets, acquiring strategic assets or deepening defense ties with many countries in different regions? How has the Indian government's policy of development assistance and partnership matched with China's BRI funding in different countries? Apart from being the largest buyers of Venezuelan oil, how significant is India and China's engagement in Latin America and the Caribbean (LAC)? While China is successfully leading new formats such as 16+1 in Eastern and Central Europe, to what extent have India's high-level visits impacted to build important ties in the region? How India is engaging with several world powers in the Indo-Pacific to secure its interests, including Russia? This volume relies on the sources such as expert interviews, official statements, media report, published articles and talks on electronic media. Field trips to some regions have been done.<sup>59</sup>

The book is limited to the competition between India and China and does not explain the cooperation that also exists between India and China at various levels. The book does not explore the engagement of other competitors either. This volume is primarily focused on India and China and takes stock of their engagement and examines future prospects but does not strictly evaluate their performance on the basis of a certain measurement indicator.

For that purpose, this book is divided into three different sections. The first part will have three chapters on China's BRI, South Asia, and Central and South East Asia. These chapters will explain about BRI (chapter 1) and how India is responding to it in South and South East Asia (chapter 2), Central Asia (chapter 3) and what are the major challenges for India in terms of forging connectivity between these regions that will support India's vision of bridging East and West Asia. Will India get access to Central Asian energy? Or will India take a bold position on the South China Sea? The second part will have four chapters on India-China competition in Europe (chapter 4), Africa (chapter 5) and the Indian Ocean Region (chapter 6) as

well as Latin America and the Caribbean (chapter 7), mainly analyzing where they stand in terms of their economic, diplomatic and security ties with countries in those region and the prospects for India. And since India has historical and cultural ties with Africa, the book will examine to what extent that has that translated into substance vis-à-vis China. The third part will have four chapters on India's relations with France (chapter 8), Japan (chapter 9), the United States (chapter 10) and Russia (chapter 11), to examine how India is playing a role as a leading power, or at least how India is playing its cards to shape the geopolitical balance in its favor. Finally, the book will discuss some prospects at the end of part III (chapter 12).

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*I*

# **BRI and India's Asian Neighborhood**





## *Chapter One*

# **Belt and Road Initiative**

China's Belt and Road initiative (BRI) is a "strategic vision" that promotes greater engagement between China and partner countries in several areas, mainly the land and maritime infrastructure connectivity in Asia and beyond. While China had already been engaged in building ports, railways and roads over the last few years under its "going out" policy, the new initiative provides a new official umbrella for China's much larger international investment. Similarly, the initiative further strengthens China's international engagement by reinforcing it with new institutions and funds backed by strong diplomatic cooperation in the areas of infrastructure investment, energy, trade and finances. The scale of the Belt and Road is massive, at US \$8 trillion by one estimate.<sup>1</sup> To be sure, the need for investment in infrastructure in the BRI-targeted regions is clear. A report of the Asian Development Bank (ADB) in 2009 had already elaborated on the need for Asian countries to invest massively in infrastructure. The ADB estimates that Asia will need to invest 1.7 trillion every year until 2030 for economic growth.<sup>2</sup> With the realization of the importance of regional connectivity for economic growth and development, unsurprisingly, the initiative immediately attracted dozens of nations in Asia and around the world to join the effort.

Chinese President Xi Jinping announced his grand vision of the BRI or the One Belt One Road (OBOR) as it was called initially, for the first time at Nazarbayev University in Kazakhstan on September 07, 2013.<sup>3</sup> It was the same year when China surpassed the United States in terms of global trade.<sup>4</sup> In his speech to a young university audience, Xi emphasized the history of silk road connectivity and friendly nature of the relationship between China and Kazakhstan and the importance of the Central Asian neighbor and the region for China's foreign policy, mainly due to the fact that the region provides an essential corridor for Xi's new "Silk Road Economic Belt"—a

new silk road that fosters connectivity between the Pacific and Baltic Sea, and among East Asia, West Asia and South Asia.<sup>5</sup> With a future of a larger regional cooperation in mind, Xi asked for necessary cooperation in key areas: policies, road connectivity, trade facilitation, monetary circulation and people-to-people exchanges.<sup>6</sup> Just a month after the Central Asia visit, in his speech to the Indonesian parliament, Xi again drew upon historical connections and friendliness with the South East Asian nation, and with ASEAN, and announced his “21st Century Maritime Silk Road.”<sup>7</sup> Xi’s maritime road envisages a sea corridor that connects China with the Indian Ocean via the South China Sea and even reaches the Mediterranean via Suez Canal. In later years, the scope of Belt and Road officially expanded to other regions as well.

These two land and maritime connectivity plans—the Silk Road Economic Belt and the 21st Century Maritime Silk Road respectively—laid the initial foundations for the Belt and Road initiative, which would later add more components, such as the digital silk road (technology) and the green silk road (environment). Then, at the Asia-Pacific Economic Summit (APEC) in Bali, Xi also made the announcement of special funding mechanisms for BRI such as the Silk Road fund of US \$40 billion—the announcement of the Asian Infrastructure Investment Bank (AIIB) was also made.<sup>8</sup> The 2015 BRI outline explains that “financial integration is an important underpinning for implementing the BRI” and suggests several mechanisms for inter-regional financial cooperation and funding.<sup>9</sup> Chinese government funds and BRICS Development Bank also emerged as supporting funding mechanisms for BRI projects in different sectors. China’s Export Import Bank (Exim) and New Development Bank have also been the leading lending institutions.

At a time when many nations had sought to benefit from a massively growing Chinese economy, China taking the lead in offering a “win-win” cooperation for a “common development” came as a welcome opportunity. In the 2017 BRI forum in Beijing, dozens of world leaders and representatives of over one hundred nations participated in the forum, including the UN Secretary General Antonio Gutiérrez, giving the sense that Xi’s initiative is the next thing in the world community. However, the picture was not entirely positive. BRI came under the shadow of the Communist Party of China’s (CCP) opaque modus operandi in terms of policy motives and implementation. This feature, coupled with announcement of initiatives that have global technology and security implications such as “Made in China 2025” increased worldwide suspicion, mainly in the United States.<sup>10</sup> Meanwhile, an Indian defense commentator calling China’s lease of Sri Lanka’s Hambantota port as “China’s Debt Trap Diplomacy” sent an alarm signal to the United States.<sup>11</sup> Washington began to fiercely push back on China’s ambition due to suspicion that the CCP intends to supplant the United States as a global leader.

As a result, BRI faced international skepticism, criticism, and even resistance mainly for the following reasons: Chinese business practices did not conform with international norms; China disregarded others' strategic sensitivity; suspicion that China was working on a long-term strategy to create a Sinocentric architecture which would guarantee the country disproportionate advantages in several domains. Later, several other countries started to express their concerns regarding their engagement with China. India has never endorsed BRI mainly because one major component of the initiative—China Pakistan Economic Corridor (CPEC)—passes through the Pakistan-administered Kashmir that India claims as its own territory. The EU gradually woke up to the fact that China was not playing by the international trade standards and Europe would have serious security implications of the Chinese acquisition of strategic sectors in Europe. Smaller countries began to doubt China's "too good to be true" offers especially in terms of the debt burden they would get into. Both the United States and India have been the foremost protestors to China's initiative.

India has been very wary of the Chinese initiative because of its important implications for India on many fronts, but the most concerning factor for India has been the CPEC component of the BRI that clearly looks like an official marriage between China and India's principal enemy Pakistan. Although in recent years India attempted to go beyond Pakistan in terms of defense and security concerns and look more toward China and farther regions, the China-Pakistan ties of the BRI era has come to put tremendous pressure on India's foreign and defense establishment. Similarly, on the maritime front, China's lease of Hambantota port in Sri Lanka and Chinese inroads into the Maldives, not to mention the Chinese forays into Bay of Bengal and the littoral countries including Bangladesh, have literally encircled India which forced New Delhi to further prioritize maritime security. Chinese behavior has forced India not only to protect its maritime economic zone but also to reach out to the far waters of the Indian Ocean. India revitalized its "look east" policy into "act east" policy immediately after PM Modi came to power and added further diplomatic push to enhance connectivity. India has had no choice but to contest with China in its own traditional backyard. The pressure was to the extent that India's strategic interests have outweighed India's democratic and humanitarian values—Myanmar's Rohingya crisis is a case in point. What the BRI means for India, and India's response to it, are discussed at length in several chapters of this book.

In terms of the United States, Chinese behavior in the South China Sea, where it makes unacceptable claims, added fuel to the fire. The United States was frustrated by longstanding concerns about China's role in intellectual property theft and forced technology transfers, among other complaints. President Trump's "trade war" against China added further impetus to the matter. Amidst all this, as China came up with its BRI, it invited an integrat-

ed resistance from the United States against Xi's global ambition. Xi did feel the heat. He at least in words showed commitment to improvement. For instance, in Xi's speech at the 2019 BRI Summit in Beijing, he committed to address the forced technology transfer issue. Similarly, on other occasions he has warned against "vanity projects" and asked for more robust financial safeguards.

However, China went on expanding its initiative further, even including a major European Union nation and G7 member, Italy. In Xi's words, the BRI is a "great undertaking" and will have to be built in cooperation brick by brick as he recalled the Italian proverb "Rome was not built in one day."<sup>12</sup> True to Chinese perseverance on the initiative, Brookings's China scholar Rush Doshi characterizes China's BRI as "resilient."<sup>13</sup> Because, he argues, even though some projects in Asia were suspended or seemed to vanish, eventually they all moved forward.<sup>14</sup> China looks to carve out a new economic space and presents a promising growth figure. In the period between 2013 and 2017, China's trade with BRI countries got past \$5 trillion and Chinese enterprises' investments were worth over \$70 billion in BRI countries.<sup>15</sup> By 2019, during the second BRI forum, Chinese officials claim that the trade volume has exceeded \$6 billion, investments have exceeded \$80 billion and that 300,000 jobs have been created by the initiative in the participant countries.<sup>16</sup> Similarly, 126 countries and 29 international organizations have signed to cooperate with China's BRI, showing a wide participation.<sup>17</sup> In any case, the BRI has not displayed a uniform level of investment in or diplomatic and strategic engagement with every country. Chinese overtures in terms of BRI reflect China's traditional foreign policy of not pursuing a common regional policy as the United States does but varies from country to country according to the importance of that country in question.

BRI clearly has varied characters and components. And BRI does not have the same level of success everywhere. Therefore, it would not be an overstatement to argue that the BRI is not one but several initiatives.

## GOING OUT TO BELT AND ROAD

Xi Jinping's ambition and increasingly assertive China contributed to the latest manifestation of China's transcontinental and maritime initiative. Following the positive momentum of China's reform and opening-up heralded by Deng Xiaoping, in the 1990s Jiang Zemin showed interest in "bringing in" more foreign direct investment and technology and "going out" to engage with world markets.<sup>18</sup> Through the era of Jiang Zemin and Hu Jintao, China experienced success in its "going global" policies, especially since the 2000s, toward the goal of achieving what Chinese communist leaders called "national rejuvenation." Xi himself mentioned, in his Kazakhstan speech, that over

the last two decades China's engagement with European markets via Central Asia had been highly beneficial. By the time Xi came to power, China was already the largest and second largest in several areas. By 2011, with \$5.87 trillion GDP, China was the world's second largest economy. China was the second largest recipient of FDI and the largest merchandise exporter. It possessed the largest foreign exchange reserves of US \$3.2 trillion. In terms of security and defense, China had also started to conduct joint naval and military exercises contrary to its earlier promises. Similarly, in terms of connectivity, Chinese firms had already grabbed railway project contracts over a billion dollars. For instance, in 2011, Chinese firm China Railway Engineering Corporation (CREC) had the contract to build over 300 km of railway between Addis Ababa and Mieso, among other railway lines. In 2009, China had overtaken the United States as Africa's biggest trading partner. In terms of domestic connectivity, Hu Jintao had inaugurated the Beijing-Lhasa (Tibet) train back in 2006. Tibet, because of its high altitude, was the last region of China to have train connectivity.

To be sure, Xi did herald the idea officially with substantial financial back up and leadership, but the idea of connectivity was neither solely his nor new. Just to talk about recent history, the post-Cold War era created a condition for countries to reach out to their extended neighborhood in Asia. India reached out to South East Asia through its "look east" policy, Japan for its complicated relationship with China, prioritized South East Asia. Indian Prime Minister Atal Bihari Vajpayee talked about a "new silk road" in Kazakhstan in 2002. Similarly, then US Secretary of State Hillary Clinton in her vision statement in 2011 in Chennai, India, had mentioned the Silk Road and called for a US-India partnership to take the lead in forging a strong regional cooperation in both India's east and west, from South East Asia to Central Asia. She emphasized India's importance as a nation that strides the Pacific and the Indian Ocean and talked about a twenty-first-century regional architecture. Evan Feigenbaum argues that "China did not invent Asian connectivity" and cites several instances when the United States worked to forge connectivity partnerships with Europe and Central Asia.<sup>19</sup> In fact, as discussed earlier, Xi himself echoed what the ADB report had suggested. Similarly, the phrase "Asian Century" that had started to float since the 1980s because of Asia's growth potential gained steam as China achieved double digit growth for three decades. China was followed by another economic giant India and many East Asian nations. Therefore, now with the new silk road, it seems that China cleverly hit the right note at the right time.

The Belt and Road initiative has been essentially an unclear concept which led to different interpretations. Deborah Brautigam, a China scholar at Johns Hopkins, sees more economic implications of BRI than security implications and argues that undue emphasis on China's hidden strategy to take over the world is not based on in-depth research and facts.<sup>20</sup> Some define it

as China's new brand or a marketing stunt which undoubtedly attracted overwhelming coverage worldwide, perhaps much larger than what it really is or can do. Ian Bremmer considers it to be "marketing genius" because the number of world leaders who participated in the Belt and Road forum in Beijing is unseen anywhere in the world except at the UN General Assembly.<sup>21</sup> The Davos World Economic forum gathering does not even compete, Bremmer argues. Others see China as working toward a strategy to align countries politically more with China by writing checks. This observation is in line with China's "three warfare" strategy in which China supposedly applies media, psychological and legal warfare to influence and justify Chinese actions and policies. Some emphasize the trade aspect of it by claiming that with increasing trade transactions, China wants to protect its supply chain. Some go further by claiming that China wants to create a Sinocentric supply chain which will also influence host nations with Chinese-style undemocratic governance and will take Central Asian, South Asian and even South East Asian nations into its orbit. Peter Navarro, who advises President Trump on economics and trade policies, sees BRI as China going out to grab the world's natural resources. A mining engineer from the United States who has worked in Latin American mines over decades contends that China seems to be working on at least a one-hundred-year plan. He argues that China is investing in mining industries and countries right now without any short-term return and that it is building a global network of mining industry with China at its center to secure its energy future.<sup>22</sup>

Experts from China seem to stress China's economic interest, which is in line with the vision of 19th Party Congress that stipulated active economic diplomacy as the basis for China's foreign policy. Chinese also see the initiative as an effort to develop Western China, especially Xinjiang, by connecting and promoting cross-border transactions and movements. Western China lags far behind Eastern China and is a potential threat to Chinese social and political stability and even national security, reasons why Xi repeatedly talks about the three evil forces of "terrorism, separatism and religious extremism." On a slightly different note, one Chinese journalist says: "in China we like to do big things, big construction, big plans, everything big. And if we do the same internationally, that is naturally not going to go down well."<sup>23</sup>

Similarly, international observers argue that the production overcapacity in China, current account surplus and massive foreign currency reserves as well as its slowing growth prompted such a large scale of investment initiative. Chinese firms have targeted international markets as their potential engine of growth, especially in large infrastructure projects such as ports. Among these explanations, China's energy security and investment in energy infrastructure are certainly closely linked to the BRI. The China-Pakistan Economic Corridor (CPEC) that runs from Gwadar deep seaport in Pakistan to Kashgar in northwestern Xinjian, Uyghur autonomous region of China,

makes up the core of BRI providing the essential shortcut for China to access Middle Eastern energy. In this way, China can bypass the choke point of the Malacca strait, a narrow sea corridor between Indonesia and Singapore or Malaysia. Some draw a parallel between BRI and the Marshall Plan of the United States post–World War II to reconstruct Europe. But the comparison is not entirely accurate since the Marshall Plan was for reconstruction in Europe, whereas BRI is for development and not region or ideology-specific, argues former NSA of India Shivshankar Menon.<sup>24</sup> BRI has parallels to Japan’s policies, Menon argues, when it provided economic benefits to the world in the 1980s and 1990s.<sup>25</sup> Japan even sought to establish an Asian Monetary Fund in 1997 at the time of the Asian currency crisis, which was blocked by the United States. However, China, unlike Japan, is not a US ally, but a rival and its global engagement carries not only economic elements, but a broad-spectrum engagement.

There are also many debatable arguments, for instance, whether the idea of unleashing massive infrastructure programs assuming that they will enable economic growth makes sense or whether any transcontinental connectivity such as a Beijing-Moscow train is efficient and sustainable or whether it is a new form of colonialism. In any case, apart from the ambiguity of the Chinese initiative and its endgame, everything said and argued about BRI is not entirely true. Economists argue that the connectivity reduces trade cost and has “positive spillover effect” on the world economy.<sup>26</sup> Similarly, the China-London train which at the beginning only carried the merchandise from China and came back empty now comes back full, although the high cost of that compared to the sea route is another important factor. And this is where China is winning. Countries want connectivity for themselves and they are signing up not only because China is writing checks or forcing them to do so, but because they want to take that opportunity to leapfrog. This is arguably true of every nation that has signed up to the BRI. It is also true that political favor has turned to China’s advantage, whether it is some European nations blocking a joint statement against China on the South China Sea, or some South Asian and South East Asian nations not participating in India-led military exercises, or Caribbean or South Pacific islands severing their relations with Taiwan. Regarding the speculation about China’s hidden strategy, a Chinese scholar argues that the BRI is a “policy created by some close aides of Xi Jinping, and China is neither prepared nor able to tackle any negative outcomes.”<sup>27</sup> However, the United States does not see China’s BRI in isolation from China’s Communist Party rule and China’s behavior in the security and defense realm in addition to China’s substandard trade practices including BRI-related problematic deals. With Xi’s statements and actions, BRI is seen, especially in the United States, as one component of China’s multi-pronged strategy which will facilitate China’s endeavors to take the free and open trade system hostage and gradually erode the US leadership in

the world. US politicians have started conceding that China has risen and that the policy the United States had taken assuming that China would become a responsible actor was wrong. Consequently, the United States was forced to label China as its “strategic competitor,” its modus operandi as “predatory economics” and started brainstorming on how to best respond. Meanwhile, China kept showing a swift and effective expansion and implementation of the BRI. Interestingly, China has completely u-turned its early image of being a bad contractor and low-quality finite products by surpassing any other players in building quality infrastructure with impressive persuasive power. It is true that Chinese firms offer much lower prices to host nations than the United States or other international firms, but it cannot be understated that China successfully built infrastructure in places where previous projects had failed. For instance, Greece’s Thessaloniki port acquisition and development plans with a French firm owned by a Russian oligarch failed. Greek Americans’ plans to invest in the port never got off the ground, whereas China is working on its plans to make the Pireaus port the biggest and busiest in the region, argues Ian Bremmer.<sup>28</sup>

Similarly, Sri Lanka wanted to build the Hambantota port for a long time. In fact, a French firm had done a survey and labeled the port very attractive for the near future as thousands of ships pass off the coast. Sri Lanka even asked India at some point to invest but was denied. In the end, China did since Chinese are engaged in about three thousand projects around the world. But that ignited suspicion in the global strategic community about China’s possible debt trap strategy. There are many such examples where Chinese firms built infrastructures where plans had been lingering for years. Regarding the question about BRI being at odds with the principle of efficiency, open market and capitalism, the BRI has shown upward trends in BRI member countries. In 2018, China’s imports from the BRI countries have increased by 22 percent compared to a 16-percent increase in overall Chinese imports, argues the economist Mahmoud Islam in Tokyo.<sup>29</sup> He predicts that there will be a short-term boost in the global economy, especially in the BRI markets, due to rise in infrastructure investment. However, Mahmoud argues that the financial sustainability of BRI is a challenge due to China’s increasing public debt—250 percent of its GDP—and low economies’ incapability to pay back the loans. Many countries want to bandwagon due to the fear of missing out on opportunities. While some are direct beneficiaries, others eye providing services in the momentum created by BRI and growth as, for instance, Singapore does.

China’s vision has also raised political tensions with major powers. Western media and think tanks have continuously kept track of it and emphasized its shortcomings. For its part, the BRI which started as a broad vision, but lacked a detailed strategy and work plans, has been adjusting moving forward. However, the Chinese initiative also unleashed a flurry of economic



corridors announcements and development packages from other world powers. To name a few, India and Japan announced the Asia Africa Growth Corridor (AAGC). The United States came up with the “Prosper Africa” development program. The EU introduced Europe-Asia connectivity and ASEAN launched ASEAN’s Connectivity 2025. Perhaps the most important and biggest one is the Indo-Pacific strategy involving the United States, Japan, India, Australia, and even France, UK and the EU. There also emerged several other partnerships in the Indo-Pacific region. All these initiatives are being incubated, thus it remains to be seen how they will play out. How will the partners cooperate? Importantly, will the BRI remain exclusive or complementary to these initiatives? And, if so, what are the common grounds? All these remain to be seen. Xi has already made clear that BRI and these different initiatives should be harmonized for a win-win cooperation. However, it is not clear what the end game is, nor are China’s military interests or plans. Observers increasingly define this as China’s smart ploy to challenge the United States or take undue advantage from the global market. Chinese firms’ model of expanding their market powered by hard labor and innovation—for instance, the success story of Huawei—is taking its toll on the international market. As of 2018, Huawei conducts business in roughly 160 countries around the world. Since China also integrates digital connectivity as a core component of its BRI in addition to physical infrastructure, it has further amplified the concerns regarding the BRI in many countries.

But in terms of what China is doing and why, there are some interesting historical parallels. What China is doing is exactly what the United States did a century ago, and interestingly the size of China’s economy was similar to the one of the United States in those periods and both nations have justified their active internationalism along similar lines. Even in terms of China’s forced technology transfer, some argue that the United States benefited from Britain’s technology the same way China has been benefitting from the United States.<sup>30</sup>

## **21st Century Maritime Silk Road**

In the mid-2000s the American defense contractor’s report “Energy Futures in Asia” coined China’s strategy of maritime infrastructure building in the Indian Ocean region as a “string of pearls.”<sup>31</sup> The report suggested that China was building strategic relationship between sea lanes for its energy and commercial interests and broad security objectives from the Middle East to the South China Sea. True to the report’s assessment, the following years saw a rise in China’s maritime venture clearly indicating Chinese ambition to dominate both navigation and resources not only in its traditional waters in the South China Sea, but perhaps in the Indian Ocean and the Southern

Pacific as well. People's Liberation Army Navy's (PLAN) went from participating in the multilateral anti-piracy force off Somalia since 2009 to acquiring a port in Djibouti in 2015. PLAN has been increasingly sailing in the Indian Ocean and Pacific reinforces the fact that China has not only gradually entered into the blue water theater but is there to stay. As a result, China's quest for sea power culminated into Xi Jinping announcing the "21st Century Maritime Silk Road." Although not necessarily linked, Xi's announcement succeeded to reinvent the American phrase of "string of pearls" that emphasized China's security objectives into a Chinese initiative of BRI that projects an attractive win-win cooperation program on development and connectivity. Some China observers hold sympathetic views on China and see China's growing capabilities and plans commensurate to its size. However, the Chinese vision of acquiring "wealth and power," PLAN's plan to build both defensive and offensive capabilities, its recent behavior in the East China and South China Sea and its acquiring of equities and leasing of ports as host nations became unable to pay the debt, have cast shadows on China's "win-win" publicity of silk road.<sup>32</sup>

The larger objective of China's "Maritime Silk Road" seems to strategically connect the land belt and maritime road as both land and sea are parts of the same whole. Containers travel through both land and sea. China's BRI provides the prospects of connecting the Pacific Ocean with the Bay of Bengal, Arabian Sea, Mediterranean Sea, and all the way up to the Baltic Sea. Similarly, one understandable factor is China's clear need to diversify, shorten and secure primarily its energy supply route; the most important one being the diversification of China's Malacca strait choke point, famously known as "Malacca dilemma." Sixty percent of China's oil and gas import originates in the Middle East, and the containers travel through Straits of Hormuz off Iran, Arabian Sea, Indian Ocean off Sri Lanka, Bay of Bengal off Andaman Nicobar Island, Straits of Malacca and South China Sea to China's major east coast ports. From the origin up to the destination, the supply route is highly hostile. Incidentally, India had threatened China as far back as 1971 to close the Andaman Nicobar sea lane at the western entrance of the Malacca during the India-Pakistan war because of East Pakistan, which is now Bangladesh. A third of global crude oil and half of LNG passes through the South China Sea each year. And although the route is known as China's "lifeline," not only China but also all major powers like Japan, South Korea, and Taiwan primarily depend on the South China Sea route—in 2014, 84 percent of Japan's crude oil imports came from the Middle East.

China's port construction in Gwadar port in Pakistan and Kyapkuyu port in Myanmar and then the road and pipelines from there into the Chinese mainland and the Hambantota port in Sri Lanka, they all make sense in terms of its route diversification. The common visual representations of the "Maritime Silk Road" plan in international media show these ports as connected

dots in an imaginary maritime road that originates on the east coast of China and extends up to European waters. China got a thirty-year lease of Greece's Piraeus port in 2016. It already has stakes in over a dozen of ports in Europe. In 2017, China opened its first overseas military base in Djibouti, a tiny nation strategically located in the Gulf of Aden that bridges Asia and Europe. Djibouti has the United States' only military base in Africa. Similarly, China already has over a billion dollars of aid and loans invested in the islands of the South Pacific, in a region traditionally seen as Australia's sphere of influence. China is also eyeing the melting ice of the Arctic Sea by putting the region in its "Polar Silk Road" framework. Unlike other trade corridors, China justifies its interest in the region for its impact on China's climate and ecology, and labels China a "near-Arctic state." It has expressed its interest in investing in ports in South America—it already has a Memorandum of Understanding (MOU) with Colombia on its Buenaventura port upgrade and has shown interest in Venezuela. These global maritime investments, although not all the regions for now appear in China's silk road framework, show a similar pattern—strategic location, rich in natural resources and economic and trade potential.

It is a matter of concern whether China will use these ports as military bases in the future. Conor Kennedy argues that in China's military lexicon, the "strategic strong points" refer to overseas ports or bases, which allude to China's future plans to establish PLAN bases.<sup>33</sup> Nevertheless, what is quite clear now is that China wants to be everywhere and does not show sensitivity for the region's and subregion's historical, social, commercial and political dynamics. China seizing the Trieste port of Italy at the heart of the European Union is perhaps the best example. China building ports from the Westernmost point of continental Europe, Portugal, to South Eastern Europe, Greece, and Valencia in Spain and Trieste in Italy just a stone's throw away from major Central European cities and the shortest way so far to access Southern Germany, Europe's biggest economy, all this points to an undoubtedly massive entry into Europe's strategic space. China has further strengthened its engagement with Europe through the 16+1 cooperation format. As China's further development of Greece's Piraeus is already underway, China running its own version of supply chain in Europe, where it already has built some railways also, is not very far.

### **Silk Road Economic Belt**

Since 2011, Chinese freight trains started carrying HP laptop hardware products to Europe from Chongqing, China all the way to Duisburg, Germany. The journey takes sixteen days, which is much shorter than the sea route, crossing 11,000 kilometers through six countries. More than half of the global production of HP is produced in Chongqing, a booming hinterland city of

China. Similarly, in 2017, another Chinese train reached London. A freight train that left the city of Yiwu on China's east coast reached as far as the UK completing an eighteen-day-long journey through seven countries traveling the total distance of 7,500 miles or 12,000 kilometers. In 2018, the Chinese "maritime road" reached the west coast of Europe, roughly a thousand miles down from the UK in Portugal's Sines port, making a full ring of Chinese belt and road that encircles Asia and Europe with China as the motor of the whole new geostrategic and geo-economic space. And the ring does not simply join one end with another, but connects several dots of regional economic corridors and infrastructure connectivity initiatives streamlining both new and old connectivity and development projects. A natural pull to connect and grow was there for centuries as was evidenced by the ancient silk road. However, the process was disrupted by changing orders of the world. Due to colonialism and then the Cold War, these regions along the BRI got disconnected. Now once again there are Russians, Americans, Indians, Chinese, Iranians, and Europeans looking to forge their version of connectivity and development initiatives. Among all these players, China's BRI has come out as the clear game-changer; however, how sustainable such a grand connectivity scheme will be and in what form remains to be seen.

According to the BRI action plan outlined by the National Development and Reform Commission of China in 2015, there are the following economic corridors: Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula, China-Pakistan Economic Corridor (CPEC) and Bangladesh-China-India-Myanmar (BCIM)—in the updated version of BRI released at the second BRI forum in Beijing in 2019, the BCIM was dropped. China and Myanmar have prioritized the China Myanmar Economic Corridor (CMEC). One obvious reason would be the fact that India has been persistent in its policy to boycott the BRI. Nevertheless, China lays out an array of areas for cooperation, not only economic and cultural, but also a "common security" one, although it is not further defined what that common security framework will look like. Observing China's recent policies and actions in Central Asia, one can tell that China is seeking to expand its paramilitary forces base to contain terrorism from entering into its restive bordering region of Xinjiang. Other than that, China's major concern in the region is energy security and then the outlet to Iran, Russia and beyond.

To conclude, Xi's BRI has come as a continuation of the "going out" policy of his predecessors, but he has ramped up the scale of it substantially. The scale is such that raised concerns about China's plans. However, despite criticism, it is also widely accepted and promoted. The way Chinese are engaging in the wider world, it looks certain that the BRI will be China's major instrument of power projection. The rest of this volume will examine how China's next-door neighbor power India is adjusting to this new reality.

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## *Chapter Two*

# **India's Response to BRI**

### *South and South East Asia*

China's Belt and Road initiative (BRI), the latest manifestation of China's rise and its global ambitions, substantially affected India's long-standing status of regional rival by challenging it in several areas. First, in the immediate neighborhood, the BRI blatantly hit India's sovereignty as the China-Pakistan economic corridor (CPEC) passes through the disputed region of Kashmir, which India claims as part of its territory. Neighboring countries such as Bangladesh, Sri Lanka, Nepal, the Maldives, not to mention Pakistan, signed up for BRI membership which significantly harmed India's regional preeminence in South Asia. Second, in the diplomatic and economic realm at the international level, the increasing number of BRI members scares India of weakening its influence to accomplish its long-time global high table ambition. India strongly seeks the UN Security Council membership. In addition, India fears losing potential international markets which the Modi government desperately needs for India's economic growth and employment. Modi is branding India under his highly ambitious target of becoming a \$5 trillion economy by 2025 to attract foreign partners. However, India's growth has significantly slowed in its second tenure coming down to less than 5 percent.<sup>1</sup> Third, in the security realm, India's own effort to balance China or India's cooperation with the United States to do so by deeply engaging with likeminded partners hit roadblocks—mainly due to the “strategic stability” that followed the Modi-Xi Wuhan summit and India's decision to enhance security cooperation with Russia.

The relationship between India and China is defined as a geopolitical rivalry and a relationship that has varying levels of cooperation and conflict at different times. However, what is also true is the fact that India is on the

defensive whereas China is on the offensive. Any act of military or economic aggression, whether it is the 1962 war or the very recent Doklam-Bhutan tension or billions of dollars of economic engagement in India's periphery, every time it was initiated by China. Indian elites often resent the fact that China does not treat India as equal to itself and, interestingly, a section of Chinese elites often echo that inequality. Chinese are often heard saying that they do not see India as a competitor. They see Chinese activities as independent from Indian concerns but concede the possibility that China's engagement in its periphery by large scale investments and high effectiveness to make things happen might somewhat threaten the largest South Asian nation psychologically. Cognizant of the fact that India's economy is five times smaller than China's and that India lags behind China significantly in terms of the ability to make things happen, India has sought to leverage its strength that comes from a combination of factors: India's existing capabilities, broadening partnerships and future potential to stand as a separate pole in its vision of a multipolar world. India defies any other power including the United States and China to construct either a unipolar or bipolar world order.

Nevertheless, Chinese strategists certainly seem increasingly concerned about India's defense partnership with the United States or India's economic partnership with Japan, although not that worried about India as a stand-alone nation.<sup>2</sup> China also tends to downplay the potential threat, at least in the public domain, emanating from India. But that does not change the fact that India's approach is defensive, which largely determines India's policy toward China. At the same time, while working on increasing its own defense capabilities that will contribute to India's deterrence, India does not want to miss out on any opportunities China can bring to the table because the logic that the more you engage the more you minimize differences is also playing out in Indian thinking. Therefore, India has pursued a policy of engagement with China by carefully evaluating both harms and gains—joining the China-led Asian Infrastructure Investment Bank (AIIB) and protesting the BRI is a good example. So, with what strategy is India responding to China's BRI and how is it faring in that? And what possible path will it be taking vis-à-vis China in all this? This chapter will analyze these questions in the realm of its neighborhood, whereas India's response in economic and security realms will be discussed in different chapters.

## INDIA'S NEIGHBORHOOD

With the exception of Pakistan, India is the dominant power in the region of South Asia for its geography and its economic and military strength. India has been the most important player in shaping a South Asian strategic balance in its current form by disabling any effective alliance of smaller neigh-



borhoods against India's preeminence and advantageous bilateralism—an economic and trade system that is more mercantilist than regionalist. India is hyper-sensitive to external influence in its periphery mainly from its arch-rival Pakistan and its northern giant rival China, but also from any extra-regional players unless they align to promote India's interests and leadership. However, India's control has not gone as far as to stop these countries like Nepal, Bangladesh, Sri Lanka, and the Maldives to cultivate their relationship especially with China. In fact, this would not have been possible since other nations calculated that they needed to reach out to China for balance. In addition, in recent years, given India's own limitations in several areas, South Asian nations including India have sought Chinese finances and since the early 2000s South Asian markets started to get flooded by Chinese goods.<sup>3</sup> As China institutionalized its “going out” policy since the 1990s which swiftly grew worldwide through the 2000s, many projects were already being carried out by Chinese firms in South Asia and Chinese investment also significantly grew.<sup>4</sup> India's inability to forge any India-centric architecture in the region that would keep its smaller neighbors satisfied gradually led to increasing Chinese inroads through trade and investments. And with the advent of BRI to which all neighbors signed up, India's domination was reduced to a historical low as China's reach expanded into the sectors of infrastructure connectivity and even security—increasing military to military engagement is the case in point. For instance, China's People's Liberation Army (PLA) began its first bilateral joint military exercise with Nepal's Army in 2017 and continued the following years. They even signed a “strategic partnership” when Chinese President Xi visited Nepal. China's naval combat force began to be seen in the near waters of India. China was changing from an occasional irritant in India's relations with its neighbors into a permanent counterweight as its engagement deepens. As a result, India decided to follow a pragmatic approach in terms of responding to China's engagement with its neighbors. Pragmatic in the sense that India did not respond with economic sanctions or military measures, but with increased diplomatic engagement.

## **CPEC**

The fact that India happily joined the AIIB as a founding member but denied joining the BRI is not because of any kind of containment policy of India against China but it is a protest to the China Pakistan Economic Corridor (CPEC) that blatantly impinged on India's sensitivity. The CPEC passes through the Gilgit-Baltistan in the trans-Himalayan region or the Karakoram which India claims as part of its territory but is actually under Pakistan's control. India never got effective control over Gilgit-Baltistan despite Kashmir's accession to India.<sup>5</sup> Nevertheless, India has presented the CPEC issue

through the region as an attack on India's sovereignty and territorial integrity and the message has been "conveyed consistently" to China.<sup>6</sup> India's position on the Pakistan-administered Kashmir has been consistent, i.e., it has always protested any Chinese activities in the area during the 1960s and 1980s.<sup>7</sup> To be sure, India does not look at China the same way as it does at Pakistan because India also cooperates with China in many areas and has tried to be magnanimous. Minister of State for External Affairs Shashi Tharoor under PM Manmohan Singh's government even said in response to China's routine border incursion along the Line of Actual Control (LAC) that the Chinese border incursions are different from those of Pakistan because the Line of Control (LOC) is clearly defined, which in the case of China or the LAC is not, and that India's relations with China are "complex."<sup>8</sup> However, the extremely complicated India-Pakistan affairs and historical animosity undeniably comes into play regarding Kashmir. Not to mention the strategic implications of this corridor that enables unprecedented connectivity between China and Pakistan. The Sino-Pakistan alliance, the so-called "iron friendship," has always been a matter of grave concern in India's strategic circle. Therefore, India maintains its position of not endorsing the BRI. India's Ministry of External Affairs (MEA) puts the matter in the following way:<sup>9</sup>

We have seen some media reports alluding to our possible cooperation with China in "One Belt One Road" (OBOR)/"Belt and Road Initiative" (BRI). Our position on OBOR/BRI is clear and there is no change. The so-called "China-Pakistan Economic Corridor" violates India's sovereignty and territorial integrity. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity. We are of firm belief that connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality, and must be pursued in a manner that respects sovereignty and territorial integrity.

India refused to show up at the Belt and Road Initiative Forum for International Cooperation in Beijing in May 2017, in which 130 countries had some sort of representation, including the United States. Twenty-nine heads of state or governments participated in the Forum, including Russia's President Vladimir Putin, Turkey's President Recep Tayyip Erdogan and the United Nations General Secretary Antonio Guterres. At that point, India clearly seemed to be missing the train, as some commentators in Delhi opined that India should have participated and put forward its issues rather than totally boycotting it. However, India's absence apparently bothered Xi Jinping since India stands as an essential target country for the BRI, evident in multiple calls in the Chinese media for India to come onboard. As Xi's BRI comes under increasing international scrutiny under US leadership, highlighting the examples of unsustainable Chinese debt burden on host countries, India's

protest turns from a minority voice into global mainstream. India persisted officially to protest China's corridor in Kashmir as the violation of Indian sovereignty, the pressure of which was also increasingly felt in China. Not taking India onboard was a big setback for the reach of the initiative. As one of the largest markets that would become the second largest globally by 2030, India has tremendous potential for BRI. India, well cognizant of China's desire, retained its trump card to put pressure on China. India is making sure that it is not going to give its market to China on a silver platter.<sup>10</sup> On the other hand, China possibly feared that India might work to undermine the BRI as a whole. In fact, India worked with likeminded partners and reportedly succeeded to get the BRI label out of the UN documents in New York.

Meanwhile, the CPEC factor has not affected the long-standing continuity of conflict and cooperation between the two giant neighboring nations. Several highly significant events and instances mark the relationship: China and India face a stand-off in Doklam resembling the 1962 war. India becomes the member of Shanghai Cooperation Organization (SCO). New Delhi becomes the biggest recipient of AIIB finances. PM Modi and President Xi meet at the informal Wuhan summit that gave, in PM Modi's words, a "new momentum and trust" in the ties. And in another informal meeting in Mamallapuram between Xi and Modi, Modi spoke of a "new era of cooperation." India-China bilateral trade hits a historic high of \$95.54 billion in 2018 with \$57.86 billion of India's trade deficit.<sup>11</sup>

### **Smaller Neighbors**

It is an interesting coincidence that India's "business-minded leader" Modi—long-time Chief Minister of the state of Gujarat—became the Prime Minister of India just months after Xi Jinping had first announced the Chinese Belt and Road initiative in Kazakhstan. Xi had said on that occasion that "a nearby neighbor is better than a distant relative," heralding China's major policy priority toward its neighbor. For his part, a deeply religious Hindu leader of the Bharatiya Janata Party (BJP), formerly with the BJP's radical wing Rastriya Swayam Sewak Sangh (RSS), but with an outstanding record of economic growth in his home state Gujarat, Prime Minister Modi suddenly finds himself engaged in his added portfolio of national security and foreign policy and impressed many.<sup>12</sup> Against the backdrop of China's latest episode of active foreign and economic policy with strategic undercurrent, Modi's urge to strengthen ties with India's neighbors clearly manifested when he invited leaders from all South Asian nations, including Pakistan's Prime Minister Nawaz Shariff, to his swearing-in ceremony. While India's approach toward its neighbors in terms of its security concerns and global ambition was not new and most of the time the neighborhood was overshadowed by India's hostilities with the nuclear power neighbor Pakistan, the

concerns about Chinese inroads into India's every neighbor were palpable in Modi's policy. The subsequent frequent visits of Indian leaders to neighbors—from Modi himself and his External Affairs Minister Sushma Swaraj to India's ceremonial head President Pranab Mukherjee—showed India's recalibrated approach to revitalize economic and governance inter-linkages for regional development, security and stability and also the acceptance of the new reality that China is there, too. India's President Mukherjee's said the following in his parliamentary speech:

My government sent a unique and bold signal to the South Asian region and the world, by inviting for the first time in independent India, leaders of all South Asian neighbors to the swearing-in ceremony of the new Council of Ministers. This shows my government's commitment and determination to work toward building a peaceful, stable and economically inter-linked neighborhood which is essential for the collective development and prosperity of the South Asian Region. We will further work together with South Asian leaders to revitalize SAARC as an effective instrument for regional cooperation and as a united voice on global issues. My Government will engage energetically with other neighbors in our region, including China, with whom we will work to further develop our Strategic and Cooperative Partnership.<sup>13</sup>

Modi government's policy was not entirely new, PM Manmohan Singh's government had started the Strategic and Cooperative Partnership, emphasized the South Asian Association for Regional Cooperation (SAARC) and talked about making good use of China's growth for others in Asia. The change was more evident in terms of Modi's own outgoing personality, unlike PM Singh's and his doubling down on India's civilizational character and cultural-religious connections with neighbors supported by his frequent reaching out to neighbors as well as addressing old problems swiftly to give a fresh start. There was a clear strategic imperative in Delhi to fix problems quickly so that India could initiate new plans to secure its interest. Otherwise, India would be fighting a losing battle with China in South Asia and beyond. Modi's "neighborhood policy," his switch from "look east" to "act east" policy and the BBIN Motor Vehicle Agreement (MVA) indicated that India actively looked to forge its own version of connectivity in order to retain its influence in its vicinity vis-à-vis the Chinese push.

Modi's first visit was to Bhutan, India's only ally in the region, and the second to Nepal, also a nation with a security treaty arrangement and deep cultural ties. His foreign minister's first trip was to Bangladesh. Modi's government settled age-old problem of enclaves with Bangladesh along the border and accepted the UN decision to settle the maritime dispute in the Bay of Bengal.<sup>14</sup> In his first visit to Nepal, first by an Indian PM after PM Vajpayee's SAARC summit visit to Kathmandu in 2002, Modi highlighted the Hindu connections, a message mainly aimed at China that was increas-

ingly making inroads into the country, drumming the inseparable ties between the two nations. One of his visits was a religious circuit tour in which both nations announced holy sites bus connectivity to promote religious tourism. The Maldives was the only nation he did not visit in the first three years of his tenure since the island nation threw itself into Chinese arms. But that would change later as a leader that is friendly toward India won elections.

Nevertheless, despite Modi's push, China's BRI was an offer no neighbor could reject. While Modi's approach was positively different from his predecessors and went well among his neighbors, the long-standing lack of trust in the region shadowed that effort. India's neighbors perceive India's intention as trying to undermine others' interests to promote India's own and the image problem of being a "big brother" would not go away. Every country except for Bhutan (which does not have formal diplomatic ties with China) signed up to the BRI and deepened ties with China in several other realms to India's pain. Meanwhile, India's increasing realization that undue pressure would be counter-productive—for instance, a blockade on Nepal prompted a historic trade and transit agreement between China-Nepal, forced Delhi elites to handle neighborhood matters with care. India had seen similar backlash in Sri Lanka and the Maldives. India's own dynamics with China on the border—the Doklam standoff and the informal Wuhan Summit—pushed India on the defensive.<sup>15</sup>

## BIMSTEC: INDIA'S ROAD TO ASIA THROUGH THE NORTH EAST

To the discomfort of India, as China came out with an offer of big investments, countries in South Asia just like anywhere else immediately identified with the idea that infrastructure connectivity is the only way that can provide an essential foundation for economic growth and development. In fact, as discussed earlier in this book, the need for infrastructure in Asia was in line with the Asian Development Bank's findings that identified that emerging nations in Asia would need to invest \$8 trillion between 2010 and 2020. Not to mention that prospects of large investment on infrastructure appeal to leaders of developing countries where financial irregularities are a regular phenomenon.

However, for India, physical connectivity in its periphery would probably invoke an image of Chinese tanks rolling down to its borders—after the 1962 India-China war, India's guarding against China has been the core of India's defense policy. Similarly, due to India's psyche that has a civilizational root, for India the underdeveloped periphery would provide critical circles of protection. This would make sense as Indian policymakers are aware of India's limited military and economic strength vis-à-vis China. However, Chinese inroads forced Indian thinkers to change those defensive policies and pro-

mote a new narrative of India taking the lead to develop infrastructure connectivity in the north, mainly in northeast India and revive old connectivity plans or introduce new initiatives. One such initiative is to suddenly provide impetus to operationalize the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). PM Modi said the following at the 18th SAARC summit in Kathmandu, Nepal:

Our relations become stronger when we connect the lives of the ordinary citizens of our countries. That is why connectivity and services by road and rail are so important. We should also connect ourselves more by air. For India, our vision for the region rests on five pillars—trade, investment, assistance, cooperation in every area, contacts between our people—and, all through seamless connectivity.<sup>16</sup>

Given the fact that the principal regional organization of South Asia SAARC hardly functioned as a regional body especially due to the hostility between India and Pakistan, in the context of Chinese outreach to South Asia, India pushed the BIMSTEC platform to forge its leadership on connectivity in the region. At the 2014 SAARC summit in Kathmandu, Pakistan blocked the three connectivity pacts, inflicting huge disappointment especially on India. Consequently, India initiated the Motor Vehicle Agreement (MVA) including the four SAARC member countries—Bangladesh, Bhutan, India and Nepal (BBIN). However, the agreement signed in 2015 was in limbo for some years as Bhutan did not ratify the agreement, and eventually in early 2020 the remaining three nations decided to move forward. The implementation of MVA still remains to be seen. Meanwhile, India worked on reviving the moribund forum of BIMSTEC with the intention of stretching BIMSTEC's competence up to military cooperation.

BIMSTEC had remained a moribund forum since its inception in 1997 in Thailand. After almost two decades of its existence, its Secretariat opened in Dhaka, Bangladesh. Unlike SAARC, the forum does not have a charter. BIMSTEC is an international organization that connects South Asian and South East Asian countries—Myanmar and Thailand—and has wide focus with fourteen different areas for cooperation including trade, technology, fisheries, environment, and counter-terrorism. This platform has elements conducive to India's advancing its interests, such as the fact that India's east is a whole different story as compared to its west. India's west has been extremely complicated due to Kashmir, Pakistan, Afghanistan and beyond. The whole region is mired in conflicts and wars, whereas countries in the immediate east to South East Asia, there is peace and stability. There are fast growing economies. And India's north east can be a bridge to South East Asia. India eyed the opportunity to leave Pakistan behind as South Asian countries, despite their mild protest on ignoring SAARC, were quite positive

about the idea of strengthening BIMSTEC. The 4th BIMSTEC summit in Kathmandu took place amidst fanfare with leaders of all seven members.

However, India's strategy to bring BIMSTEC countries under India's regional leadership, including in the military domain, was quickly exposed as PM Modi surprised all participants in Kathmandu by announcing an all-members joint-military exercise in Pune, India, under the humanitarian assistance and disaster relief effort program immediately after the Kathmandu summit. India had been carefully planning the whole thing since the 2016 Goa summit, as revealed by PM Modi himself in his speech. Modi at the beginning of his speech touched upon the issue by saying that at the Goa summit in 2016, India and the member countries had agreed to conduct a disaster management exercise and meeting between national security advisors, but he did not mention the word "military" which he only did toward the end of his speech:

In humanitarian assistance and disaster relief effort, our cooperation and coordination are very necessary [. . .] Therefore, I cordially welcome the BIMSTEC Multinational Military Field Training Exercise (MILEX) and the conclave of army chiefs that are going to be held in India next month. India will also host BIMSTEC countries tri-service humanitarian assistance and disaster relief exercise. India is also ready for second yearly disaster management exercise. We are also ready to help in capacity building of officers engaged in disaster management.<sup>17</sup>

However, first Nepal, and subsequently Thailand, decided not to participate in the exercise to India's disappointment. Especially in Nepal, there was huge protest from several quarters about the country's participation which apparently was not sufficiently discussed politically or diplomatically. Modi risked the future of this alternative platform to securitize the organization which had been meant to be a cooperative mechanism and got a shocking rejection which many defined as India's tiny neighbor Nepal "snubbing" India. Eventually, Nepal and Thailand sent their observers to the exercise. Not long after the incident, in an objectionable manner, India's Chief of Staff made a statement saying that Nepal and Bhutan must be kept in India's security sphere. The whole story brought the same old dynamics of mistrust and disengagement which clearly prejudiced India's urgent need to counter China. This also added further pressure on Modi's government, as his opposition had already criticized Modi for not being able to have neighbors on India's side regarding China's action in the Pakistan-administered Kashmir—the CPEC—that breached India's sovereignty. India's Congress party's Manish Tiwari had said the following in the context of the BRI forum in Beijing in 2017, in which all of India's neighbor except Bhutan participated:

On such as vital question of Westphalian sovereignty that is so critical to India, why we are not able to carry any of the big powers along with us? And much less the big powers, even our own neighbors except for Bhutan? Everybody has gone and attended the [BRI] conference. Therefore, the question is not that the CPEC violates India's sovereignty, which it does under all circumstances, but the nimbleness, adroitness and depth our diplomacy demanded, that we should have convinced at least our neighbors and some of the big powers that this CPEC is in violation of all international covenants.<sup>18</sup>

Several factors explain this state of affairs in which India has diplomatically failed to take its neighbors: first, India had no track record of building standard regional connectivity infrastructure and trade facilitation; second, the level of mistrust in the neighborhood regarding India was under-valued; third, the importance that South Asian nations attach to Chinese outreach both for economic development and regional balance of power. The poor track record in terms of regional connectivity infrastructure is evident in the World Bank's assessment that South Asia is the least integrated region of the world with only 5 percent of intra-regional trade compared to 25 percent of that in ASEAN. Regarding the level of trust, India's relationship with its smaller neighbors is at best complex. Chinese inroads into South Asia have forced India to change the tone, otherwise in complicated areas of affairs for decades India had preferred a heavy-handed approach to force neighbors to accept Indian terms. The China factor is not new as China had always been reaching out to regimes in the region, although with a low-key approach, but enough to sustain a certain divide between them and India. Now in the context of BRI, there is yet another reason that these countries cannot chose to go into India's fold that easily in countering China.

India has been forced to go beyond its preferred bilateral approach to trilateral or multilateral as it is hard-pressed by increasing Chinese proximity in the region, hence the push for BIMSTEC. The concept is very similar to China's plan to develop its west through connectivity with Central Asia as India wants economic development in its northeastern state through connectivity to South East Asia. As former Indian diplomat Ambassador Shiv Shankar Mukherjee puts it:

In terms of geography, there is no such integrated zone in the world as the Indian subcontinent—ecosystem, terrain, river system, in every way, the geographic parameters naturally flow toward integration. But the reality is this region is the least integrated. We want to move forward. Our northeast is politically very important for us. We want economic development there. There are opportunities in BIMSTEC for India. BIMSTEC focuses on the northeast because the region provides the bridge to South East Asia. However, this cannot be fixed overnight. There are challenges, one of the major challenges is the implementation.<sup>19</sup>



The northeast region, which had been neglected for strategic reasons vis-à-vis China, has started receiving serious attention from Delhi that wants to make it well connected with the “mainland India.” Modi’s government announced the 19.3 km long bridge over the Brahmaputra river between the states of Assam and Meghalaya in 2018, an announcement that came right before the opening of the bridge between China and Hong Kong.<sup>20</sup> The plan follows the opening of India’s longest bridge—Dhola-Sadiya bridge—that connects Assam and Arunachal Pradesh, the construction of which had begun in PM Manmohan Singh’s tenure in 2011 with an objective to “cater to the strategic requirements of the country in the border areas of Arunachal Pradesh.”<sup>21</sup> Behind the economic development and connectivity rhetoric, as it seems, there clearly lies a strategy to secure India’s borders, since the state of Arunachal, which is claimed by China, is situated in the north east corner. As China advanced with its road and rail connectivity toward its south west, India responded with a similar strategy. This becomes even clearer as India was reluctant to cooperate on the Bangladesh-China-India-Myanmar (BCIM) cooperation, while buying time to forge the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC).

### BCIM CONNECTIVITY

Some observers argue that India’s policy is mercantilist even in terms of regionalism—it engages with China where it benefits, and it disengages where China benefits. The benefits for India relate to areas where India has strong engagement with China such as Asian Infrastructure Investment Bank (AIIB), Brazil-Russia-India-China-South Africa (BRICS), Shanghai Cooperation Organization (SCO), and Chinese investment in India. The benefits for China are related to the connectivity plans in South Asia that bring China physically closer to India’s periphery and the connectivity corridors run through areas where there are historical claims by China and where India fears China giving strategic advantage. CPEC is affected by the Kashmir factor where India’s sovereignty matter is at stake and, therefore, India simply cannot relent to China’s BRI here, let alone participate in it. However, the BCIM has all the right ingredients for India, such as nations with political stability and growing economy and importantly, Pakistan’s and Kashmir’s absence. During PM Manmohan Singh’s tenure, the Kunming Initiative or BCIM initiative grew significantly by culminating in a joint statement during Le Keqiang’s visit to India, and the first meeting of the BCIM-EC joint study group in Kunming. BCIM could positively complement India’s “act east” policy, therefore, although being watchful of its strategic advantage for China, India showed its intention to go forward with it, thus broadening the scope of cooperation. After BRI, as the BCIM became one of the BRI com-

ponents, India has turned away from its earlier indication, first in the Singh era and then the early years of Modi, that India can work together with China to develop common peripheries. India is clearly disengaging and focusing on its own connectivity initiative first.<sup>22</sup> Finally, in the updated version of BRI released in 2019 during the second BRI forum in Beijing, the BCIM was dropped from the BRI corridor list.

To conclude, India is responding with the same connectivity strategy of China to defend itself against Chinese inroads, influence or potential border conflicts. However, given its complex relationship in the neighborhood and neighbors' policy to maintain good relations with China to balance India, not all strategies are working for India. Besides, given India's own internal necessities and problems, no connectivity plans are taking off satisfactorily. In fact, the failure prompted many to argue that India should forget its periphery, let it take the course it takes and focus on other areas and regions beyond South Asia. The argument was at odds with the idea that for one to become a global power one's domination starts from one's neighborhood. The main challenge for India in corraling its neighbors against China is the fact that it is India, not the smaller neighbors, is the most vulnerable country in the region vis-à-vis China. Therefore, there is simply no common ground between India and its neighbors. As a result, South Asia is the least integrated region in the world. India wants to forge regionalism minus Pakistan and China. China wants to see itself included in South Asian fora. The Singh government and the Modi government both continued the cooperation spirit, however, after China launched its BRI, and especially the CPEC part, Modi's government turned away from its cooperation on economic corridors and connectivity with China but forged its own plans without China. Modi's effort helped keep neighbors in good working relationship, but only after accepting the reality of strong Chinese presence in the region.

## INDIA-ASEAN—SOUTH EAST ASIA

Indian defense and foreign policy experts debate India's role in the South China Sea theater to keep China at bay in terms of the Indian Ocean security. For South East Asian nations, which have come under stress in the increasing US-China rivalry, India's diplomatic overtures in the region have come as a welcoming balancer among different players. India is expected to do more in the policy of "free and open Indo-Pacific" (FOIP) that includes the South China Sea (SCS) by its partners Japan, Australia and, more importantly, the United States.<sup>23</sup> India has been participating in several bilateral, trilateral and multilateral naval exercises and trainings in the region that include a joint drill in the South China Sea with the Philippines, Japan, and the United States and India-Singapore exercises. The Malabar exercises between India,

Japan and the United States conducted for the first time a drill off the US Pacific territory Guam. Past Malabar exercises were held off India and Japan. India participates in the US-led largest naval exercises—Rim of the Pacific (RIMPAC)—off Hawaii and California, among others. However, the Indian establishment has not gone as far as to police or patrol the South China Sea.

In terms of any patrolling led by the United States or participating in the FOIP in South China Sea, India clearly has several constraints to project power in the seas claimed by China—India's own capability limitations, need for more prudence as India wants to deter China but not to go to war against China and South East Asian countries' delicate balance approach in the competition between China and the rest. The farthest India has gone in this regard is to seek a role in patrolling Malacca strait, but the littoral nations of the strait did not agree. Nevertheless, India and Vietnam did agree on cooperating on joint oil and gas exploration off the coast of Vietnam in the South China Sea, which prompted a strong reaction from China.<sup>24</sup> Vietnam and India elevated their relationship into a Comprehensive Strategic Partnership in 2016. Vietnam that has strongly stood up against Chinese forays in its near waters, especially Chinese oil rigs in its territorial waters, has emerged as India's best security partner in the region to hedge against China.

India's "look east" policy and now under Modi called "act east" policy (AEP) lays the foundation for India's proactive engagement with East and South East Asian countries including the regional block ASEAN. Modi's AEP comes in the context of China's introduction of the "Maritime Silk Road" and increasingly aggressive maneuvering of China in the South China Sea. In the East Asia summit at Nay Pyi Taw in Myanmar, in 2014, PM Modi in the first year of office launched his policy and sent the message across about India's position in the South China Sea.<sup>25</sup> He said:<sup>26</sup>

in a world of inter-dependence and globalization, there is no option but to follow international laws and norms. This also applies to maritime security. For this reason, following international law and norms is important for peace and stability in South China Sea as well. This also includes the 1982 UN Convention on Law of the Sea, which should be the basis for resolving disputes peacefully. We also hope that the efforts to conclude a Code of Conduct on South China Sea by a process of consensus would be successful soon.

Under these policy frameworks that initially emphasized economics, trade and connectivity, India and its Asian neighbors deepened their bilateral and multilateral ties, leading to several strategic partnerships and Free Trade Agreements (FTAs) over the last few years. Although the core of India's AEP is physical connectivity of its north eastern states with South East Asia—for instance, the trilateral highway between India, Myanmar and Thailand—not much has been achieved in that regard, nor has trade increased to its potential. But the policy has evolved in its scope and now the maritime

security cooperation between India and the region represents one critical aspect of it. China factor aside, India has an important stake in the extended neighborhood since about 50 percent of India's sea trade passes through the South China Sea and claims of territorial waters by countries like China, Vietnam, Philippines increase India's trade insecurity. Similarly, India subscribes to the idea of broader Asian economic integration and the Asian century, for which India's diplomatic engagement in the region became critical, not to mention the economic and trade potential India and these countries have. While Modi has prioritized Blue Economy, the East Asian countries want India to sign up to the Regional Comprehensive Economic Partnership (RCEP). In Modi's India, South East Asia is especially relevant due to historical and religious ties. India takes pride in the fact that India's epic Ramayana is deeply rooted in these cultures. There is the connection of Buddhism also. Modi wants to translate these connections into modern air, sea and land connectivity.

Modi has taken special initiatives to boost maritime cooperation and cautiously tried to accommodate the Asian nations' interests and concerns, notably the "ASEAN centrality" in the changing maritime context. Modi at the 15th ASEAN-India summit in 2017 in Manila said:

India's Act East Policy is shaped around the ASEAN, and its centrality in the regional security architecture of the Indo-Pacific region is evident. Maritime links established thousands of years ago between India and ASEAN countries have enabled our trade relations in the past and we have to work closely to further strengthen them.<sup>27</sup>

ASEAN lies at the crossroads where different maritime partners propose different terms of engagement. China puts direct pressure on the Asian nations by asking that their deepening ties with the United States will come at the cost of economic benefits coming out from China. The United States hesitates to apply the Chinese playbook that forces countries to choose between the United States and China. Australia wants the countries to take a stand, if not directly against Chinese maneuvering in the South China Sea, at least through an institutional principle at the ASEAN. India has raised concerns about ASEAN's silence regarding Chinese behavior in the SCS. ASEAN pursues the institutional policy of "neutrality" and "inclusiveness," and the South East Asian nations wary of Chinese backlash pass the buck to ASEAN. ASEAN has not been able to forge a common policy stance against Chinese activities in the SCS mainly because only five of ten ASEAN members are claimants in the South China Sea dispute against China. Indonesia, a key member of ASEAN, has strongly voiced its concerns against aggressive Chinese maneuvering in the SCS. Singapore for its part insists on accommodating China's "rightful place" and expects less-belligerent policies from the

United States and “quiet diplomacy.”<sup>28</sup> For their parts, Cambodia and Laos overwhelmingly rely on China.

Importantly, South East Asian nations see China as an integral part of broader Asian economic integration. Hiroyuki Akita from Nikkei Asian Review, speaking at the Hudson Institute in Washington, DC, argues that most ASEAN countries see China as a very important partner, in fact, in some countries China is seen as “the most important partner.”<sup>29</sup> This explains why ASEAN has failed to pursue a unified approach in terms of China. Both as part of ASEAN or as individual members, countries are playing it safe by avoiding getting caught in the crossfire between China and the United States. Moreover, the newly formulated concepts such as the “free and open Indo-Pacific” or the US Indo-Pacific strategy, India’s Security and Growth for All in the Region (SAGAR), China’s “Maritime Silk Road,” and the interplay between these policies have put a question mark on ASEAN’s relevance.

Against this backdrop, India, a weaker global power, despite increased diplomatic exchanges and visibility, has not achieved any significant footprint in the maritime security cooperation in the region. Despite pressure to commit strongly against China, India chose a conciliatory approach by adding “inclusive” to “free and open Indo-Pacific.” PM Modi did so in his speech at the Shangri La dialogue in Singapore. While Vietnam becomes a central partner of India’s “act east” policy with cooperation in defense and energy, as well as in countering Chinese maneuvering, Malaysia and Philippines remain cautious of India’s role. Malaysia has even criticized India for the treatment of its Muslim population. In fact, Malaysian Prime Minister Mahathir Bin Mohamad went as far as to criticize India’s scrapping of Kashmir’s autonomy at the United Nations General Assembly by calling it India’s invasion.<sup>30</sup> As violence against Muslims in India has increased dramatically under Modi—dozens of Muslims were killed in one day in New Delhi—India’s ties with Malaysia and India could possibly sever. While India enjoys excellent relations with Singapore for its historical and cultural ties, Thailand has come out as a good friend of China. In terms of its next-door neighbor Myanmar, despite the strong China factor in the nation, India has managed to take the country on board in its eastward engagement, but there was no significant takeaway. While Indonesia positions itself as a rising global power and increases its geopolitical projection, the ambitions of India and Indonesia, although strategic partners, looked likely to be in each other’s way in the Indo-Pacific leadership. India has emphasized ASEAN’s centrality in the Indo-Pacific and has granted that Indonesia has a key position in the forum and in the region that strides the Pacific and Indian Oceans. Modi held an India-ASEAN maritime summit in which leaders agreed to form a “mechanism for greater cooperation in the maritime domain.”<sup>31</sup> The ASEAN-India Commemorative Summit India in 2018 declared the “vision for a rules-based order for the oceans and seas.” It further declared that “respect for interna-

tional law, notably UNCLOS (United Nations Convention on the Law of the Sea) is critical for this.”<sup>32</sup>

### **India’s Limited Choices in the East**

India’s Andaman and Nicobar Islands lie about 100 km from the Western edge of Malacca strait where India has several military facilities.<sup>33</sup> India presently uses its fleet of reconnaissance aircrafts and patrols and its warships patrol to the West of Malacca.<sup>34</sup> During the 1971 India-Pakistan war that created Bangladesh, India had threatened to block the western edge of Malacca strait because of Chinese support to Pakistan. India eyed to join the Malacca Strait Patrol (MSP) run by the regional littoral nations Indonesia, Malaysia, Singapore and Thailand as an extended stakeholder. However, India’s proposal to conduct joint patrols in the strait was denied. The MSP is a quadrilateral framework founded in 2004 that conducts “Eye-in-the-sky” coordinated maritime air patrol and includes Intelligence Exchange Group and Monitoring and Action Agencies (MAAs). India’s entry into the MSP undoubtedly would have a critical strategic gain, but India’s proposal was interpreted by Indonesia as potentially impinging on the sovereignty of the littoral states which did not do “joint patrolling,” but “coordinated patrolling” in which each littoral nation patrols its own waters.<sup>35</sup> Despite the claims, or at least the expectations, that the ASEAN nations would seek India’s role in maritime security, China’s aggressive security maneuvering in the region and ASEAN nations’ increasing reliance on economic and trade relations with China have reduced the space for Indian engagement. Some are more welcoming for India than others.

Similarly, regarding the Regional Comprehensive Economic Partnership (RCEP), Minister for External Affairs S. Jaishankar justified India’s having cold feet and backing out from RCEP by arguing that there is not much on the table for India. Talking at the Asia Society in New York, minister Jaishankar said:

RCEP is a trade agreement and its merits and demerits must be weighed on the scale of trade. It has political, strategic implications and connotations but they cannot be principal criteria of evaluating a trade agreement. There must be good trade offers out there to justify that agreement. China is source of concerns for Indian business. And there are issues related to services, something which is important for India. How will these challenges be addressed?<sup>36</sup>

Jaishankar further said that India already has FTA with several of the RCEP participant countries and in the context of India’s already incurring deficits, doing FTA with new important partners such as Australia, China and New Zealand will only multiply India’s worries. True to what he argues, FTAs have not always worked in India’s favor, as expected. India’s FTA with

ASEAN, Japan and South Korea also resulted into growing trade deficits.<sup>37</sup> India's weakening manufacturing sectors and inability to benefit from the market access in FTA partner countries have increased India's fear of being fully exposed and exploited. However, although India decided to walk back from the mega deal of RCEP possibly for the short term, India has missed the opportunity to truly integrate with East Asian countries. While India has realized that its "center of gravity in terms of (our) economic interests and consequently of (our) strategic interest has steadily shifted eastward," not joining the RCEP will likely prejudice India's "act east" policy objectives.<sup>38</sup> In particular, it may be a missed opportunity for integrating India in the regional and global supply chain and it broadly negatively affects India's leadership ambitions in the Indo-Pacific. In any case, India decided not to join RCEP citing that the current deal is not in the interests of India.<sup>39</sup>

To conclude, Modi has successfully elevated the engagement with the region that is vital for India's economy and security. However, since US-China rivalry is being played out in the region, India has struggled to carve out a position that would boost India's influence. India has played safe by stressing on ASEAN centrality and international law as far as the South China Sea dispute is concerned, but it is also not clear how India's leadership in the Indo-Pacific will remain in harmony with ASEAN centrality or Indonesia's power projection. Nonetheless, the complex power tussles in South East Asia have played into India's advantage as big powers see a role for India in the near future.

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## *Chapter Three*

# **India's Response to BRI**

## *Central Asia and Afghanistan*

Subsequent Indian governments have tried to improve ties with Central Asia, mainly since the 2000s, and even more so in the Modi era. However, the lack of access to the region has left India in a far disadvantageous position vis-à-vis China. China shares its border with the Central Asian countries Kazakhstan, Kyrgyzstan and Tajikistan, in addition to Afghanistan. In order to overcome the barrier, India has pursued a policy to engage in whatever way it could, from betting on the regional and transregional connectivity plans across Central Asia, Russia and Iran, leveraging Russia's influence in the region to develop economic and security ties and increasing its presence to show that India is a willing partner in Central Asian ambitions if not a full competitor of China. As a result, India has to some extent succeeded in elevating the diplomatic interactions by convening the India-Central Asia dialogue, which under PM Modi was elevated to foreign ministers' level that included Afghanistan, or joining the Shanghai Cooperation Organization (SCO) and increasing the trade turnover to near \$2 billion from few millions a few years ago.<sup>1</sup> However, in comparison to China's inroads in terms of economy and trade, connectivity and defense cooperation, India does not qualify as a real competitor despite the goodwill India has among the people of Central Asia.<sup>2</sup> But India has a window in that the Central Asian nations do not want to put all their eggs in China's basket. Therefore, India is likely not going to stop pushing its own agendas. India's interest in importing uranium and other commodities will grow further. Economic indicators are attractive for international investors in Central Asia—an opportunity India clearly will not want to miss out on. And the strategic and security imperatives will motivate India to engage more to remain in a new “great game” in Central

Asia for which India seems to be driven closer to Russia to leverage Russian influence in the region. In fact, for fearing of being left out and the uncertainty emanating from the United States President Trump's policy, India has even agreed to work with China in Afghanistan. In the growing context of "Sino-Russia rapprochement," India seems more likely to cooperate with Russia and China as India's concern regarding Pakistan potentially benefiting from such rapprochement grow.

### REVIVING CONNECTION

Although energy security makes an important element of India's diplomacy, New Delhi could not pursue effective engagement with Central Asia mainly due to the geographical disconnect and geopolitical complications because of Pakistan and China. Although the Indian PM Atal Bihari Vajpayee had talked about a new silk road as far back as in 2002 during his visit to Kazakhstan, ironically, it was China who substantially deepened and broadened its ties with the region in the 2000s, which culminated with a Chinese version of the new silk road in 2013 that managed to alarm world powers including India.

India had tried to get into the game by doing high-level visits to signing defense agreements and formulating a "Connect Central Asia policy" in 2012 under PM Manmohan Singh that envisaged cooperation in wide areas including banking, e-network and Comprehensive Economic Cooperation Agreement (CECA) in an integrated Eurasian economic space.<sup>3</sup> All that became more charged when in 2015 PM Modi visited all the five Central Asian countries—Tajikistan, Kyrgyzstan, Kazakhstan, Turkmenistan and Uzbekistan—showing India's serious intention to engage. Modi became the first Indian PM to visit all the Central Asian five nations. Former Indian PM Narasimha Rao had visited four of the five countries in the early 1990s. PM Vajpayee visited Almaty, Kazakhstan in 2002 and PM Singh visited Uzbekistan and Kazakhstan twice each. For their part, leaders from Kazakhstan, Tajikistan and Uzbekistan have been visiting India since the end of the Soviet Union on several occasions. In fact, Kazakhstan's President Nursultan Nazarbayev had the honor to be the chief guest at the 2009 Republic Day celebrations in New Delhi as India sealed a uranium supply deal with the resource-rich Kazakhstan.

Similarly, the International North South Transport Corridor (INSTC), which is also known as the India-Russia Corridor envisaged by India, Iran and Russia back in 2000. It remained largely moribund mainly due to Western sanctions on Iran but got fresh impetus as sanctions were lifted on Iran by the Obama administration (the Trump administration has brought the sanctions back, which has caused some uncertainty on the corridor plan).<sup>4</sup> India's

bid to build the Chabahar port in Iran that was very slow to take off finally got off the ground, and India took over the operation in 2019. Meanwhile, India had already built a highway in Afghanistan from near the Iranian border at Zaranj to Delaram and handed it over to the Afghan government in 2009. India's quest for connecting with Central Asia got a further boost as the founding members of the Ashgabat agreement, a multi-modal transport connectivity agreement between Central Asia and Persian Gulf, accepted India's bid to join. The Ashgabat agreement established the International Transport and Transit Corridor (ITTC) between Uzbekistan, Turkmenistan, Iran and Oman in 2011 in Ashgabat, Turkmenistan. Moreover, India's ratification of Transports Internationaux Routiers (TIR) shows India gradually putting building blocks for its larger transport connectivity and trade facilitations plan. Building upon all these strategic infrastructural developments, India seemed much better positioned in terms of a broader connectivity plan through Iran, Central Asia, Russia, and beyond.

The region that was so closely connected through geography, civilization and culture with the Indian subcontinent was separated from India by an insurmountable barrier created by the India-Pakistan partition. The founder of the Mughal dynasty of India, Babur, came from the Ferghana valley in current day Uzbekistan. The famous poet of the subcontinent, Mirza Ghalib, was of Uzbek heritage. While Buddhism extended farther east from India via Central Asia, the Indian subcontinent had Sufi influence from Central Asia. In the Soviet era, Indian cinemas expanded India's soft power. But in terms of real substance in the relations, the disconnect has been such that the containers that leave from Kazakhstan for India have had to go through China, South East Asia and the Indian Ocean to reach the Indian coast. India has been denied the shortest route to reach Central Asia since Pakistan does not provide India access. And in the post-partition subcontinent, Pakistan enjoys geographical contiguity with Iran and Afghanistan and shares those historical and cultural ties. Consequently, subsequent Indian governments did not sufficiently prioritize the region through the Cold War and in the post-Cold War the relationship was marked by several high-level visits and gamut of agreements, but given the lack of access, progress was suboptimal. The joint statement between India and Uzbekistan in 2011 in the leadership of PM Manmohan Singh had emphasized:

the absence of surface transport connectivity as one of the reasons for the low level of trade between the two countries. To resolve these connectivity problems, the sides discussed implementation of such projects as the Trans-Afghan corridor and the project to establish the Central Asia-Persian Gulf corridor. The implementation of these projects may considerably cut down the distance and costs for transportation of goods between Uzbekistan and India, as well as provide Afghanistan the opportunity to integrate into the regional system of transport connectivity. The sides agreed to continue their work in terms of

looking for various options for surface connectivity between India and Uzbekistan.<sup>5</sup>

Although Modi's government seems determined to change all that, due to the continuous lack of land and sea access, challenges have remained. The fact that India's trade figure with Central Asia remains at less than US \$2 billion despite PM Modi's effort to bring the region onto India radar vis-à-vis China's \$30 billion and Russia's \$18 billion clearly shows India's inability to improve things on the ground.<sup>6</sup> India's trade with Central Asia has grown from \$108 million in 2000 to \$1.5 billion in 2017, but the figure is largely dominated by India-Kazakhstan energy transactions and Kazakhstan has a large trade surplus.<sup>7</sup> Only India-Kazakhstan bilateral trade accounted for \$1.2 billion in 2018 and India-Central Asia trade turnover is at 1.1 percent only.<sup>8</sup> In a region where Russia continues to be the dominant security player since the early twentieth century and where China is now emerging as the dominant economic player surpassing Russia by big margins, to what extent can India benefit from Central Asian resources and market and vice versa is the main question; not to mention the possibility of India being an influential player or really competing with China for that matter.

However, that does not seem to deter India from remaining in the game in whatever way it can because apart from Indian interest in economy, energy and Chinese inroads in Central Asia, Modi's government has to continue to deal with the critical area of security and terrorism—especially the instability in Afghanistan and emerging ISIS threats in Central Asian nations. Above all, India's archrival Pakistani state's dubious connections with extremist outfits in Pakistan and Afghanistan, and Pakistan's own vision of connectivity with Central Asia undoubtedly remain the major drivers of India's outreach to Central Asia.<sup>9</sup> In fact, the Indian approach to partner with every regional player when and where beneficial—whether the United States in Afghanistan or Russia in Central Asia—corresponds largely to India's concern regarding Pakistan and China-Pakistan proximity. India needs to maintain excellent ties with Iran because, apart from energy, the sections of Chabahar port of Iran built by India provide the only reasonable connectivity route for India to Central Asia via Afghanistan. India's investment in Chabahar port is also evidence of the fact that India is willing to compete with China-built Gwadar port in Pakistan a few miles east.

Similarly, India's approach goes as far as partnering even China in Central Asia to mitigate India's concerns and optimize India's benefits—the fact that India and China in the post-Wuhan period are launching a trilateral cooperation mechanism in Afghanistan is a good example. India's strategy to engage various partners has shown some success in that with Russia's help India has managed to get into the SCO in 2017 as a full member—although many in New Delhi disagreed on such overtures—endowing itself with more

clout and a structured platform to engage with Central Asian countries, in addition to its policy of checking China. Pakistan was also inducted together with India into SCO. Modi also announced India's intention to sign Free Trade Agreements (FTA) with Central Asia, therefore, talks were started between India and the Russia-led Eurasian Economic Union (EEU). Modi emphasizing EEU indicates his pleasing of Russia and his interest in safeguarding India's interests hoping that the countries in the region work more in tandem with each other which they often do not. India-Russia strategic proximity even led Modi to Vladivostok where he announced \$1 billion Line of Credit to push Putin's agenda of developing Eastern Russia during his first participation in the Eastern Economic Forum (EEF).<sup>10</sup>

## CHINA AND CENTRAL ASIA

Central Asia has been China's most natural region of outward engagement as far as the BRI is concerned, mainly to secure energy supply from Central Asia and connect further toward the Persian Gulf and Eurasia. As an immediate neighborhood that has both large economic prospects and threats of terrorism and instability, China has been extending massive investment and deepening defense cooperation. Chinese involvement in Central Asia is massive and long-term both in terms of its investment and energy and transport connectivity. China has emerged as the savior of the EEU member economies, for instance, China has in recent years provided the EEU member countries—Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia—about \$98 billion in investment for 168 projects including several projects under the Belt and Road Initiative (BRI).<sup>11</sup>

Many have argued that China's intention is to make the nations in the region acquiesce to align with the Chinese policy agenda, which will turn the region into a Chinese sphere of influence. However, like India's Kashmir concern, China has its own security concerns especially regarding China's restive province of Xinjiang. Therefore, China has sought to increase its security presence in the area to the extent that it reportedly established a military base in Tajikistan.

Pamir mountain ranges separate the borders of Tajikistan and the Wakhan corridor of Afghanistan and China. The border between Tajikistan and China is situated at a high altitude of over 14,000 feet at Kulma Pass where the Asian highway runs through the pass. Although largely disconnected due to difficult terrains, China's BRI and its westward involvement are being felt in the land-locked country which is distinct from four other Central Asian nations because of its Persian heritage. Since the Tajik establishment wants to diversify its traditional Russian influence by engaging all other powers near and far including the United States, China and Iran, it ceded the land to China

in 2011 in an effort to settle long-standing border disputes with China and improve relations; however, many saw this arrangement as proof of China's increasing land grab in Central Asia. Tajikistan leased to China about 6,000 hectares of land for agriculture. In terms of mining, China buys 85 percent of Tajikistan's gold production. China's policy of economic marriage to alignment of security policies with Tajikistan was effective, even though the people of Tajikistan do not have a positive image of China. The China-Turkmenistan pipeline, in which China has invested billions of dollars, passes through Tajikistan. There are speculations about China trying to form an alliance with Pakistan, Afghanistan and Tajikistan.

In terms of defense cooperation, while India has the advantage of Russian technology commonalities with Central Asia to develop cooperation, China has the edge of its modern Chinese military equipment of Russian origin.<sup>12</sup> China has increasingly been emerging as a high-tech military equipment manufacturer, and Central Asia is the most suitable platform for China to make use of that, mainly for its BRI, energy and Xinjiang reasons. In 2016, Turkmenistan displayed its newly acquired Chinese air-defense system, marking a departure from the Central Asian defense architecture hitherto dominated by Russia. Both countries have pledged to enhance military cooperation and elevated the ties to "strategic partnership."

Apart from the SCO agenda on fighting terrorism, China and Kazakhstan have also pledged bilaterally to fight the "three evil forces" of terrorism, extremism and separatism, deepen defense cooperation and cooperate on intelligence sharing. China and Kyrgyzstan conducted the first joint military exercises in counter-terrorism. The US-China Economic and Security Review Commission's report argues that China's security presence in Central Asia is likely to grow over time.<sup>13</sup> The fact that the Chinese-built railway in the region has military specifications indicates China's long-term security plan.<sup>14</sup> The authoritarian-style of governance in Central Asia gives advantage to China to disseminate its selected information.<sup>15</sup> Several experts argue that China's approach to Central Asia is increasingly more strategic compared to the ad-hoc policies of the past. And since the Russia-led Collective Security Treaty Organization (CSTO) remains as a block without real substance, China is likely to make far-reaching inroads in the security realm as the countries' dependence on China increases. For instance, with Kazakhstan and Uzbekistan China has been partially trading off its energy purchase with defense deals.

## INDIA-CHINA IN AFGHANISTAN

In 2012, China and Afghanistan signed a strategic and cooperative partnership in Beijing where Afghanistan also became an observer at the SCO.



China stepped up its effort to stabilize Afghanistan as the war-torn nation stands at the strategic crossroads in terms of China's Belt and Road initiative. Thus, China took various steps, such as organizing an invitation to the Taliban in Beijing, organizing several forums to reconnect Afghanistan to bilateral and trilateral partnership and engaging in the peace process either led by the United States or Russia. Its large investment in a wide range of fields from construction to mining on the one hand, and its deep ties with Pakistan that sees Afghanistan as its sphere of influence on the other hand, increased China's clout. As the United States contemplated leaving Afghanistan, China sought to get a foothold in Afghanistan and be involved in the country's economic and political future.

China has been building a 176 km long highway, part of Afghanistan's North-South corridor that enables the trans-Afghanistan connectivity between Uzbekistan and Pakistan as China eyes to join the CPEC corridor and Central Asia via Afghanistan. China has long been involved in Afghanistan's natural resource industry that is rich in gold, copper, chromite and lapis lazuli. However, the lack of land connectivity has been a setback for trade—although Chinese freight trains have reached Afghanistan via Kazakhstan and Uzbekistan, regular transportation is still not practical. The cost is still cheaper for China to use the maritime route to get to Afghanistan.

China's concern is that the Uyghur militia from Xinjian—members of East Turkistan Islamic Movement (ELIM), an ethnic Uyghur separatist group—take refuge and training in Afghanistan. In order to prevent this, the militaries of China and Afghanistan have cooperated to build a mountain brigade in the northern Badakhshan area in the Wakhan corridor near the Chinese border. In fact, according to media reports, China has plans to build a military base in Afghanistan close to China's Xinjiang.<sup>16</sup>

China has even brought India into its trilateral in an effort to gain foothold in Afghanistan. At the Wuhan summit, Xi and Modi agreed on “strengthening policy coordination in surrounding regions, and discussed about developing ‘Sino-India-Plus’ cooperation.”<sup>17</sup> For its part, India, fearing being left out or remaining on the margins among major players in Afghanistan, has looked for opportunities to work together with the United States, Russia, China or others. China's economic and security involvement in Afghanistan added to India's worry. China has even managed to scale down India's investment in Afghanistan, most likely due to Pakistan's desire. India initially agreed to invest in infrastructure, agriculture and connectivity, but China convinced Modi to limit the investment to capacity building, to the disappointment of Afghanistan. Some commentators believe that India-China economic cooperation in Afghanistan will be a “major breakthrough.” India is willing to work with China on Afghanistan. The Indian Deputy Ambassador to China says “we are hopeful that we will be able to identify more specific projects which can be jointly done by the government of India and government of China for

the benefit of Afghanistan.”<sup>18</sup> India spent \$3 billion in seventeen years for nation-building projects in the country from training and capacity building to road infrastructure to building public buildings.<sup>19</sup> Also, India and China began their cooperation with joint training for Afghan diplomats in India and China.

### INDIA’S OUTREACH TO CENTRAL ASIA

India went to Central Asia to look for uranium post-Indo-US civil nuclear deal and after the Nuclear Suppliers Group (NSG) lifted nuclear trade sanctions on India in 2008. As it started competing with China, India responded with its own vision of connectivity across Central Asia and beyond which added further urgency to Indian diplomacy, reflected in PM Modi’s bilateral visits to the “extended neighborhood,” in addition to those on several other occasions, including the SCO Summit in Kyrgyzstan. India’s President also visited the region. The Indian External Affairs Minister Sushma Swaraj visited the region several times. In addition, the novelty Modi’s government brought on this front was to integrate Afghanistan with Central Asia in its diplomatic outreach—the first India-Central Asia dialogue, a model similar to Japan’s engagement with the region, despite being a distant neighbor which brought together all the foreign ministers of Central Asia and Afghanistan. In the words of Indian EAM Swaraj, the dialogue is “the starting point for a new era in relations between India and Central Asia.”<sup>20</sup>

India’s approach to Central Asia in the post-BRI era has been to provide further impetus to the policy of integrating in its Central Asia policy the stability in Afghanistan and enhanced regional and trans-regional connectivity mainly by building a North-South corridor just as China is set to build its East-West corridor. Commentators in Delhi seem to agree on the fact that Modi’s government’s hard work is showing some results. While PM Singh had also emphasized the importance of Afghanistan in its approach to Central Asia and connectivity, given the completion of some projects and better prospects due to changes in regional or international balance, Modi’s government seems to have played its cards well, or at least some experts in Delhi feel that way. Building on that success, EAM Swaraj called upon the Central Asian nations to make use of Chabahar port to enhance greater connectivity in its bid to overcome the lack of access and deepen commercial and investment ties. Similarly, emphasizing India’s policy of extending credits, EAM Swaraj proposed an “India-Central Asia Development Group” to further India’s development financing backed by India’s Line of Credit (LOC) instrument. According to the press statement at the first India-Central Asia dialogue in Uzbekistan, EAM Swaraj said:

Development partnership has emerged as an important component of India's engagement with other countries. Today, I offered to extend this partnership to Central Asia as well, where we can bring our countries closer by taking up concrete projects, inter alia, under our Lines of Credit and Buyers' Credit, and by sharing our expertise.<sup>21</sup>

India extended some credits to Uzbekistan through the 1990s and 2000s, which at times remained unutilized, and Modi's government continued that trend by increasing the Line of Credit significantly to Uzbekistan in other areas. Compared with the LOC of \$10 million in 2004, India's Prime Minister and Uzbekistan's President signed a \$200 million LOC from India for housing and social infrastructure in Uzbekistan during the Vibrant Gujarat Summit as the two leaders also signed a uranium supply deal.<sup>22</sup> The two countries had established a strategic partnership in 2011 when the Singh government signed several agreements with Uzbekistan. India's policy of reaching out to revive civilizational links has moved on to project India's soft power, which then led to gradually building defense ties. With an eye on long-term defense relations with the biggest military of Central Asia, Modi signed several defense related agreements with Uzbekistan's President that include joint military exercises in counter-terrorism to a potential defense manufacturing unit for India with a view to meeting an ambitious bilateral trade turnover target of \$1 billion.

Similarly, in his visit to Kyrgyzstan during the SCO summit, PM Modi announced a \$200 million LOC for business and economic development of that country and that the two sides would strengthen defense and security relations by taking their relations to strategic partnership level. Since 2011, the two countries started the "Khanjar" military exercises, and Modi is elevating the defense ties by extending a further \$100 million for military modernization as Modi invited Kyrgyzstan's President Sooronbay Jeenbekov, the chair of SCO, to his swearing-in ceremony in May 2019. Given the fact that India and Central Asia share Russian defense equipment, India sees opportunities in defense industry and trade ties with these countries as Indian companies have products for Russian platforms—for instance, the Kyrgyzstan military requested equipment produced by Hyderabad-based Zen Technologies.

## **Tajikistan**

Tajikistan's capital Dushanbe is the closest one to New Delhi among Central Asia's capitals, situated at a distance similar to Kolkata, and the two nations established a strategic partnership covering wide areas of cooperation, including defense and has been marked by many high-level visits. The country has a highly strategic value for India as it shares a 1,345 kilometers long porous border with Afghanistan and lies just a few miles north of Pakistan-administered Kashmir across the Wakhan corridor of Afghanistan. Until re-

cently, India was the fourth country to have a base in Tajikistan after Russia, France, and the United States. Now the emerging evidence that China has a base close to the Wakhan corridor has come out as a big blow for the Indian strategic partnership and the security cooperation there. India established an air base in Ayni in 2002 for relief and reconstruction in Afghanistan and also had been running a hospital in Farkhor. With interest to form a military base, India upgraded the airport runway to 3,200 kilometers. However, the base is logistically very difficult. The problem of airlifting to the capital Dushanbe and driving through surface to Ayni and Farkhor on the one hand, and politically uncertain whether it would be allowed to operate militarily on the other. Tajikistan ruled out India basing its military in Ayni. Now India's trying to give a fresh push with Indo-Russia ties deepening and with its membership of the SCO. However, the news about China's base in the country seems to have left India much behind China in terms of cementing its ties with Tajikistan. Despite the goodwill India has had, subsequent governments have failed to transform that into substance and qualify it as a competitor to China.

Tajikistan has been a litmus test for India, which had a favorable condition in the region after the United States got involved in Afghanistan. But while the United States considered leaving, Modi had not been able to close any substantial defense and security deal with the country. As former Indian ambassador Bhadra Kumar characterizes India's relations with Central Asia, "we are very thin on the ground."<sup>23</sup> Despite India's usual focus on trade connectivity, air corridors and tele-services, the best India could do, given the lack of access, is to get to an export-import volume of about \$74 million in 2018, whereas China's bilateral trade was \$1.5 billion the same year.<sup>24</sup> Despite governmental effort, Indian companies have not paid much attention to the market because of the logistical complications. For instance, although Tajiks love Indian tea, there is no Indian tea available on the market, says Tajik Ambassador to India's Jalolov Mirzoshariff.<sup>25</sup> During India's President Pratibha Patil's visit to the mineral resources rich nation in 2009, Tajik President Imamoli Rahmon agreed to allow Indian firms to explore uranium deposits, but Indians have not been able to reap anything significant.

## TURKMENISTAN

Energy supply diversification, mainly to reduce over-dependence on export to China that travels through Chinese-built pipeline, has been the political priority of strongman Gurbanguly Berdymukhammedov, President of Turkmenistan—a country that has the world's fourth largest gas reserves. Russian Giant Gazprom completely stopped buying gas from the country by 2016. In the meantime, the energy hungry South Asia eyes the resources there. That is where India and Pakistan come in as part of TAPI, a transnational gas pipe-

line project between Turkmenistan, Afghanistan, Pakistan and India. Despite the volatile situation in Afghanistan, the Turkmenistan-Afghanistan pipeline section has already been inaugurated. However, in terms of India's use of its share from the 33 billion cubic meters of gas pumped annually from Galkynysh gas field, uncertainty has only increased as the United States started to negotiate with the Taliban and potentially provide them political space in the post-peace deal Afghanistan. India's policy of working with the Afghan government and boycotting the Taliban and Pakistan's policy of engaging the Taliban, or even sponsoring them, as India claims, in addition to India-Pakistan relations hitting rock-bottom after India's move to end the autonomy of Jammu and Kashmir are most likely going to put the ambitious multi-billion dollar plan in limbo—a 1,814 kilometers or 1,127 miles long project which is already too risky for financiers. Pakistan has signed the final "host government agreement" with Turkmenistan and hoped for the groundbreaking of the project in Pakistan in 2019. China, for its part, would like to turn the TAPI in a way that safeguards its own strategic interests. Cognizant of the scenario, PM Modi, in his visit to Ashgabat in 2015, mentioned the need of sea and land connectivity with India through Chabahar port which seems more plausible than TAPI for India. And since India is already part of the Ashgabat agreement, India has a better bet with Turkmenistan.

India and Turkmenistan define themselves as likeminded countries given Turkmenistan's strict neutrality and non-membership of any regional organization and India's leadership of the Non-Aligned Movement (NAM) and long-standing belief in and promotion of neutrality. In his visit to Ashgabat on the occasion of the twentieth anniversary of its policy of neutrality of Turkmenistan—India was also a co-sponsor in the UN Resolution on Turkmenistan's policy—Indian Vice President H. Ansari said the following:

As one of the founding members of NAM India has always taken a supportive position on Turkmenistan's neutrality. We have—both bilaterally and at international forums—conveyed our appreciation of the positive contribution made by this policy toward providing security, stability, sustainable development and humanitarian assistance.<sup>26</sup>

Apart from the energy focus, India has sought to deepen economic, political and defense ties with Turkmenistan, which is strategically important for India, not least in view of its vision of the India-Russia corridor and India-Central Asia access. As Iran came under stress again due to the re-imposition of US sanctions, Iran seemed cautious not to make too much out of its gas disputes with Turkmenistan and that would work in favor of Modi's connectivity plans. Although the three countries—Tajikistan, Kazakhstan and Kyrgyzstan—have strategic partnerships with India, the term strategic partnership that India has with many countries seems to be merely nominal. Turk-

menistan's gas exports to China in 2018 reached \$8.1 billion and large revenues generated by that export end up in China since China has invested billions to develop those gas fields in Turkmenistan.<sup>27</sup>

## INSTC

India and the Eurasian nations are putting their bet on transnational corridors and connectivity as a major driver for economic growth. While connectivity is a requirement for energy suppliers of Eurasia and the energy-hungry South Asia, potential increase of trade of goods and services is being emphasized for their expected benefits to spill over to the communities. With successful completion of its domestic connectivity project—Golden Quadrangular highway that connects the biggest cities of India such as Kolkata, Delhi, Mumbai and Chennai and passes through several industrial and cultural hubs—India is willing to expand that connectivity transnationally. As discussed in this book, India eyes being part of the cross-Asia supply chain connecting South East Asia to West Asia and beyond. That is where India's priority of INSTC comes in.

Similarly, Central Asia is also stepping up its connectivity plans. With the new leadership in Uzbekistan that lies at the heart of Central Asia and shares borders with the other four countries, the country has prioritized transport connectivity to diversify its economy. Uzbekistan-Kyrgyzstan-China railway plans have been moving forward after lengthy negotiations that finally made important headway in 2017. This railway would cut China's distance to Central Asia, Iran and further to the Caucasus and Europe by several times from existing routes. Similarly, connectivity projects such as the Mazar-ed-Shariff to Herat route that connects Afghanistan with Central Asia and beyond and trans-Afghan transport route opening to Chabahar and Bandar Abbas in Iran and to Mumbai via Iran, as well as Gwadar and Karachi in Pakistan will change the landscape significantly. In the same way, the Turkmenabad-Farhad railway between Uzbekistan and Turkmenistan gives an opening to South Caucasus and Eastern Europe. For their part, Iran and Azerbaijan have prioritized their section of freight train to connect the European and South Asian part of the INSTC. Kazakhstan has also been interested in participating in the India-Iran corridor through Chabahar via Uzbekistan. For its part, India has expressed its interest in connecting INSTC with Central Asia via Iran-Turkmenistan and Kazakhstan railway. Russia has been particularly stressing the need for quick progress on INSTC and increased trade with India. Nevertheless, India has been concerned about renewed US sanctions on Iran by the Trump administration.

To conclude, India is late in the game in Central Asia. A Central Asia expert in New Delhi, Ambassador P. Stobdan, argues that it was a mistake on

India's part to not do enough in the region citing the "obstructions of physical connectivity, Pakistan's hostility and Afghanistan's instability."<sup>28</sup> Meanwhile, other countries have been deepening their ties, not to mention China who has even surpassed the traditional power Russia in the region in several domains. Amidst suspicion that China will forge a regional architecture with China at the center to influence the region under BRI, Modi has shown some diplomatic success in bringing the Central Asian nations including Afghanistan together in the India-Central Asia dialogue. Also, in the domains of connectivity, trade, and even security, there have been improvements. However, it does not seem likely that India will grow its ties to the level that it can exercise influence in the region in the foreseeable future.

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*II*

# **India-China Global Competition**



## *Chapter Four*

# **India and China in Europe**

Because of China's all-out business and investment expansion policies which presumably carry strategic weight and political influence, India is not only competing with China in South Asia, but undertaking an active diplomacy to reach out to other regions and partners to come after China on many fronts: defense, trade, investment, technology, space, maritime, infrastructure, connectivity, institutions and partnerships. After building a strong relationship with the superpower United States, India prioritized deepening its relations with the economic powerhouse Japan and middle powers such as Australia and, more recently, giving an extra push to the Indo-European relations.

While China has already succeeded in gaining a strong foothold in the region as an important trade and investment partner of several European countries, India's trade value with Europe, although increasing, is modest. For instance, India's largest trading partner in Europe is Germany and it ranks as the twenty-seventh import partner of Germany, whereas China is the number one.<sup>1</sup> However, India as a democracy has a strategic advantage in reaching out to Europe and improving its ties. Besides, several areas of concern for Europe are making India an attractive partner: the post-2008 financial crisis and the post-Brexit European Union (EU) will need new partners; the threat to global architecture emanating from America's apparent desire to pull out from its international responsibilities is making Europe anxious; Europe needs to reduce large trade deficits against China; and major European powers will also need India as a strategic partner in their global balancing act. Against this backdrop, this chapter will examine how the India-EU and China-EU relationships are evolving given their significance for international relations in general.

## EUROPE, A NEW STAGE FOR COMPETITION

Thanks largely to the globalization, China has been able to benefit hugely from its access to international markets, bring in investment and technologies, acquire international firms, invest in real estate and infrastructure which, in turn, kept the momentum going for China's economic growth and helped deepen its relationship with its international/European partners. China's trade relationship with Europe in recent years has grown multifold in a short time span; it has now surpassed France and the United States to become the biggest import partner of Germany.<sup>2</sup> China is among the top ten trading partners of the all the major European economies.<sup>3</sup> Given the importance of the European market, in the post-2008 financial crisis, China bought junk bonds of several European countries in serious crisis such as Spain, Ireland, and Greece.<sup>4</sup> China used the opportunity to win the hearts of Europeans and to serve China's interests to have a stable Europe and Euro by helping them out in such a difficult time, which is referred to as China's "charm offensive" in Europe.<sup>5</sup> In the initial phase of interaction, Chinese companies were mostly interested in how to get European technology to take home. Now China has already surpassed the phase of making inroads into European businesses and industries and has taken its relations with Europe to a higher level where Chinese businessmen confidently visit Europe back and forth.<sup>6</sup> China has also been actively engaged in cultural, academic and people-to-people relations in Europe.<sup>7</sup>

As far as India is concerned, given the massive trade volume and already deep financial relations between China and Europe, India's overtures to Europe do not qualify yet as competition to China, although it is increasingly seen or claimed to be so. When India transformed into an open-market economy, and enjoyed higher growth rate, it leveraged its buying power with Europe with the Airbus deals.<sup>8</sup> However, the relations hardly gained any steam and lingered with its inconclusive Free Trade Agreement (FTA) negotiations.<sup>9</sup> Now PM Modi, in his endeavor to revive India's status, is punching above India's weight with his "Make in India" policy and extending his arms to European leaders.

However, despite the fact that India is becoming the third largest economy in the world, it has yet to make it to the top ten trading partners of European countries.<sup>10</sup> PM Modi has taken a big initiative to bring in foreign investment but, given India's typical image in Europe of being a country where it is not easy to do business, the potential partners are not yet convinced. In Europe, India is not quite yet regarded as a partner to reckon with, unlike the relationship between the heavyweights of China and Europe; but they increasingly concede that there is a huge potential in India.

## POWER RELATIONS

India's standing up to China is reflected in several dimensions of their competitive relationship. Internally, the two continental size countries have been aggressively pursuing the path of modernization, creating jobs for their massive labor force, upgrading technologies, acquiring economic and military capabilities to secure their national interests, and so on. Externally, they understand they must tap international markets for continuous growth, secure energy supply, assume influential roles and responsibilities in international institutional mechanisms, build partnership for regional and global power balance, and so on. While these factors logically create tensions as they cross their paths, the long-standing hostility in terms of unresolved border disputes between India and China has been a matter of constant fear and mistrust. The India-China standoff at Doklam along the Bhutan-Tibet border reinforces especially India's security concerns vis-à-vis China.

India has constantly felt dominated by China because of China's larger economic and military capabilities. Interestingly, at another level, India's close neighbors feel the same way about India. Despite India's constant China-talk, hardly anyone seems to bother talking about India in Beijing. As Thucydides explained inequality in the world, states must accept the treatment as per their own capabilities.<sup>11</sup> States have to be powerful enough to be counted as a partner or a force to be reckoned with. Such thinking reflects Hans Morgenthau's concept of statecraft emphasizing human nature—*animus dominandi*, self-regarded and self-interested, power politics, and so on.<sup>12</sup> Because of security concerns, India's policy of standing up to China for the coming Armageddon and for which it had continuously been investing in military capabilities and aligned itself with likeminded powers has deterred China and also lifted India's status regionally and globally. India's pursuit of a permanent chair at the UN Security Council, aligning with the United States, making friends in Europe, reaching out to Africa and so on all emanate from India's concerns for security, need for economic growth and largely contribute to India's balancing act against China.

Now China is advocating against protectionism because the globalization of markets is the lifeblood of the Chinese economy and the United States increasingly believes that globalization is more beneficial to China than it is to the United States. In the 1980s when globalization was high on America's agenda, most multinational companies operating and most Foreign Direct Investment (FDI) around the world were American.<sup>13</sup> Now Chinese companies are on a so-called "shopping spree" in Europe and America; the United States increasingly sees the open market as reason for America to lose to China. India also finds its interests converging with China on anti-protectionism since India desperately needs open international markets including European and external investors. The 2008 financial crisis became a boon for

China as the Sino-European economic relations increased multifold. Now Brexit, and increasing US-Europe trade divide, can prove to be a somewhat similar opportunity for India to make inroads into the Old Continent. The shifting tide of global economy, in which the Asian giants are rising at high speed, while the West is struggling to overcome the last financial crisis, is leading to the marketization of foreign policy; every state is branding itself as a product and a market, and its leaders are trying to bring jobs at any cost to satisfy their constituencies.

## INDO-EUROPEAN VS. SINO-EUROPEAN RELATIONS

China and now India understand that, in order to keep the momentum going for their economic growth, they have to go global, bring in new investments and technologies, upgrade domestic manufacturing, and so on. For India all that warrants a deeper cooperation with the EU, individual EU member states and countries at EU's periphery. Although the India-EU relationship is largely a trade relationship at least for now, India has some hope that the relationship will grow to have strategic value, just as China has its own strategic advantages in its relationship with Europe. Contradicting the Chinese saying, India sees itself as another tiger on the mountain, but before India can effectively counter China on so many fronts, it rightly reckons that its own sustained economic growth at a higher level becomes crucial. Therefore, India is prioritizing its relationship with Europe anew.

Whether India can cultivate its relations with Europe to the level where India could influence EU or EU member states vis-à-vis China, if it ever can, is something that will define India's European policy for the near future. PM Narendra Modi's visits to other Western European countries in addition to Germany and France, and India's vice presidents' visits to East Europe, demonstrate India's intention to come after China in the Old Continent. There is palpable urge in Modi's India to put its foreign policy in motion to reconnect with faraway partners similar to the reach of British-era India. New Delhi believes that the absence of India for decades from the international geopolitical and geo-economic games was a boon for China who easily gained foothold on other continents, including in Europe where multiple Chinese enterprises are buying up assets.

In this context, although late, PM Modi, with his charisma and determination, is gradually re-igniting internationalism in Indian thinking, which is a welcome step geopolitically for the world in terms of balancing China. However, the importance of China's contribution to world economy and development is also something that the international community knows well. Nonetheless, internationalism is easier said than done for India. It is costly and risky. India needs a sustained high economic growth before anything else.

Modi's election promise to bring jobs for millions is at the core of his aggressive international marketing visits. PM Modi has his flagship "Make in India" policy, but he faces not only competition, but also growing anti-globalization trends. India has seen some growth in FDI in his first term; however, the investments did not necessarily grow jobs but merely broadened the market base in India for foreign companies which then would take their capital back. In his second term, India's economy slowed down significantly. In the area of defense cooperation, including strategic industries, in order to have Research and Development (R&D) programs in India, India will have to bear a massive financial burden as reflected by the hard negotiations, and domestic political upheaval, on the Rafael jet deal with France. Even in the United States, there is some resistance to PM Modi's plan to localize American technology. American firms want an unhindered market in India.

It is not only India, every other country is coming out with similar policies; China has had "Made in China 2025," US President Trump has the "hire American, buy American" slogan and has vowed to bring jobs back to the United States; even inside the EU, some Central European countries' economic growth is driven by such policies. China does not take its European market for granted either as Chinese firms are facing resistance from some quarters, which reinforces China's strong advocacy against protectionism on display in Xi Jinping's speech at the Davos Global Economic Forum in 2016. Xi arguing in favor of globalization while America pulling back from it sounded so unusual that even Chinese joked about his speech saying that, by mistake, he took Joe Biden's paper.

It is particularly challenging for India to deepen its ties with European countries in comparison to China, which has been very successful in deepening its trade financial ties with Europe and to some extent in the security sphere also. China's outreach grew significantly since the financial crisis on the one hand and, on the other hand, China made Europe a major priority for its Belt and Road initiative (BRI). Massive projects in the pipelines were to be expected from the way Chinese were investing in Europe, but Italy's singing up to the BRI made everything else look smaller. The fact that a founding member of the European Union and a G7 country decided to engage with China at this level exposed the desperation for investment in Europe on the one hand and the divisive politics on the other, in which China is finding its space for maneuvering. With China acquiring the port of Trieste in Italy, it got deep access to the heart of Europe and given its potential port building in Spain and Portugal, experts suspect that China has plans to build its own supply chain in the Mediterranean all the way from Greece to Portugal.<sup>14</sup>

Similarly, with its cooperation with the eastern and central European countries under the 16+1 framework, Sino-European relations have reached a new height. With Greece joining the framework, China's European initiative

expanded to 17+1 and Greece has been the first major destination of Chinese investment in strategic assets—the Piraeus port. Bruno Maçães argues that China has found it easy to expand its influence in Europe without resistance while avoiding taking on the major players directly.<sup>15</sup> Moreover, the fact that Europe does not have the same ideological lens to look at China as the United States, has also benefited China. Nevertheless, Europe started growing wary about Chinese not playing by the rules, the security implications of Chinese technology such as Huawei's 5G, which have led Europe to develop an ambiguous position on China being a "systemic rival." President Trump's informal advisor on China, Michael Pillsbury, says that Chinese do not understand what this "mysterious" term "systemic" means exactly, but it did hurt their feelings because they know that this is something bad.<sup>16</sup> He also argues that China's "influence operations" going on in Europe promoting that "China is your friend" and Germany and other countries not having any screening of foreign investment in terms of national security implications, like the United States has the Committee on Foreign Investment in the United States (CFIUS), prompts China to reap "victory" in Europe.

In the meantime, China has kept on expanding its economic and diplomatic engagement in the 17+1 participant countries. Acquiring a steel factory in Serbia, building a "state-of-the-art highway" in Montenegro that soared its debt to China are some of the latest examples of Chinese diversifying its involvement in Europe. Nevertheless, the Pelješac Bridge China builds in Croatia is funded by the European Union, or in fact China won the contract, as it happens quite frequently due to its competitive offers. And the Croatian government has large infrastructure plans where it seems to converge with China. China has been more than keen in investing and building massive infrastructure projects in several countries in Europe. The fact that the 9th summit of 16+1 or 17+1 cooperation between Central and Southern European countries and China met in Dubrovnik could hint to the fact that Croatia and China may cooperate in modernizing Croatian ports. Several such engagement at the highest level in fact miniscule many other players, including India. Some former Indian diplomats humbly accept the fact that in trade and investment in Europe India is a very small player compared to China.

China's interlinkages between politics and business have always given an edge to Chinese companies in the global market. Due to central command, as well as huge resources, combined with effectiveness and competitiveness, objectives are almost in harmony between the government and the corporations, otherwise initiatives such as Belt and Road would not be possible. India, by contrast, an electoral democracy and now a market economy independent of government, lacks that strategic advantage China enjoys. Indian thinkers frustrated by India's slow progress and ineffectiveness envy the central command system in China in terms of effectiveness and competitiveness.



Having said that, Chinese companies are resented for not playing fair as they are subsidized by the Chinese government to keep their prices low. However, the world somehow concedes the Chinese efficiency, especially the extraordinary achievement over the last three decades that changed the domestic and international landscape enormously and the foul play by Chinese companies does not seem to slow its international success. This is happening mainly because countries and regional blocks are searching for economic growth possibilities and politicians have to demonstrate to their constituencies that they are bringing jobs. For instance, after the financial crisis and weakened demands from Western Europe, countries like Poland, among others, deepened their engagement with China out of need for an alternative market, more investment and also more weight vis-à-vis EU or against its archenemy Russia.<sup>17</sup>

In terms of Sino-European relations, China mainly fears protectionism that would curb its unprecedented acquisition spree and, in the larger picture, Europe's balancing act vis-à-vis China's prowess. By contrast, India is not among top trade partners of European countries and hardly has any investment in the region. Despite the fact that it leverages its democratic character in order to strengthen its relations with Europe, it projects an odd foreign policy based on its "strategic autonomy" as Modi enhances ties with Putin. India continues to navigate on any space for its advantage mostly displaying the Chanakya element of India's global thinking, but at times also seems totally disconnected from the mainstream thinking of the Atlantic order. Just a couple of days before Democracy Day, Europe's pariah state Belarus's longtime dictator comes to India and Indian diplomats tout deepening relations with Belarus.

Regarding India's negotiation style, in the EU-India FTA negotiations, India was a very tough partner to negotiate.<sup>18</sup> Indian representatives always wanted to circumvent the multilateral framework and were interested only in adding their own agendas. And they kept on changing chief negotiators every second round, making the negotiations even harder. Nevertheless, the fact that the EU sees India as a good partner with huge potential was manifested in the EU parliamentary resolution (symbolic) on India, or the commencement of several dialogues at various levels. Modi's approach of frequent visits is also increasing India's visibility in Europe. The 14th EU-India Summit was another opportunity for the highest level of EU delegates and Indian leadership to increase their ties. However, the fact that the summit only ended in agreements on areas such as solar alliance, railway investment and scientific research grants, the status of the relationship is not particularly encouraging for India's policy makers to reach out to foreign partners and markets.<sup>19</sup> In fact, in terms of the trade talks, the summit was a lost opportunity. The German Ambassador Martin Ney said that the EU and India "failed to live up to their potential."<sup>20</sup>

After Brexit, new dynamics are emerging. Just like other Asian or African nations, India is losing its advantage of the historical connections with the UK which will cease to be a window to Europe, and thus losing the English language privilege since French, German, and Spanish, and so on, will become more valuable on continental Europe. Usually Chinese ambassadors to European countries are praised for their language skills for they speak very well the language of the host nations; Indians are not particularly known in this realm. How exactly the Brexit implications will play out in Europe remains to be seen, but China will prioritize Europe both for the market and the larger geopolitical interests as some data shows that around the Brexit period the rate of reduction in Chinese investments was higher in the UK than in the EU. The following case study of Spain will show similar challenges for India in Europe as argued above. Moreover, a case excluding the foremost European power Germany and France will help explain India's broad outreach to the continent.

### MODI GOES TO MADRID

PM Modi during his first tenure, in his visit to Europe and Russia, also included Spain in his itinerary along with Germany and France, which made him the first Indian PM to visit the country in three decades after PM Rajiv Gandhi. Spain is the seventh biggest European economy and the twelfth biggest foreign investor in India with two hundred factories there. Three Spanish firms Talgo, Navantia and Gamesa have their operations in India. India is Spain's thirty-seventh client. Spain also has an added value for its historical, business and cultural ties with Latin America. Modi is calling on Spanish firms to invest in India in tourism, infrastructure, defense and energy and claims that "it is a great moment for Spanish firms to invest in India."<sup>21</sup> Business leaders have shown their interest and PM Mariano Rajoy admired Modi's effort to make necessary reforms in that regard. However, Modi has apparently fallen short of convincing Spanish investors whose priority are the American continents and China. At present, there are two factors that possibly hinder a strong Spain-India engagement. Europe, which is known for its social democracy, welfare system and low inequality, sees India as a somewhat odd democracy due mainly to its complex character marked by its diversity, social discrimination and poverty; Spain is among those European countries that has strong views on inequality. Moreover, Spaniards are not very confident doing business in India which is a diverse federal country with different rules and regulations. While these issues may be overcome because of the open-arm welcome of PM Modi to foreign investors and his strong commitment to simplify the process, there is a new factor in Spain now which comes in the way, and that is China.

While Modi has a lot more to ask for than what he has to offer—mainly India’s market potential, China, as the former Chinese ambassador to Spain Zhu Bangzao declared, was “not coming empty handed.”<sup>22</sup> By 2011 China already held 13 percent of Spanish debts.<sup>23</sup> And for its foremost interest of having a stable Europe and diversifying its dependence on American dollars, China has invested in Spain multimillions in sovereign bonds, not to mention its investments in famous Spanish hams, olive oil, wines, and so on. Spain, a crisis-torn country with over 20 percent of unemployment for several years post-2008 financial crisis, going through an additionally difficult context where the EU itself is shrinking significantly due to the historic European integration crisis of Brexit, accords more importance to China, and vice versa. Although Europe grew more cautious on the Chinese way of engagement and its implications in the BRI era, its importance as a partner has not come down. When the Chinese Premier Li Keqiang visited Spain in 2011, the major daily newspaper *El País* ran the premiers’ visionary opinion piece which even touched upon Chinese investments in products dear to Spaniards like Spain’s wine and cured ham in order to gather public support, whereas Mr. Modi had to settle with an interview in the business tabloid called *Expansion* with a circulation of a few thousand in Madrid, rather limited in terms of speaking to the people of Spain, reflecting the fact that Modi does not have much to say to the people of Spain.<sup>24</sup>

Unlike Greece and Hungary, Spain is a middle power, and has its own foreign policy stance largely independent from its financial ties and in line with the European Union. And not everything about Spain and China relations is good. Some Chinese banks in Madrid were raided and some of its personnel were arrested on suspicion of illegal conduct.<sup>25</sup> Spain also took up the human rights issue in Tibet against China.<sup>26</sup> Spaniards have a low opinion about the large Chinese immigration to Spain.<sup>27</sup> Therefore, Spain and India have some areas of convergence, as the joint statement includes the South China Sea issue with a call for respect of international law and peaceful resolution.<sup>28</sup> Spain has expressed its support for India’s Nuclear Suppliers Group (NSG) bid and is willing to work together to control terrorism to which both countries are heavily exposed. In terms of the United Nations reform, both emphasize the Security Council reform, but it is not clear which way, either the Indian desire to have a seat at the Council or the Spanish way or the “coffee club” way to increase non-permanent seats. On the whole, India-Spain interaction is representative of the prospects of India’s relationship with other EU countries: while they all reflect “wide convergence in mutual views,” there is less substance.<sup>29</sup>

To conclude, India’s newfound foreign policy of reconnecting with the world came as a response to an increasingly assertive China and India’s own need to catch up on its lost decades in terms of economic growth. Indian governments have the major responsibilities of creating jobs for millions of

its working population. Therefore, India has prioritized deepening its ties with Europe and brings to the table mostly its market potential. But India's PM Modi faces significant challenges in that regard because China has in recent years made a remarkable entry into Europe taking Sino-European economic, trade, and financial relations to new heights. For instance, given China-Europe trade volume, India simply does not qualify as China's competitor in the trade sphere.

However, factors such as India's democratic system, post-Brexit EU's needs, Europe's balancing act against China and some Chinese firms' controversial business conduct, among others, give space for India to navigate. There have been good gestures seen in the EU regarding the prospects of Europe-India relations, however, German Chancellor Angela Merkel has shown her dissatisfaction over Modi's move on Kashmir as she pointed out that the situation in Kashmir is "not sustainable and must improve."<sup>30</sup> The ties have not matured to transform India-EU engagement or Europe in general, with the exception of France which is discussed in a different chapter, into spheres other than science, technology and environment. The fact that the EU itself has woken up to its "systemic rival" China and launched its own EU-Asia connectivity for which it has already signed agreements with Japan creates a more favorable space for India to engage. On the whole, India's relationship with Europe is characterized by convergence in some areas, but there is less substance. India's diplomacy especially in East Europe is more like a cultural diplomacy pursued at the vice-presidential level of India. India's economic growth and scope of its commitment to internationalism will go on shaping India's foothold in Europe gradually.

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## *Chapter Five*

# **India and China in Africa**

### CHINA IN AFRICA

Chinese President Xi Jinping visited the African continent four times by 2018 as President of China and welcomed many African leaders in Beijing. In fact, his first overseas visit as Chinese president during his second term was to Africa. To show that China is a likeminded partner of Africa, Xi uses phrases like “profound friendship,” “common historical experience” and “we respect Africa, love Africa and support Africa.” Xi explains that as the world is experiencing deep changes, Africa and China should cooperate comprehensively to “march toward rejuvenation.”<sup>1</sup> His announcement of \$60 billion for Africa at the Forum of China-Africa Cooperation (FOCAC) summits of 2015 and 2018 was three times higher than what President Hu Jintao had promised—\$20 billion—at the previous FOCAC summit in 2012. Xi has amplified his predecessor’s policy, or the Chinese Communist Party’s (CCP’s) policy, by significantly increasing China’s financial aid to the continent.

In a speech much broader in scope than his speech at the 2015 Summit, in Beijing in 2018, Xi called for a joint promotion of the Belt and Road initiative (BRI) as a new platform of international cooperation to create drivers of development to connect the two different civilizations. Interestingly, while Xi did not talk about BRI at the 2015 summit, in 2018 Xi pitched BRI as an initiative that should complement the African Union Agenda 2063 and the UN 2030 Agenda for Sustainable Development. Xi also went beyond Hu in calling for upgrading the “new type of strategic partnership” between Africa and China—which was initiated at the 2006 FOCAC Beijing summit—into a “comprehensive strategic and cooperative partnership.” Thirty-seven African countries and the African Union (AU) signed MOUs with China to jointly

develop the Belt and Road.<sup>2</sup> Xi laid out his “Five-No” rhetoric in terms of China-Africa relations: no interference in internal affairs and development of individual countries, no forcing China’s will on them, no strings attached in assistance, and “no seeking of selfish political gains in investment and financing cooperation” in Africa.<sup>3</sup>

Apart from this, in his 2015 speech, Xi had stated his “5 major pillars” and 10 cooperation plans that include industrialization, finance, infrastructure, green development and security.<sup>4</sup> China’s comprehensive engagement especially since 2006 has led China to become not only the largest economic partner of Africa but also a major political and diplomatic partner of the continent in the twenty-first century. On several occasions, he emphasized Africa’s self-development, the need for African solutions for African problems, clearly aligning with the dominant African thinking vis-à-vis the Western powers. Similarly, under China’s peace and security initiative, Xi envisages a China-Africa peace and security forum and fifty security assistance programs “under the Belt and Road initiative in areas of law and order, UN peacekeeping missions, fighting piracy and combating terrorism.”<sup>5</sup> In the United Nations in 2015, Xi announced a \$100 million security assistance package to support the AU to establish an African standby force and its capacity building.

For its part, Africa’s story is also changing away from being a continent largely associated with colonial history, poverty, violence and pandemics, and the world is increasingly realizing that fact, most notably China, but also India. Africa, which is roughly four times larger than the continental United States, has shown an encouraging growth trend since 2000. From 2000 to 2010, Africa’s average growth rate reached 5.4 percent, ranking the continent amongst the fastest growing economies of the world.<sup>6</sup> Africa’s growth momentum, despite some slowdown due to oil prices, looks set to continue as the continent sustainably progresses on industrialization, urbanization and modernization. Diversification of African economies from traditional energy and commodity on the one hand, and Africa’s large young population on the other, show a promising future for Africa and external partners. Chinese President Xi calls this development growth momentum of Africa “unstoppable” and also talks about an “African Century.” China and India have become Sub-Saharan Africa’s two largest trading partners.<sup>7</sup> Countries like Russia, Turkey and Indonesia have stepped up their engagements in Africa. For its part, with new economic giants like China and India as their best partners that are not from the West, but from the East, or Brazil from the Global South, Africa’s strategic weight and its diplomatic ambition are also rising. China, India and Africa, each of whom has populations over one billion, converge in their demands of their rightful place in the world, thus advocating for reforms in multilateral fora. India strongly wants a place in the United Nations Security Council. The world has noted that unity is the



new strength of Africa—the Free Trade Agreement (FTA) in Africa has recently come into force and they are wholeheartedly working on achieving the AU 2063 Agenda that envisions Pan-African connectivity. Intra-African trade is only at 15 percent, thus the AU 2063 aims to boost growth and that is where China, and many external actors, see tremendous potential in the future.<sup>8</sup>

Chinese economic engagement has played an important part in Africa's economic growth.<sup>9</sup> The World Bank estimates that Africa needs \$170 billion annual investments for ten years in order to meet the infrastructure gap. The African Development Bank has hinted that the Belt and Road initiative could be a useful source for that. China already dominates Africa's infrastructure financing and trade and, although the United States was still the largest source of FDI in the continent at least until 2014, China's FDI growth rate in the region has sharply increased and China's aid places it among the top five donors the United States, UAE, UK and Germany, with the United States ranking number 1 and China number 3 in 2015.<sup>10</sup> About 10,000 Chinese firms operate across Africa; 90 percent of them are private firms and many of them enjoy profit margins of 20 percent and above.<sup>11</sup> Although state firms are few in number, they are consequential because they make large investments in energy and infrastructure. Chinese companies have been involved in Africa from doing small and big businesses to building large infrastructure projects from soccer stadiums and hospitals to hydropower dams, highways and railways, official buildings and airport terminals. Hundreds and thousands of Chinese migrants have made their career in Africa, as a result, Africa has become, in the words of Howard French, "China's second continent."<sup>12</sup>

Due to China's policy of promoting people-to-people connections, with the relaxation of visa process for Africans, many young African students, entrepreneurs and workers choose China as their overseas destination. Similarly, about one million Chinese are living and working in Africa.<sup>13</sup> In terms of its diplomatic engagement, China has embassies in 53 countries in Africa, including the island nations Seychelles, Mauritius and Madagascar, plus one mission for the AU—in 2019, only one nation—Swaziland—did not have diplomatic ties with Beijing, but Taipei. China opened its embassy in Burkina Faso in 2018 and reopened its embassy in Sao Tome and Principe as they switched their ties from Taiwan to Beijing. China has had not only diplomatic and economic ties, but also advanced defense cooperation with 45 countries and is the biggest weapons seller to Sub-Saharan Africa.<sup>14</sup> For its part, India is increasing its embassies to 41 as well. In fact, not only Indian or Chinese, between 2010 and 2016, there were 320 other new embassies were opened in Africa.

Both Africa and China see each other as a "land of opportunity" not only because there is tremendous potential to benefit economically, but also be-

cause they identify themselves as members of the anti-Western club. Since the 1950s when they began establishing diplomatic relations (after the Bandung conference of 1955 on nonalignment, China and Egypt established the first Sino-Africa diplomatic relations), African leaders and Mao's China identified themselves as like-minded countries because of their history and socio-economic status. Chinese engagement with Africa reflects China's foreign policy objectives over different periods and has deepened and maintained ties with Africa accordingly through different methods. According to China scholar Yun Sun, for a Communist China which was isolated from the West and the Soviet Union, Africa became an important bloc in the international system to provide China much-needed legitimacy at home and diplomatic engagement abroad.<sup>15</sup> During Mao's era, Chinese engagement and support to Africa would be along ideological lines—China leading the developing countries' interests against Western imperialism and colonialism.<sup>16</sup> TAZARA railway between Tanzania and Zambia was China's first connectivity infrastructure in Africa. The railway that covers 1,860 kilometers or 1,160 miles between Dar es Salaam in Tanzania to New Kapiri Mposhi in Zambia started in 1970 with China's interest-free loan and the train began to operate commercially in 1976.<sup>17</sup>

After 1979's "reform and opening up" of Deng Xiaoping, China has adopted the reunification of Taiwan as a condition for China's fruitful engagement with others. As Taiwan was itself an influential partner in Africa, countries switched back and forth between Beijing and Taipei. However, as mentioned earlier only Swaziland maintains official ties with Taiwan. As China launched its "going out" policy in the 1990s under Jiang Zemin, Africa clearly became the target for natural resources extraction and client for infrastructure building contracts. As energy needs grew to sustain industrialization and growth, policy to deepen ties with resources rich nations through various instruments began to grow.

### CHINA'S BRI AND AFRICA

China and Africa have clearly converged in that African leaders envision world class infrastructure and Chinese government and firms, public and private, have established themselves as frontrunners in providing that. In addition, given the fact that AU 2063 envisions massive infrastructure projects for the Pan-African connectivity and that the BRI is expected to complement the Agenda, large loans with longer maturity periods have given and will give China the assurance to become long-term partner of choice. Although China has a general strategy to deepen ties with Africa, Africa's diversity—fifty-four different countries with different geographic, political, economic, and strategic conditions—China's own agendas, and African

countries' agencies that determine the character and the level of engagement with each country. For instance, South Africa has strategically aligned with Chinese initiatives, thus China sees South Africa as the reliable long-term partner for economic and political engagement, whereas China's engagement with Angola is merely a place to trade-off infrastructure for oil. Regardless of the engagement, the common theme that runs across these cases is the debt distress. While many African countries were already heavily indebted, Chinese investments on the basis of massive loans given by China to these countries have exacerbated that debt stress. The available data for China's investment numbers consists of estimates and they vary. In any case, China's FDI in Africa is not that significant. In 2011, it represented only 4.3 percent of its global investment.<sup>18</sup> In fact, it was even less than Chinese FDI in Latin America (most likely due to China's massive investment in Venezuela for its energy supply guarantee), not to mention Asia, where Chinese investment was at over 60 percent.<sup>19</sup> However, according to the United States Government Accountability Office report, Chinese investments are likely under-reported—as the investments made in Sub-Saharan Africa through Chinese subsidiaries in Hong Kong or British Virgin Islands are not accounted for.<sup>20</sup>

American Enterprise Institute's China Global Investment Tracker shows that China's top 3 investment destinations according to the total investment and contractors amount between 2005 and 2018 in Africa are Nigeria at \$49.96 billion, Egypt at \$24.39 billion and Ethiopia, \$23.85 billion.<sup>21</sup> Similarly, the data shows that China's top 3 destinations by industry are transport, energy and real estate. On average, according to John Hopkin's Africa Initiative, China has invested \$10 billion per year in Africa.<sup>22</sup>

In the West African country Nigeria, the largest oil producer of Africa, Chinese state banks have invested to build a 186 km railway between Abuja and Kaduna and between Lagos and Kano. China Civil Engineering Construction Corporation is involved in building new terminals in four airports in Nigeria. China National Offshore Oil Corp (CNOOC), a Beijing-based oil company, has invested \$14 billion in Nigerian operations, which makes Nigeria its largest investment destination.<sup>23</sup> CNOOC was in negotiation with Nigerian National Petroleum Corporation (NNPC), a state-owned company, to invest \$3 billion more.<sup>24</sup> President Muhammadu Buhari sought an additional \$6 billion in loans from Chinese state banks at the Beijing FOCAC summit. However, with growing Chinese economic relations, negative aspects of Chinese engagement also grew. Nigerians have grown more skeptical about Chinese investment as their neighboring Zambia had a serious debt distress situation with China. With the advent of BRI, the initial recipients did get large loans for infrastructure projects, for instance, Kenya, Angola, and Ethiopia, and they all got into debt distress.

China gave concessional loans of over \$3 billion to Kenya for railway projects. Kenya built its flagship Mombasa-Nairobi Standard Gauge Railway

(SGR)—the biggest project since independence—after it got the funding under the Belt and Road initiative. The negotiation of the project goes back long before the BRI came into existence as part of the Northern Corridor Railway. After the funding, Kenya's debt to China, which was 24 percent in 2013, rose to 72 percent in 2018.<sup>25</sup> Kenya's President Uhuru Kenyatta had felt wide pressure about the project, which is why on the inauguration day before boarding the train himself from Mombasa to Nairobi, a 290 mile or 470 kilometer journey, President Kenyatta called for "constructive criticism" so that the future project dealings "can improve."<sup>26</sup> Kenyatta has high hopes to attract investments for growth and is willing to go far to achieve them; for instance, in response to a few cases of vandalism, he said would pass a law to hang the vandals for "economic sabotage." Kenya has plans to extend the railway line further to South Sudan, DRC, Rwanda and Ethiopia. China has granted a grace period of 10 years for the train service to generate income and a 30–40 year period for repayment.<sup>27</sup> Kenya has secured an additional \$3.6 billion for further extension of the line up to Kisumu. To put things into perspective, India's FDI in Kenya, a country with whom India has deep historical, cultural and diplomatic ties, was at \$136 million between 2007 and 2011. China for its part fended off criticism, saying that around 20,000 Kenyans were trained during the project—Kenyan drivers were trained in China including women drivers.<sup>28</sup>

In terms of labor exploitation, mostly private firms were responsible, but China has improved since then. China's bank regulations policy requires companies to hire local workers. In any case, since two very distinct civilizations are engaging at this level, Africa with its colonial past and victim psyche and China with its hierarchical approach, occasional frictions at people's level do seem to continue to occur. The more important question will be whether China will be actively involved in undermining the liberal democratic and free capitalist system in Africa. Some African strongmen such as President Zuma of South Africa who was trained in the Soviet Union and harbors strong feeling against colonial Europe have clearly aligned their strategies with China's BRI policy. But given Africa's caution about any sort of neocolonialism, would it make sense for China to try that and jeopardize the goodwill it enjoys? That is an interesting question. As far as the practical question of China's non-transparent loan terms is concerned, Deborah Brautigam argues that most loans are at 2 percent interest and, depending on the projects, they are a blend of concessional and commercial loans.<sup>29</sup> And as far as transparency is concerned, she says that even the exact details of World Bank's loans are not released to the public.<sup>30</sup>

Similarly, Ethiopia got four billion loans from China's Exim bank for the railway between Addis Ababa and Djibouti, which would provide access to the Red Sea for the landlocked Ethiopia. However, regardless of China's BRI, since 2000 Ethiopia has received billions in Chinese loans.<sup>31</sup> China's

state policy banks lent Addis Ababa \$12.1 billion between 2000 and 2018.<sup>32</sup> As Ethiopia realized that it would not be able to service the debt in time due to domestic problems and the under-capacity operation of the train, it successfully negotiated a debt restructuring with China. Chinese invested in roads, railways and industrial parks and appreciated Ethiopia as a model country for BRI, but backed down on credits due to the country's increasing inability to pay back mainly due to lack of foreign exchange and political chaos. Ethiopia's import exceeded exports by 400 percent. Ethiopia, which has been the fastest growing African nation and has mineral resources, mining and natural gas, got indebted for infrastructure investment since it pursued manufacturing-led growth to achieve middle income status by 2025. Interestingly, while the world has criticized China for not following market principles in terms of pouring billions in infrastructure loans, China has justified its scaling back in Ethiopia by saying that Chinese investment decisions follow "market principles."<sup>33</sup> Such a state of affairs seems to have blown at least for short-term the extension of Ethiopia railway to Sudan as the plans were under negotiations causing further uncertainty in the ambitious African plan of connectivity of trade and transportation for growth. According to the plan, the Africa Integrated High Speed Network will be connecting all fifty-four countries. At the same time, the bugging of the AU building built as a gift by China further tarnished China's image, which has also been under stress amidst several negative stories about Chinese engagement in the continent in addition to the debt distress.

The common pattern is debt distress for the large loan amount, but China's relations with each nation vary. For instance as mentioned earlier, China has strong strategic relations with South Africa, whereas with Angola it is mainly about oil-for-infrastructure. Similarly, in terms of the image of China, while leaders like Zuma strongly promoted China, in Zambia, where China has become a big controversy in recent years, politicians there won elections on anti-China rhetoric.

In the meantime, since China's "going out" policy in Jiang Zemin's era, around two million Chinese migrants are estimated to have settled in Africa—the similar figure is estimated as far as Indian diasporas are concerned. And unlike the Chinese, Indians have deep historical ties with East Africa. Chinese have also acquired millions of hectares of farmland, and the real estate investments are on the rise. Therefore, China has prepared the ground for elevating and diversifying its engagement in many other areas of cooperation including high-end equipment exports and defense technology.

## INDIA IN AFRICA

In 2015, Indian PM Modi welcomed representatives of 54 African countries that included 41 heads of state and government in New Delhi for the 3rd India Africa Forum Summit. It was a remarkable occasion that brought together Modi's efforts to pursue a global role and African states' goodwill and desire to work with India as an important economic and political partner. Modi declared in his speech that he is "deeply, deeply honored" by their presence and that the "dreams of one-third of humanity have come together under one roof."<sup>34</sup> In a fashion similar to the Chinese, in his speech of laying out a broad vision for India-Africa relations, he highlighted the fact that both are ancient civilizations, linked by the Indian Ocean and are connected closely through kinship and commerce. He added that they fought against colonialism and struggled for development and justice. He presented several areas of cooperation from Blue Economy to Paris Accord to Free and Open Indian Ocean, and backed up his offer by \$600 million grant assistance that included India-Africa Development Fund of \$100 million and India-Africa Health Fund of \$10 million, as well as 50,000 scholarships in India for Africans for the following five years.<sup>35</sup>

Like in the case of Xi, who has given continuity to his predecessor's policy, India's overtures in Africa under Modi shows continuity of his predecessor PM Singh's policy. Aside from PM Nehru's era in which Africa made an important component of the Non-Aligned Movement (NAM) that Nehru led, or in the post-economic liberalization period of India in the 1990s that made India look toward Africa, PM Singh institutionalized the link between the two in the context of the twenty-first century with the First India-Africa Summit in 2008 in New Delhi, exactly a couple of years after the China-Africa summit of 2006 in Beijing that heralded a new era of comprehensive relations between Africa and China.

Unlike China's, India's relationship with Africa is much more special—many countries in Africa and India were under British colonial rule. As a result, Africa has a large Indian diaspora. Indian PM Nehru rightly characterized the two as "sister continents." Indian PM Singh had sentimentally noted many commonalities of culture between India and Africa and that "connections are deep." In a 2008 speech, PM Singh made it clear that, in the changing global context, both India and Africa that are going through economic development and need to cooperate deeply. He contended that: "the time has come to create a new architecture for our engagement in the 21st century."<sup>36</sup> The 2008 summit issued the Delhi Declaration and India-Africa Framework for Cooperation marking a new beginning. In the following India-Africa Summit in 2011 in Addis Ababa, Ethiopia, Singh showed his commitment to Africa's development by announcing \$5 billion through Lines of Credit, \$700 million for different institutional and training pro-

grams, and \$300 million for the Addis Ababa–Djibouti railway line. The Lines of Credit have been India’s major instrument of economic diplomacy to push its agenda forward. India’s policy to grant assistance to Africa by Lines of Credit through Exim Bank—wholly owned by the Government of India—goes back to the 1960s, and since the early 2000s India broadened the area for assistance that included infrastructure development. By the 2011 India Africa summit, India’s LOCs for Africa reached over \$4 billion, representing a significant increase in India’s lending.<sup>37</sup> Under Modi’s tenure, by 2017 India has extended 152 LOCs valued at \$8 billion to 44 countries in Africa.<sup>38</sup>

Africa had lost its prominence on India’s radar after the NAM era, and although some African countries would have liked to see Indian support, India had other foreign policy priorities. Indian state and private firms and people had given the continuity to the relations in the meantime. However, as India woke up to the changing economic and diplomatic landscape of Africa, notably the Chinese inroads into the region, it immediately made Africa a policy priority. As former Indian Ambassador Anil Trigunayat who had served in African countries like Cote D’Ivoire, Libya and Nigeria puts it, the “India-Africa summit is also a bit of a clone of the others. We were late in doing that.”<sup>39</sup> India had several concerns: due to Chinese presence in Africa, India could be replaced as the preeminent power in the Indian Ocean; India could lose its goodwill despite deep historical and cultural ties; India could lose out due to new competition among international players, notably non-Western, in Africa; India’s need to secure energy security and food security; India could lose out on economic, diplomatic and defense cooperation opportunities.

Consequently, India began a foreign policy extravaganza in Africa. PM Singh, PM Modi, and the Indian President and Vice President visited dozens of countries in Africa, which was unprecedented in India’s Africa policy. India’s engagement with Africa was clearly elevated as over two dozen of the highest level visits from India to Africa took place in just four years of Modi’s tenure and, in fact, his visit to Rwanda—first ever by an Indian PM—coincided with Xi Jinping’s first ever visit when both leaders were on their way to the BRICS summit in South Africa in July 2018. African leaders reciprocated. Many different fora and dialogues started to take place at various levels. The Indian President Ram Nath Kovind became the first Indian leader to visit Djibouti, a nation strategically located off the Bab-el-Mandeb strait, where China established its first military base. The President also went to Swaziland, which is the only country in Africa that has diplomatic ties with Taiwan. Modi went to Mozambique which was the first visit by the Indian Prime Minister in 34 years and there have been several other such historic visits. Modi declared that India would soon open 18 different diplo-

matic missions across Africa increasing the number of resident missions from 29 to 47.<sup>40</sup> Six of these promised missions were already open by 2019.

India's overall engagement strategy does not look very different from China's in emphasizing the anti-colonial stance, south-south cooperation and UN and other multilateral forum's reform. Just as Xi had "ten cooperation plans" for Africa, Modi announced his own "10 principles" to guide India's engagement with Africa that include cooperation in digital, agriculture, space, terrorism, and so on.<sup>41</sup> Similarly, in terms of Indian financing, Indian firms' engagement in commercial farming in Africa has been controversial. In the meantime, the Indian defense establishment is preparing the groundwork for arms sale. However, just as in other regions, India finds it hard to compete at the same pace and scale with China given the size of its economy that is almost five times less than China's. Cognizant of that fact, however, India has tried to partner with other allies as a force multiplier—for instance, the Africa Asia Growth Corridor (AAGC) with Japan is one such initiative in the context of the Indo-Pacific vision, especially targeted toward the east coast of Africa. Therefore, India, although it initially decided to, or at least had a desire to, compete with China with lots of promises on the world stage, became increasingly realistic in terms of how much impact they could make with their existing capacity. Lacking China's deep pocket and other weaknesses meant it was insufficient to satisfy external partners and regions like Africa, a block of fifty-four countries. Therefore, it has given more emphasis on what they believe they have advantage in, such as skill development training and capacity building under its flagship Indian Technical and Economic Cooperation (ITEC) and comprehensive bilateral, regional and multi-lateral level governmental engagement. India has also tried to show generosity by promising to build convention centers in some countries in Africa, or giving \$15 million to Niger for holding the AU summit and giving scholarship to thousands of African students. Modi's flagship International Solar Alliance has a promising future as countries have increasingly subscribed to the idea of transnational solar power grid as many African nations have innumerable days of sun like India.

## INDIA-AFRICA TRADE RELATIONS

India's top investment destination in continental Africa is Mozambique with a 52.9 percent share.<sup>42</sup> Indian state firms have made significant investments in Mozambique's energy resources—ONGC Videsh Ltd. (OVL) and Oil India Ltd. took a 20 percent stake in the Rovuma gas block worth \$5 billion. Egypt and then South Africa follow with 12 percent and 8.8 percent respectively of India's investment flow.<sup>43</sup> India's private giants, such as Reliance, Bharti Airtel, Mahindra, Essar Group, Bank of Baroda, TATA Group and



Interlabels Industries, are also active in Africa. India's telecommunications giant Bharti Airtel's subsidiary Airtel Africa has over one hundred million subscribers in Africa.<sup>44</sup> The state firm OVL is the largest investor and has operations in several nations while several other state giants operate in one or two African countries. Similarly, on the private side, Tata Group has business in several countries such as South Africa, Kenya, Botswana, Zambia and Uganda. Tata Consultancy Services is one of the first Indian companies to enter South Africa IT services, and focuses on finding talents and building capacities. Tata Steel, the world's seventh largest steel maker, has a plant in South Africa that was set up in 2006. Tata Motors has tried to replace Renault's old buses in Senegal that would suit more the local conditions. Indian firms have been in bidding competition with Chinese firms in energy and steel sectors in the world. By one estimate, in 2015 India became the seventh largest investor in Africa.<sup>45</sup> Indian firms are also in services—Bank of India and Bank of Baroda are providing their services in Botswana, for instance. Indian Vice President Venkaiah Naidu visited Botswana amidst talks to establish the India-Africa Diamond Institute and boost defense cooperation as well; 10 among 20 diamond polishing firms in Botswana are Indian.<sup>46</sup> In fact, India's passive engagement with Africa was sustained by its private and state firms—until PM Singh decided to compete with others and PM Modi ramped up that engagement. However, India has struggled to get close to its target of reaching 100 billion in trade with Africa. The bilateral trade reached \$72 billion in 2015, but fell to \$52 billion in 2017 and grew to \$62 billion in 2018. It grew from there but still remain short of the target. Most Indian investment that contributes to the total figure goes in fact to the tax haven Mauritius which does not add value to the Indian government's agenda.<sup>47</sup> Although approximately 600 companies invested in the continent between 2008 and 2016, which was valued at \$5 billion, about 80 percent of the total investment corresponds to a few big firms only.<sup>48</sup>

India has substantive and wide engagement with some African countries such as South Africa, Kenya, Uganda, where China looks pale in comparison, if China's large investment figure and infrastructure projects are kept aside. Kenya is one such interesting example. As discussed earlier, China built the SGR between Mombasa and Nairobi in Kenya, driving the nation into debt stress. At the same time, Kenya is one of the African nations that has very close ties with India. Both India and Kenya are maritime neighbors—thus important members of the Indian Ocean Rim Association (IORA). They have centuries-old ties and India supported Kenya in its struggle against colonialism. About 100,000 people of Indian origin live in Kenya, and many of them have distinguished careers. The majority of top retailers in the nation of 34 million citizens belongs to the Indian community. Sixty major Indian firms have invested in Kenya in the sectors of manufacturing, pharmaceuticals, telecommunications and real estate and India is the third

largest source of tourism in Kenya with good flight connections.<sup>49</sup> India was the number one trading partner of Kenya in 2014–2015, the bilateral trade reaching \$4.235 billion.<sup>50</sup> In addition, Bollywood movies' popularity on the continent has strengthened India's soft power. Chinese enjoy no sense of familiarity as compared to what Indians get in Africa. Similarly, with South Africa, apart from China's deepening strategic relations, India's score is quite impressive too. Just like China, India is a fellow member of South Africa in BRICS, and they also cooperate through IBSA—India, Brazil, South Africa forum. Both have been cooperating in the IBSAMAR maritime exercises with Brazil off the South African coast—a major entry point into the Indian Ocean—since 2006. In 2018, for the first time the IBSAMAR was conducted in the Indian waters off Goa. Similarly, the same year, India succeeded in bringing together seventeen African countries in Pune, India for the inaugural edition of Africa-India Joint Field Training Exercise (AFIN-DEX-19) for humanitarian and joint peace operations. Indian Chief of Army Staff General Bipin Rawat who had visited some countries in Africa to work on growing defense ties said to the AFINDEX participants at a defense equipment expo that India's "defense industry is keen to support African nations in acquiring the latest military hardware, aimed at capacity enhancements in tune with emerging trends."<sup>51</sup> The countries that participated were: Benin, Botswana, Egypt, Ghana, Mauritius, Mozambique, Namibia, Nigeria, Niger, Senegal, South Africa, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. Rwanda and Democratic Republic of Congo sent their observers.

The prospects of collaborative projects between India and Japan from Asia to Africa held some promise. Japan is mainly interested in the eastern rim of the continent and intends to use India's historical ties, India's role in the peace-keeping operations in the region, and the communication advantage there, while investing Japanese capital in Africa. Peacekeeping is India's strength in Africa being deployed since 1960 and as many as 6,000 Indian soldiers serving in Africa in 2018. Japan has already been engaging in the region on its own. Japan's Tokyo Conference on African Development stands out in this regard. And PM Shinzo Abe has shown his commitment to take this engagement into other areas and different levels. However, unlike Japan, India wants to go beyond the eastern rim and wants to reach up to the West Coast of Africa, not having a particular focus on certain regions, but to go out everywhere to seek benefits if any.

In terms of business engagement, there have been issues between local populations and Indian diaspora businesses—for instance, Gupta brothers were charged with state capture owing to their close relations with former president Zuma in South Africa. Similarly, an Indian floriculture company was charged with land grab in Ethiopia. The Indian government's Lines of Credit (LOCs) to develop the sugar industry in Ethiopia drew strong criticism from national and international civil society groups for ignoring serious

implications for local people who were displaced. Some commentators therefore claim that India has a “colonial business model.” Colonial in the sense that the Indian government’s Lines of Credit are concessional loans provided through India’s Exim bank for “project exports and the import of goods and services from India and goods and services (including consultancy services) for minimum 75 percent value of the contracts covered under these loans must be sourced from India.”<sup>52</sup>

The Government of India, Indian businessmen and Indian diaspora in Africa are not necessarily on the same page so that they would support each other out—Indian experts claim that the Indian diaspora behaves in a more mercantilist approach and promotes and protects its own agendas in Africa. On the whole, unlike China’s straightforward style of bringing readymade investment packages to host countries, India’s approach is much more nuanced and wider, which gives India significant leverage vis-à-vis China. However, as engagement grows, controversies come, thus India has to tread carefully as well, just like China is learning from its past mistakes.

To conclude, India has followed a very similar strategy that China did to increase diplomatic ties with Africa, for instance, the India-Africa Forum Summit including the visions such as creating a new type of architecture and cooperation in wide areas from people to development to defense cooperation. Africa, being a continent of fifty-four nations with different characteristics, a blanket view of China’s or India’s engagement will not be apt. However, how China’s massive investment has increased its influence vis-à-vis India’s historical ties and wide-ranging engagement in the continent is evident in countries like Kenya, South Africa, and so on. As discussed earlier, India is partnering with Japan to fill that investment gap vis-à-vis China, but the initiative has not really taken off. And since several other actors are increasing their engagement in Africa, including Russia, it will not be surprising if India seeks new partnership in the continent.

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## *Chapter Six*

# **India in the Indian Ocean Region**

A combination of factors has kept India from paying enough attention to the Indian Ocean Region (IOR) nations, among them: India's taken-for-granted view that it is the preeminent power in the IOR; India's foreign policy history of Non-Aligned Movement which even led to "zone of peace" in the Indian Ocean; India's overarching concerns on the northern borders post-British Raj or the so-called "continentalism"; and lack of resources coupled with a typically Indian sluggish process of military upgrade and modernization. As India took its eyes off the ball, China began to spread its presence in the IOR with its newfound strength. While there were sporadic port calls of Chinese ships in India's neighborhood in the past, since 2000 China's presence significantly increased in the waters near and far from India, including Chinese nuclear-powered submarines. After the end of the Soviet Union, China's land threat receded and, as a result, Chinese President Jiang Zemin and military elites prioritized China's maritime diplomacy to gain influence from the Western Pacific to the Indian Ocean.<sup>1</sup> China's decision to build strategic ports in Myanmar on India's east and Pakistan on India's west, part of its effort to secure sea lines of communications (SLOCs) from the Persian Gulf to the South China Sea and to bypass the Malacca dilemma, made India and other countries, like Japan, frown upon Chinese entry into the strategic sea routes and countries. China's PLAN's increasing activities in the IOR, Chinese investment in the IOR nations with apparent intent to acquire facilities in strategic points alarmed world powers, including India. China's participation in the anti-piracy operations off Somalia since 2008 in collaboration with other powers and its repeated statements about keeping its maritime engagement non-military got Beijing some benefit of the doubt. However, the US Department of Defense's report about the "string of pearls" strategy of China rang true as China opened its first naval base in Djibouti in 2017

under its “Maritime Silk Road.” Djibouti is one of the major entry points into the Indian Ocean off the strategic Bab-el-Mandeb strait. China’s accelerating naval shipbuilding, increasing Chinese footprints in the IOR and their potential repercussions forced India to make maritime security a cornerstone of India’s foreign policy and show its commitment to other littoral nations in developing maritime connectivity.<sup>2</sup>

Apart from the geopolitical concerns, India’s stake in SLOCs has only grown and will continue to do so given the fact that 90 percent of India’s trade by volume passes through the Indian Ocean’s SLOCs.<sup>3</sup> Similarly, maritime security became a critical component of India’s fight against terrorism, which is probably the largest security policy priority of India. The Indian establishment dealt with the problem as a via-land threat, but the terrorist attacks in Mumbai in 2008 arrived by sea, which changed the paradigm. Moreover, there has been wide fear that the Muslim island nation of the Maldives, literally a stone’s throw away from India, could become safehaven for terrorists and extremists. Similarly, India woke up to the new reality that the Indian Ocean is not just a transit sea anymore but, in the words of Navy Admiral James Stavridis (retired), a “space of geopolitical criticality.”<sup>4</sup> The Modi government articulated the Indian Ocean doctrine SAGAR—Security and Growth for All in the Region—in 2015 which envisages a “climate of trust and transparency, respect for international maritime rules and norms by all countries, sensitivity to each other’s interests, peaceful resolution of maritime security issues and increase in maritime cooperation.”<sup>5</sup> Modi spoke of SAGAR on several occasions, including his visit to Seychelles in 2015 and his speech at the Shangri La dialogue in Singapore in 2018. Moreover, in his second tenure he began his first foreign visits by landing in Sri Lanka and the Maldives, strongly reinforcing the SAGAR doctrine. SAGAR for its name is reminiscent of PM Atal Bihari Vajpayee’s vision of Sagar Mala launched in 2003 which was further outlined and enhanced under PM Modi at the first maritime India Summit in Mumbai.<sup>6</sup>

The Sagar Mala at its inception envisaged a maritime ports-based industrialization and enhanced connectivity between ports and hinterland including river waterways transportation to ease the supply chain and achieve higher growth. Subsequently, India’s big rescue and restoration efforts in the aftermath of the tsunami of December 2004 in close collaboration with the United States, Japan, and Australia brought to the world’s attention India’s strategic reorientation, its ambition, capabilities and future potential as a key power in the Indian Ocean. The collaboration of these four powers led to the formation of the QUAD or the Quadrilateral quasi-security grouping. India’s increasing capabilities, although with limitations, led PM Manmohan Singh to reaffirm India’s pre-eminent role in the IOR in 2013 as a “net security provider.”<sup>7</sup> There is a debate about what the phrase “net security provider” requires India to pursue or what capabilities India should possess, at least in



PM Singh's own words, India is prepared and "well-positioned" to assure stability in the IOR and beyond.<sup>8</sup> This marked a departure from India's traditional maritime policy of containing Pakistan in the Arabian Sea to expand India's influence even toward the South China Sea, an offensive bid to balance Chinese maritime forays rather than just limiting itself in the India Ocean that would be perceived merely as defensive posture vis-à-vis China. As Modi arrived at the helm of Indian politics with large majority, he gives fresh impetus to IOR policy and goes the extra mile in pushing India's interest in the region by visiting several of those countries in the area where previous Indian leaders would not generally go, openly proposing to build maritime infrastructure and pitching for Indian military equipment.

### INDIAN MARITIME DIPLOMACY

India now has a much stronger navy to support its SAGAR doctrine. In terms of its naval assets, India currently operates one aircraft carrier—INS Vikramaditya—and is soon expected to operate its first indigenous aircraft carrier—INS Vikrant—which is in the final phase of construction at the Cochin shipyard and will be a landmark development in projecting Indian power in the Indian Ocean and beyond. As India pursues the maritime strategy of both "sea denial" that prevents adversaries from using sea lanes and "sea control" that enables India to navigate in full control, Indian security analysts argue that with two aircraft carriers India will be able to execute effectively the larger role of commanding the sea and that India will have symbolic and operational superiority against China which has only one carrier. However, such arguments seem to contradict the Indian Navy Chief's view that India needs at least three carriers vis-à-vis China's plan of having ten of them.<sup>9</sup> In 2019, after completing several trials, China's second carrier was expected to be commissioned around the end of the year.<sup>10</sup> Nevertheless, as far as India's naval capabilities are concerned, there are over forty ships being built in different shipyards of India, making it one of the largest countries in terms of shipbuilding. India operates fourteen conventional submarines and two ballistic missile submarines. Under the thirty-year plan of indigenous submarines construction or the Project 75 initiated in 1999 to build Scorpene class submarines, the Indian Navy is expected to have two dozen modern submarines by 2030. The projects envisaged to develop two production lines in which six submarines each will be built and the technology will be transferred by foreign firms—France's Naval Group and India's Mazagon Dock Shipbuilders (MDL) signed a contract. One Scorpene class submarine was delivered to the Indian Navy in 2017. In early 2019, India was about to lease a third Russian nuclear attack submarine, a deal that is worth \$3 billion; the Akula submarine class is said to have similar stealth and attack capabilities

as that of the newer US submarines. Similarly, India and Japan have negotiated to procure US-2 Amphibious aircrafts. India and the United States have looked at a deal for US Guardian drones and technology for India's potential third aircraft carrier to be built by 2030. Israel, one of the top three arms suppliers for India, has been supplying a surface-to-air missile defense system to the Indian Navy. According to the Global Firepower's 2018 Military Strength Ranking, India ranks 7 with 295 naval assets.<sup>11</sup>

With the increasing capability and political capital, over the last decade India has broadened its coastal security policy into maritime security for all in the region, thereby substantially increasing its maritime deployment. The Indian Navy has 50 ships on vigil 24/7 from the Persian Gulf to the Malacca strait and the Bay of Bengal to the Indian Ocean.<sup>12</sup> Since the 26/11 Mumbai attack, India initiated its Maritime Domain Awareness (MDA) project and commissioned central hub (ICN3) and ICMA 2014. Along the coast of 7,519 kilometers of India, 45 coastal surveillance radar systems (CSRS) have been installed, including the island nations of the Maldives, Mauritius, Sri Lanka and Seychelles with 10, 8, 6, and 1 CSRS respectively. The state firm Bharat Electronics Ltd. (BHEL) has built the radar system. The Maldives, just 250 miles off the southwest coast of India, finds itself at the center of India's seagoing traffic monitoring system. Modi has succeeded to take the IOR island nations on board to enable a comprehensive live feed of traffic in the IOR which will be accessed by India's partners and allies as well. India's central hub will synthesize all the data coming in from radar, aircraft, submarines, and ships and will be shared with partners. India has signed to join the Trans-Regional Maritime Network (T-RMN) in 2018 for exchange of information on commercial shipping in the high seas and already has such bilateral agreements with thirty-six countries from the east coast of Africa to the Malacca strait. The Network is important in terms of white-shipping movement as only one country is unable to follow ships due to huge numbers of daily movements.

However, India's defense sector, namely military acquisitions and modernizations, is underfunded vis-à-vis Modi's ambition of making India a "leading power."<sup>13</sup> However, although short of keeping up with the Chinese pace of modernizing its navy vessels, India's navy has achieved modest progress in building capacities and capabilities. The Indian Navy is the smallest in the tri-service—army, navy and air force—but considered to be the most strategic in its thinking. And with the emerging challenges of the twenty-first century, India's military is increasingly working on facilitating better coordination in the tri-service. Indian COAS and India's Navy chief have released a joint operational doctrine pushing for joint planning and operations in the domains of land, air, sea, and cyber space.<sup>14</sup> The Navy in particular has seemed to contribute significantly to Modi's "Make in India" by achieving indigenization in building naval assets to a large extent. The

Navy has invited private firms to participate only two times so far. Under its Strategic Partnership (SP) Model initiated by the Defense Acquisition Council, the navy invited private firms first in the procurement of 111 naval helicopters. In terms of foreign companies, the SP model requires foreign firms to contribute to the development of the indigenous defense industry and technology transfer in an effort to boost India's self-reliance in line with Modi's "Make in India." Consequently, India has given preferences to those partners who are willing to share technology with India and cooperate in India's arms exports. For instance, India takes Russia as its best partner in this regard. In the SP model, only select private Indian firms are allowed to participate.<sup>15</sup> However, maritime experts emphasized India's continuous inventory gap to pursue an effective maritime security strategy. The Project 75 was delayed and Project 75 Alfa for next generation submarines never took off. Private companies have struggled vis-à-vis privileged Indian state firms in terms of price and preferences. Although India as a "net security provider" has been providing maritime assistance to IOR island nations such as patrol aircraft for Sri Lanka, underwater surveillance for Seychelles, and so on, one Indian naval expert argues that India needs partners' assistance in plugging critical asset gaps; only then will India actually be able to secure freedom of navigation and safety of sea lines of communications at least in the Indian Ocean, if not in the South East Asian waters. There remains doubt both in India and outside about the Indian Navy's objectives, strategies, and effectiveness that have been affecting India's partnership with extra-regional powers namely the United States. For India's part, experts claim that external partners have not been cooperative enough and thus have not reciprocated by providing critical equipment and know-how to strengthen Indian capabilities despite India's commitment as "net security provider" in the IOR.

## MODI AND IOR ISLAND NATIONS

### **The Maldives**

When Modi became India's PM for the first time, he pursued a "neighborhood first policy," hence, his first international visits started from his South Asian neighbors. However, he went to all his neighbors but the Maldives in his first tenure. The relationship with the next-door island nation had reached rock bottom. The diplomatic clash was simmering as Maldives President Abdullah Yameen, emboldened by Chinese engagement, tried to push India out of the country. As the Maldives strides the vital route in the Indian Ocean, the Chinese strategy to increase presence in the IOR led China to deep engagement with the nation, despite the fact that such action would impinge on India's sensitivity. Hu Jintao's China opened its embassy in Male in 2011 and Xi's subsequent "Maritime Silk Road" amplified Chinese in-

roads into the Maldives. Xi visited the Maldives in 2014, the first visit by a Chinese leader to the independent Maldives. Meanwhile, Indians debated that the Chinese inroads either point toward India's faulty foreign policy that did not articulate any "Monroe Doctrine" in its near waters or lack of naval assets that left the Indian Ocean wide open to the Chinese maritime forays. Also, the debate was about the fact that India did not dedicate sufficient resources to improve infrastructure for its neighbor which resulted in China's entrance into the Maldives through cooperation on infrastructure building that includes huge investments to build bridges, airports and roads. The Chinese-built bridge between Male and Hulhule, labeled as the China-Maldives Friendship Bridge, has become the landmark infrastructure in the Maldives, which in the words of President Abdulla Yameen represents a "friendship forever" between the two new partners. China's Exim Bank loaned \$66 million to build the bridge. The island nation of 400,000 people got into debt stress after the Chinese investment, given that this was added to already existing credit from other external investors like Saudi Arabia, Singapore, Thailand, and the EU. The Maldives even canceled a \$511 million contract for airport expansion to India's GMR Group and handed it over to Beijing Urban Construction Group Company Ltd. China and the Maldives signed a Free Trade Agreement (FTA) that would exempt the Maldives its fish exports to China and China its products. The Maldives became the second South Asian country after Pakistan to have an FTA with China, which added to tilting the balance of trade even more to China's advantage.

In the latest manifestation of India being an unwanted guest in the islands, Maldives President Yameen asked India to take back the two helicopters that India had gifted for patrolling. India had done so as its two-prong policy of maritime security for all and maintenance of India's pre-eminence. Yameen continued with anti-Indian and pro-China insinuations, including by stating that he did not want Indian personnel in his islands. At that time fifty Indian personnel were present in the Maldives as the Chinese were about to build some structures in the area.<sup>16</sup> While China is a totally new player, India's ties with the Maldives go back to the island's independence from the British. India has been deeply engaged in ensuring its interests in the archipelago and provided continuous assistance. India supported the Maldives' authoritarian ruler Abdul Gayoom for thirty years for political stability and in a controversial move even sent troops to save him from an attempted coup d'état. Once again, Maldives strongman Abdulla Yameen's highly authoritarian move to declare a state of emergency and arrest two Supreme Court judges and a former president put the Indian establishment under stress with wide calls for military intervention. In an unusual manner in terms of South Asian neighborhood affairs, China stepped in to make a statement that China did not want the Maldives to be a "flash point" in Sino-Indian relations. China's nationalist newspaper *Global Times* stated: "India should not underestimate

China's opposition to unilateral military intervention."<sup>17</sup> The international community maintained close watch on the islands, especially the United States stepped up its diplomatic efforts in the country. Nevertheless, in a dramatic outcome of the elections, Yameen lost to his opponents. The new president resumed his "India first" approach. Modi reciprocated by offering a \$1.4 million Line of Credit to the island and resuming the coastal radar installation and other cooperation.<sup>18</sup> Many external defense experts argued that India "blinked" vis-à-vis China in the Maldives crisis, but elections favored India's safe approach. Contrary to his first tenure, in his second, Modi made the Maldives his first foreign visit destination where he was awarded the Maldives' highest honor "Rule of Nishan Izzuddeen." In terms of soft power, while Chinese firms have been investing in high-end resorts as Chinese tourism boomed on the islands, Modi wants to promote interactions and exchanges in cricket, the game of passion in South Asia.

### **Sri Lanka**

Seventy-five percent of India's total volume of trans-shipment passes through Colombo port; over 85 of China's energy imports from the Middle East and mineral resources from Africa; over 60,000 ships annually pass through this route. It is estimated that at Colombo port, the freight industries growth is 12 percent each year and the annual growth rate of shipment is 15 percent. US Ambassador to Sri Lanka and the Maldives Alaina Teplitz considers that: "Sri Lanka [ . . . ] is a critical lynch pin in the Indo-Pacific region."<sup>19</sup> The tear-shaped island nation of Sri Lanka just off the southern coast of India which lived decades of civil war waged by the Liberation Tiger of Tamil Elam (LTTE) has had a highly controversial bilateral relation with India for its covert and overt engagement in the conflict. For its critical geostrategic and geo-economic importance—the closest point between India and Sri Lanka is just about thirty-three miles or fifty-four kilometers—India has interfered to get an India-friendly outcome in Sri Lankan political crises which in turn emboldened Sri Lanka's desire to balance India by getting close to China. This is a signature character of the relationship between India and its South Asian neighbors, in which they wish for deep Chinese engagement as a counterweight to India's pre-eminence. Nevertheless, India is the largest external stakeholder in Sri Lanka in many ways; to put this into perspective, most of the foreign national CEOs in the capital Colombo are Indians. But China bagging a ninety-nine-year lease of Sri Lanka's strategically located Hambantota port, and Chinese submarines' port calls in Colombo port not only challenged India's privileged position, but jolted the Indian security establishment. When PM Modi visited Sri Lanka in 2015, it was the first visit by an Indian PM in twenty-eight years.

Unlike the Maldives where China is a newcomer, in Sri Lanka China has long been the best friend. When the Sri Lankan establishment was increasingly isolated from the international community for its actions in the civil war, China provided the much-needed economic, military, and diplomatic and political support. Sri Lankan President Mahinda Rajapaksa, who comes from the district of Hambantota where the Chinese-leased port lies, committed himself to develop his region as the country got out of the twenty-six-years-long devastating civil war and, finally, China's state-owned China Harbor Engineering Company agreed to invest. Despite the development vision for the area affected by the 2004 tsunami, due to apparent lack of attention to market principles, the project failed to generate enough revenue due to very low numbers of ships stopping at the port and the Sri Lankan government failed to fulfill the repayment schedule. Just few miles north lies the bustling port of Colombo. The airport at Hambantota, also funded by China and built by Chinese contractors during Rajapaksa's presidency, runs empty. Sri Lanka was already heavily indebted to other external creditors, and China's engagement only amplified that debt stress. President Maithripala Sirisena's government that succeeded Rajapaksa's in 2015 renegotiated the terms with China and agreed on 70 percent debt-to-equity and ninety-nine-year lease. Thus, the Sirisena government handed over the port to China in December 2017, but that only erased \$1 billion of credit, leaving Sri Lanka owing more than that to China. Importantly, an article in the *New York Times* reveals several irregularities in the Hambantota deal between the Chinese firm and Mr. Rajapaksa. The China Harbor, which was banned by the World Bank for indulging in corruption, had poured money into the election campaign of Mr. Rajapaksa. Sri Lanka's port deal with China unleashed a narrative of China's "debt trap diplomacy" and "predatory practice" globally and in the United States—US Vice President Mike Pence's speech on China made that narrative official.<sup>20</sup> The Sri Lankan story reinforced the fear that Xi Jinping is embarking upon the strategy of land grabbing in the name of its "Maritime Silk Road," seemingly a newer or benign version of "string of pearls."

Meanwhile, in a dramatic political development in October 2018, Sri Lankan President Maithripala Sirisena talked about an assassination plot against him by the Indian intelligence Research and Analysis Wing, popularly known as RAW. Subsequently, President Sirisena sacked Prime Minister Ranil Wickremesinghe and replaced him by the pro-China former president Mahinda Rajapaksa. Some incidents of violence quickly ensued, but fortunately did not spiral out of control. The anxious New Delhi watched the situation very closely in terms of what the external players' move would be, notably China's and United States'. While India's and the United States' interests in Sri Lanka converge in terms of upholding democratic processes, India maintains a cautious watch over US engagement in Sri Lanka as well. Commentators put that the United States has a "hawk eye" on Sri Lanka.

Sirisena's move led to a constitutional crisis that saw two prime ministers in the country at the same time, since Wickremesinghe defied the president's move to sack him. Once again, India came under stress in terms of how to go about it. The ruling BJP leader Subramanyam Swami said about a possible intervention was that India did that mistake in the past and it does not want to repeat that. As in the case of the Maldives, India pursued overt and covert diplomacy in restoring the status quo. Finally, the Sri Lankan supreme court decided against Sirisena. Modi for his part tried to be magnanimous, visited the neighboring island two times in his first tenure, continued his effort to forge India-Sri Lanka cooperation and bagged some important deals. In his first visit, he characteristically visited the city of Anurahapur in Sri Lanka where he offered prayer at the sacred fig tree of Mahabodhi, also a diplomatic reinforcement of Modi's policy of emphasizing religious ties with India. The Mahabodhi tree is said to be a southern branch of the Mahabodhi tree in Bodh Gaya, India, under which lord Buddha is believed to have attained Enlightenment. He inaugurated a railroad at Talaimannar—the closest Sri Lankan town from India—that was rebuilt and upgraded by the Indian state firm IRCON International.<sup>21</sup> India has sought to build rail and road connectivity through undersea tunnels and bridges to connect the Palk strait from India's Rameswaram to Sri Lanka's Talaimannar.<sup>22</sup> Even flights have been resumed between Jaffna and Chennai after forty years.

In his second tenure as PM, he went to Sri Lanka in his first round of foreign visits, made an unscheduled visit to the church that had a devastating bomb attack on Easter and reaffirmed cooperation on fighting terrorism. In a big development, Japan and India decided to build a container terminal at Colombo port, with a 51-percent stake for the Sri Lankan government, next to a China-built terminal, a move seen as firm competition to China's Belt and Road initiative. An earlier proposal for the terminal in which Sri Lanka Port Authority (SLPA) would have had only a 15 percent stake did not take off due to protests by trade unions in Sri Lanka. There have been many protests by the unions against the potential privatization of China-funded projects, among others. Japan is expected to provide a 40-year period soft loan with 0.1 percent interests with 10-year grace period.<sup>23</sup> To put this into perspective, in the renegotiations of the Hambantota port deal, China and Sri Lanka had agreed upon 6.3 percent interests in additional loans. Given wide concerns about Chinese investment, Sri Lanka is set to have more cooperation with the partners to allay fear and balance Chinese influence. Modi is wooing the neighbors and reasserting Indian influence as both countries, Sri Lanka and the Maldives, saw India-friendly parties win elections.

## Seychelles and Mauritius

India expanded its engagement with Mauritius and Seychelles that ranged from government-to-government, business-to-business and people-to-people including strong security cooperation. India did not want to lose any time vis-à-vis China and thus proposed Mauritius to build maritime infrastructure in Agalega islands—airport and coastal radars—and a naval base on the Assomption island of Seychelles by building upon the maritime cooperation that existed between India and these island nations. India had begun to deepen its maritime engagement in the Southern Indian Ocean since the early 2000s. India oversaw Mozambique's maritime security during the World Economic Forum and African Union summit. Later, India signed an agreement to regularly patrol the sea off the coast of Mozambique. To enhance the maritime domain awareness in the IOR, India activated its first listening post in northern Madagascar in 2007 and was about to lease an atoll in Mauritius with a plan to build naval facilities.<sup>24</sup> India secured berthing rights in Oman and began to assist Seychelles and Mauritius in monitoring their Exclusive Economic Zones (EEZs). Coastal radar systems were being installed and increasingly linked with Indian coastal stations to effectively monitor the IOR traffic from the Cape of Good Hope to the Gulf of Oman, the vital maritime routes.

Modi calls these islands India's neighbors to emphasize the importance India is attaching to these islands and even invited Mauritius's Prime Minister Navinchandra Ramgoolam to his swearing-in in 2014. PM Ramgoolam became the only non-SAARC leader to attend Modi's ceremony and Mauritius became the second biggest recipient nation of aid after Bhutan in the 2019 budget of India.<sup>25</sup> While India has had better relations and frequent interactions with Mauritius, of late Seychelles has made it to the Indian radar screen. Although there had been presidential visits shortly before him—Indian President Pratibha Patel visited Seychelles in 2012 and President Pranab Mukherjee visited Mauritius in 2013—Modi became the first Indian PM to visit Seychelles in 33 years. For its part, the island nation has maintained its high-level visit to India, on India's part, the bilateral deals remained at ministerial or lower level visits. Seychelles was a British ocean territory until 1976, and in 1981 it reached out to India to assist in monitoring its EEZ and data sharing, but India did nothing for almost 3 decades. But as China considered Seychelles as a resupply port for its anti-piracy operations and Chinese submarine forays grew, India seemed to have woken up. China negotiated with Seychelles for having some naval facilities in 2011, but it did not happen. Modi in his visit in 2015 gifted a second Dornier aircraft and announced a \$100 million Line of Credit to procure Indian equipment for its defense. Now Indian warships make frequent port calls, conducts hydrographic survey and capacity building training for Seychelles forces. India



gifted a naval vassal, INS Tarana, for patrolling and surveillance of its extensive EEZ of 1.3 million sq. kms. or 500,000 sq. miles.

India has employed similar engagements with Mauritius. During his visit to the island nation in 2015, Modi commissioned the India-built OPV Barracuda into the Mauritian Coast Guard, announced a \$500 million Line of Credit for civilian infrastructure projects, and stressed the joint development of Blue Economy in the Indian Ocean. He also inaugurated the construction of World Hindi Secretariat showcasing the shared past and cultural ties between the two nations—68 percent of the populations are of Indian heritage. The Indian Navy regularly monitors the Mauritian EEZ. Moreover, India has engaged in a relationship with Mauritius commercially and culturally. Also, India's ITEC provides capacity building trainings in Mauritius.

During Modi's visit to Mahe, the capital of Seychelles, he succeeded in signing an agreement for the naval facilities which was portrayed as India's success and evidence of being a "net security provider." India wanted to build a naval base at the Assumption islands in lease for years. However, India's ambition hit a big roadblock as Seychelles' parliament failed to ratify India's proposal. The agreement document was leaked which made some in India suspect that it was in fact increasing Chinese influence that thwarted India's plan. It is said that parliamentarians did not want to be part of India-China competition on the island. After the Seychelles president's visit to New Delhi, both sides agreed to cooperate on issues of maritime security of Seychelles and beyond; however, the leaders failed to agree on providing a naval base to India. Modi said the two countries will be cooperating on a naval base in Seychelles based upon "each other's rights," leaving unclear what kind of access India would get. India had promised that the base would not be used even in the eventuality of war for military purposes. Indian diplomats and experts argue that naval facilities are equally important if not more for maritime security purposes than military purposes. Some Indian naval experts believe that the Indian Navy is not that big and, therefore, a practical approach for India would be to cover critical areas, and not seek domination of the Indian Ocean. India's quiet naval diplomacy seems to have achieved quite a lot and although there is no reliable data in open sources about India running naval bases in the IOR or what military or naval activities India is pursuing there, if any, it is not unlikely.

To conclude, Modi's SAGAR policy that clearly comes in a response to China's "Maritime Silk Road" substantially enhanced India's maritime engagement in the Indian Ocean. India's own effort to boost maritime surveillance in its near waters in the aftermath of the Mumbai terror attack got further amplified by the SAGAR policy that included reaching out to far-away Indian Ocean islands to partner with global maritime powers. However, Modi's offer to build naval facilities in Seychelles did not materialize, thus

his SAGAR policy failed to match China's BRI that established a PLAN base in Djibouti.

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## *Chapter Seven*

# **India and China in Latin America**

### CHINA'S GOING OUT TO LATIN AMERICA

What Chinese Premier Wen Jiabao announced in his speech at the United Nations Economic Commission for Latin America and the Caribbean in 2012 was nothing short of a BRI-type grand vision backed by the establishment of a cooperation fund of \$10 billion.<sup>1</sup> However, Latin America and the Caribbean (LAC) did not appear in Chinese President Xi Jinping's first announcement of the One Belt One Road initiative in Kazakhstan in 2013, nor did the further outline of the initiative in 2015 mention the region. Similarly, China's policy paper on LAC published in 2016 did not mention BRI either—the first one was in 2008.<sup>2</sup> In the first Belt and Road forum in Beijing in 2017, Chinese President Xi Jinping talked for the first time about LAC being the “natural extension” of the new Silk Road with his Argentine counterpart Mauricio Macri.<sup>3</sup> Subsequently, as Panama became the first nation of the region to cut ties with Taiwan in June 2017 and later that year joined China's flagship initiative as the first nation on the continent to be a part of the BRI, it became clear that China's careful treading into the region was not so much about US sensitivity—neither the Monroe Doctrine nor its “Roosevelt corollary”—but about the trade-off between Beijing's economic perks and Taiwan. In both policy papers, China clearly lays out the Taiwan condition for LAC nations.<sup>4</sup> President Juan Carlos Valera of Panama said that cutting ties of his country with Taiwan could be a model for others to follow. The Dominican Republic and El Salvador followed suit. By the end of 2018, fifteen LAC countries signed BRI-related MOUs with Beijing.

With BRI, Xi is harvesting the benefits of his predecessors' engagement efforts and, at the same time, elevating ties through comprehensive strategic partnerships that even include sophisticated military sales. For his part, US

Secretary of State Mike Pompeo said at the G20 meeting in Argentina that he is “concerned” about Chinese inroads into the US “backyard.” For Xi, LAC is a region with enormous but untapped potential, which needs to be carefully explored. Xi’s idea was evident yet again in his speech at the first China-CELAC (China and the Community of Latin American and Caribbean States) forum in Beijing in 2015. He defines the forum of cooperation between LAC and China as a “newborn, just like a young shoot sprouting out of the earth, whose sturdy growth into a towering tree needs meticulous cultivation of both sides.”<sup>5</sup> Xi gives continuity to China’s policy of emphasizing “equality, mutual benefit and common development” in the relationship between China and the Americas and the important influence of such a relationship in promoting “South-South cooperation.” For South-South cooperation, LAC that comprises four dozen countries and territories with varying economies and geostrategic locations makes up an integral component of such cooperation. China has always repeatedly emphasized that solidarity and cooperation with developing countries “is the cornerstone of China’s independent foreign policy of peace.”<sup>6</sup>

And Xi Jinping going beyond China’s traditional “hide your capacities, bide your time” has sought to cultivate deep ties including defense cooperation in a region sensitive to the United States. While Hu Jintao’s outreach to LAC benefited from the 2008 financial crisis as China surpassed the United States and the European Union (EU) as the biggest client of LAC’s commodities, Xi profited from US president Donald Trump’s attitude towards LAC which helped further alienate leaders and citizens of LAC from the United States. When President Obama sought rapprochement with LAC, namely ALBA (Bolivarian Alliance for the Peoples of Our America) nations, at some point Xi seemed to compete with him, if not follow in his footsteps.<sup>7</sup> Xi visited the same countries immediately after Obama went there. He visited Trinidad and Tobago, Costa Rica, and Mexico just two months after Obama’s visit to Mexico and Costa Rica. As a reciprocation, Mexican president Enrique Peña Nieto chose Beijing for his first visit in three months in office. However, some argue that China’s engagement has reached its peak and is cooling a down a bit, but there is not much doubt that China is there to stay.<sup>8</sup>

## HISTORY OF CHINA IN LATIN AMERICA

China’s relationship with the region is not new, at least not at people’s level. Several hundred thousand Chinese laborers mainly from South China came to Peru, Cuba, Jamaica, and others to work on sugar and cotton farms, in silver mining and guano collection. Commercially, the two different worlds came into contact in the Philippines since the sixteenth century when Mexican silver brought by Spanish ships—Manila Galleons—would be traded for

Chinese goods to be dispatched for Europe. Diplomatic relations between Latin America—Chile, Peru, Brazil, Argentina—and the People’s Republic of China (PRC) began in the 1970s and several others in the 1980s, the period that coincides with the US-China thaw as President Nixon went to China in 1972. Since then, the PRC pursued mostly a pragmatic political and diplomatic policy—mostly in terms of people-to-people exchanges—with Latin America through the end of the Cold War.<sup>9</sup> Chinese Premier Zhao Ziyang led the first high-level visit to the South American countries Colombia, Venezuela, Argentina, and Brazil in 1985, and the post-Cold War period saw growing economic relations.

With China’s entry into the World Trade Organization (WTO) in the beginning of the new millennium, Chinese President Jiang Zemin’s much-hyped seven-countries tour to Latin America and the commodities boom of the 2000s, China-LAC relations reached new heights. The bilateral trade spiked from \$17 billion in 2002 to almost \$306 billion in 2018.<sup>10</sup> Supported by substantial year by year increases, China is working to hit the \$500 billion mark in bilateral trade by 2025.<sup>11</sup> As a result of the growing trade, Chinese engagement with the region expanded to cooperation in science and technology, international affairs and culture and education. President Hu Jintao continued the momentum by visiting several nations in the hemisphere, and the Latin leaders have also reciprocated by visiting Beijing. It was under Hu’s presidency in 2008 that China published its first White Paper on Latin America that recognizes the region’s political stability and growing role in international affairs and lays out multiple areas of cooperation based upon the explicit condition of supporting one China principle—that is, countries are expected to support the reunification of the People’s Republic of China and Taiwan and not maintain any official ties with Taiwan. The areas of cooperation laid out were wide ranging, including military exchanges, cooperation on terrorism, media exchanges, tourism promotion, transport and energy infrastructure, and investment.

Similarly in 2016, China published a second White Paper on Latin America which emphasizes Xi Jinping’s era in terms of growing ties with LAC. The paper argues that since 2013 China took major initiatives and measures that have driven the relationship to a higher level and that at the 2014 meeting in Brasilia the two sides established a “comprehensive and cooperative partnership,” thereby entering a new stage of cooperation. While both policy papers set forth the premises of multipolarity, globalization, and win-win strategy, the second document clearly reflects Xi’s highly ambitious tone by including the “great rejuvenation of Chinese nation” and “construction of a new type of international relations” and “two centenary goals” of societal progress in China.<sup>12</sup> Similarly, the document elaborates more on financial cooperation that includes local currency settlements and RMB arrangements, talks about cooperation in manufacturing which aims to build production

lines, industrial upgrading and increase employment in Latin America. China seems to have taken into account the growing preference of LAC nations for export diversification, technology transfer and manufacturing base.

### CHINA'S BRI IN LAC

Latin America is not homogeneous either in terms of domestic politics or foreign policy. There is the leftist Latin America or the ALBA nations and more recently there has been a surge of conservative governments in leading economies. They also differ in terms of their history, depending on who was their colonial master—British, French or Spanish. These factors and others have their effect on their outlook and foreign policy preferences. Nevertheless, LAC nations' policy toward China is largely similar since China could potentially provide a counterweight to the traditional US presence and is an important economic opportunity not to be missed out on. Brazil and China signed a strategic partnership in 1993 and in a decade and a half China supplanted the United States as the biggest trading partner and the top source of Foreign Direct Investment (FDI) of the South American giant.<sup>13</sup> China signed a Free Trade Agreement (FTA) with Chile in 2005 and in a little over a decade surpassed the United States to become the biggest trading partner of the Pacific nation. Chile was the first Latin American nation to establish diplomatic relations with China and is among the best Chinese partners in the region. China also sealed FTAs with Peru and Costa Rica. China has invested heavily in mining in LAC, is the biggest importer of LAC energy and minerals and has surpassed the United States as the top partner of several LAC countries.

China projects itself as a partner that can help make connectivity dreams come true. Whether it is the transcontinental Peru-Bolivia railway, or the Bi-Oceanic Brazil-Paraguay-Bolivia-Peru railway, or several such dream projects in different continents, for instance the trans-Himalayan railway in South Asia, as a partner China has come out ahead of everyone. Peruvian president Martin Vizcarra suggested that China could be the investment partner in reviving the transcontinental railway proposal between Peru and Bolivia which had been canceled earlier due to very high cost. China estimated the project cost to be \$10 billion first and later the estimate shot up to \$60 billion.<sup>14</sup> But Bolivia kept the interest in the railway project alive, mainly for diversifying its dependence on Chile, with whom it has territorial disputes, for access to the Pacific Ocean, and boost Bolivia's export to Asia. Similarly, such a transcontinental railway is expected to end Brazil's "logistical nightmare." When Xi Jinping visited Brazil in 2014, President Dilma and Xi vowed to construct a high-speed railway across the continent joining the Atlantic and the Pacific Oceans.



Of late, even in terms of online business, China has made inroads into major South American economies, such as Brazil, and is extending to several other nations. Start-ups in the region are getting both inspiration and finance from China.<sup>15</sup> China's online search giant Baidu financed Brazil's Peixe Urbano that seeks to dominate the marketplace in Latin America together with its new Chilean partner Groupon Latam.<sup>16</sup> Latin American youngsters seem to identify more with the Chinese way of doing innovative business than the American, which, in turn, is adding to China's soft power in the hemisphere. They look up to Alibaba, Meituan, and Tencent for their future models and are increasingly attracted to China more than Silicon Valley. China, in its own new avatar of high-end manufacturer and competitor of the United States on state-of-the-art telecommunications technology, is investing in the tech boom in LAC. In a bid to get hold of the LAC tech market, Chinese firms have invested up to \$18 billion in 2017—a whole new component of Chinese engagement compared to cheap toys import and minerals export of the past.<sup>17</sup> Technology, defense, and space have emerged as the dominant areas of engagement.

However, the increasing Chinese footprint has generated suspicion, like in many other regions regarding the endgame. Geopolitical experts see this as a manifestation of China's ambition to become a global power, which directly and indirectly challenges the United States. Natural resources professionals see this as China's hundred-year plan to build a secure network of energy supply for its gigantic needs.<sup>18</sup> Diplomats of the region guess that there is a little bit of everything—need for energy and natural resources, markets and economic benefits, diplomatic benefits in terms of UN votes and isolating Taiwan, South-South cooperation and global influence and challenging the United States.<sup>19</sup> Like in many other regions, China had a strategic opportunity in Latin America because the relationship was not politicized. Socialist tendencies of several regimes in the region also give China more favorable space as compared to the United States. However, as engagement grows, skepticism is also growing. The way China is portrayed is increasingly dependent upon which party is in the government.

Therefore, LAC is not an exception to the worldwide criticism of China in terms of trade and investment. LAC is also skeptical about the potential influx of Chinese people and “backdoor” for Chinese tech gears. They are equally concerned and resentful about the growing deficit with China as their markets get flooded with Chinese products and labor standards that are not up to the mark. They also complain about the fact that China uses its own labor force to carry out projects and that China's unconditional loans disregard environmental standards, that LAC's growing reliance on the Chinese market for its commodities will potentially give China undue political influence.

China-skeptic leaders have also grown in recent years. However, given the economic imperatives, such skepticism has had its limits. The new generation of conservative leaders—Argentine President Mauricio Macri and Brazilian President Jair Bolsonaro—both chose to remain on good terms with China despite their earlier anti-China stance. China has enabled Argentina, which has been suffering from a financial crisis and credit crunch, to benefit from its investments. President Macri went ahead with the hydropower dam's construction in Patagonia with a Chinese loan that provided him some relief as he had promised investments for his people. Besides, China's approach of unconditional engagement suits leaders in the region. Bolivia's President Evo Morales openly admitted that because "China's support and aid to Bolivia's economic and social development never attaches any political conditions," he wanted to forge a closer strategic partnership with China.<sup>20</sup> China became the second biggest trading partner of Bolivia in 2017 after Brazil, with a total bilateral trade of over \$2 billion and around several dozen Chinese companies were operating in the Plurinational State in 2016. Overall, despite skepticism and few hiccups, China-LAC relations have only grown.

## INDIA IN LATIN AMERICA

As China elevates its ties with LAC after two decades of successful cooperation in trade and economics and deepening diplomatic and political relations, another Asian giant, India, seeks to enter the "last frontier" of its diplomacy—LAC is the most disconnected region from India mainly due to lack of connectivity and communication. Like in Africa and Europe, India faces similar challenges and opportunities in the region vis-à-vis China. Even though India has surpassed China's rate of growth in 2018, the Indian economy remains five times smaller than China's. India's trade with LAC did grow substantially in the 2000s from \$2 billion in 2001–2002 to reach (\$20 billion in 2009) \$46 billion in 2013–2014—China's trade was at \$140 billion and reached \$306 billion in 2018.<sup>21</sup> Commentators in the region opine that India's overtures came more as a reaction to increasing Chinese presence than as a result of its own initiatives. Therefore, while China's engagement with LAC has reached the level of advanced cooperation in defense, space, and high-end technologies, India has just started to increase its footprint in the region. In trade and commerce, India's engagement has significantly increased, and there is potential for more, but India's effort to elevate the transactional relations into a more comprehensive partnership has not progressed. Therefore, India's diplomatic and economic engagement in the region does not necessarily qualify as competition to China yet. Neither has India got equal capacities to China, nor has India pursued the relations as

comprehensively as China. Nevertheless, India certainly is an attractive partner for LAC. India does have potential and has shown interest in competing with China.

At the people's level, while China has transformed its image into a "country of the future," and although less known compared to China, India has also transformed itself from a country of poverty and caste discrimination into an economic powerhouse. LAC's policymakers understand India's importance as another huge market, similar to China and a potential partner to help diversify dependence on LAC's traditional clients in the West and an alternative to China. Some see India as a former Russian ally that has transformed into a likeminded partner of the liberal West which can be useful in multilateral affairs. As a former Bolivian diplomat encouraged by the first ever visit by an Indian President to his country contends: "if India wants to engage with us as a good economic partner, that would be wonderful for us."<sup>22</sup> Indian President Ram Nath Kovind visited the Plurinational State in early 2019, and also its next-door neighbor with long-standing territorial disputes, Chile.

Given the fact that Latin America was ruled by the Spanish Empire and the Indian sub-continent by the British, the two worlds remained distant culturally and commercially, not to mention geographically. However, through the British Empire, Indian laborers did arrive in the British Caribbean islands like Trinidad and Tobago, Jamaica and more to work on sugar farms. The Indo-Caribbean community now has an important presence in the Caribbean—Indo-Trinidadians for instance make up about 37 percent of the nation's population. Few Indians also came to Chile to work in mining in the early twentieth century. Chilean poet-diplomat Pablo Neruda's visits to India and interactions with writers and leaders and Indian poet Rabindranath Tagore's short stay in Buenos Aires, Argentina, top the historical cultural connections between the two sides and frequently get mentioned in leaders' speeches. The fact that the chili peppers millions of Indians eat everyday actually come from LAC is a forgotten history and largely misunderstood as India's own.

Despite the fact that both sides belonged to similar ideological clubs during most of the Cold War, connections remained negligible and diplomatic reactions and endorsements remained academic. But as the Indian economy opened up in the early 1990s and so did several LAC countries after the Cold War as the traditional US role receded in the region, they both started to look at each other as important markets.

## NEW INDIAN FOCUS

India's ministry of commerce introduced in 1997 the focus on Latin America in the LAC program that provided an impetus for trade and commerce with the region.<sup>23</sup> India signed a Preferential Trade Agreement (PTA) with Southern Common Market (MERCOSUR)—a regional trade bloc comprising Argentina, Brazil, Paraguay, and Uruguay—in 2004 and with Chile in 2006. India sought to expand ties with Chile via Comprehensive Economic Partnership Agreement (CEPA), but it did not happen. In 2014, just a couple of years after its inception, India got the “observer status” in the Pacific Alliance that comprises Chile, Columbia, Peru, and Mexico. India's trade with LAC was at \$45.05 billion in 2014 which, at the time of India's liberalization in 1991, was at \$500 million only.<sup>24</sup> Although the balance of trade is in LAC's favor due to commodities imports, India has major investments in LAC in the sectors of pharmaceuticals, Information Technology, agrochemicals, mining and steel. India surpassed China in pharmaceuticals as it exported \$651 million worth of pharmaceutical products to LAC compared to China's \$404 million in 2016.<sup>25</sup>

**Bolivia**

Surprisingly, India and China are already in a sort of competition on the far-away continent and that includes even perhaps the least expected country, Bolivia. In Bolivia, the socialist President Evo Morales came to power on the promise of nationalizing oil and gas industries. India's Jindal & Power led the iron ore mine El Mutun project in Bolivia, which was the largest FDI project in Bolivia. However, the project got canceled and the company had to pull out. Indians were also interested in investing in lithium in Bolivia, a project that eventually went to the Chinese. By some estimate, around sixty Chinese companies already operate in Bolivia. Similarly, when China planned to stop buying Argentine soy oil in a response to Argentina's “anti-dumping measures” on Chinese cheap goods—footwear and textiles—to protect its own industries, India substantially increased its purchase of Argentine oil. In 2010, when Chinese purchases went down many times over to \$240 million, India's purchase reached \$1.8 billion.<sup>26</sup> Argentina is the largest exporter of soy oil and relies on it heavily for its public finances since it imposes 32 percent tariff taxes on soy exports. Unlike the United States or the EU, Argentina and Brazil do not subsidize their agriproducts, and still manage to be competitive in international markets. Thus, India looks at these countries as important partners in food security. India's Renuka Sugar entered Brazil in 2010 and invested millions in the Brazilian sugar industry, but could not survive and eventually filed for bankruptcy.<sup>27</sup>

Bolivia's and India's interests converged in the Bi-oceanic Integration Railway corridor, a railway that would be a game-changer for land-locked Bolivia, and for India would be an opportunity to invest and get involved in a sector which has been China's stronghold—India offered a \$100 million Line of Credit to Bolivia.<sup>28</sup> Similarly, India proposed joint ventures in lithium batteries as India aspires to go electric for up to 30 percent of its vehicles by 2030 and shows interest in importing lithium carbonate.<sup>29</sup> Modi's India has added India's spirituality as part of its soft-power promotion and, as a result, Modi's flagship International Yoga Day celebration has reached South America, including Bolivia, not to mention India's offer to provide busts of Mahatma Gandhi, which Bolivia agreed to set up. India and Bolivia also converged on climate change matters as Bolivia agreed to join the India-led International Solar Alliance.

## **Chile**

Chile is almost an outlier in South America with its long-standing international outlook aimed at trying to balance Brazil's and Argentina's domination of the continent by looking towards external partners and multilateral blocs.<sup>30</sup> Chile is in the Asia Pacific Economic Cooperation (APEC), the new Trans-Pacific Partnership or the CPTPP (Comprehensive and Progressive Trans-Pacific Partnership), and the Pacific Alliance and is a very good partner of China, the United States, and India. India signed a PTA with Chile in 2017. As mentioned earlier, India has even tried to elevate its relations with Chile by negotiating a CEPA. India also proposed PTA negotiations to Colombia, Mexico and Peru, but did not move ahead satisfactorily. Interestingly, as a joint statement shows, Chile and India converge in endorsing the Indo-Pacific vision and free and open maritime space, as well as the respect for international law, namely the United Nations Convention on the Law of the Seas (UNCLOS), in a clear message to China in terms of its controversial behavior in South China Sea.<sup>31</sup>

## **ECONOMIC PROSPECTS**

India's footprint in LAC has significantly increased. Brazil was the "port of entry" for India into South America as its strategic partner and a fellow member of Brazil-Russia-India-China-South Africa (BRICS) and India-Brazil-South Africa (IBSA) groupings, G8 outreach members, as well as G4 for UN Security Council reform. Brazil, as a leading member of the MERCOSUR, could have facilitated India's interaction with the bloc and its members; however, given the regional dynamic and Brazil's complicated standing in the bloc, that did not happen. Thus, India had to reach out to other blocs, for instance the Pacific Alliance which, in fact, shows more promise as a bloc

of bigger economies and better trade arrangements compared to MERCOSUR. India also showed interest in interacting with CELAC as China's Xi had swiftly seized that opportunity by heralding the China-CELAC forum. Several Indian companies have entered LAC market, for instance, the three Indian giants Tata, Reliance and Birla operate in the region in sectors such as Information Technology and human resources, oil and gas industries, and so on. India's Hero MotoCorp started a plant in Colombia. Tata consultancy has services in several LAC countries and UPL Limited has invested in agribusiness. India is also among the top buyers of crude oil in several LAC countries with LAC having 20 percent of global oil reserves. India is the third largest buyer of Venezuelan oil and will likely go up the ladder as the United States imposed sanctions on Venezuela.<sup>32</sup> It has become the second largest buyer of Mexican crude.

In terms of soft power, Indian tourism is also on the rise in LAC as millions of Indians with rising income are going out to the world and many include South America in their itinerary. Large Indian diaspora in the United States and Europe visit LAC often. Bollywood movies work indirectly as destination promotion in India and the fact that Indian producers are going beyond their hitherto traditional locations of the European Alps or the UK to Brazil attracted more Indian tourism to the South American giant and other destinations in the region. Increasingly more Indian women are globetrotting, and they are fascinated by South American music, dance and beaches. Chile waived visas for Indians having a valid US visa in order to facilitate business and other types of travel. China is also making steps in that respect: Mexico's visa relaxation led to new direct flights between China and Mexico and bilateral yearly traffic is at 200,000; China's Hainan air started its first non-stop flight in 2018 from mainland China to Tijuana, Mexico.<sup>33</sup>

## INDIAN DIPLOMACY IN LATIN AMERICA

In recent years, India has come to realize that engaging with LAC is important for India's foreign policy objectives and it has been pushing, therefore, for the highest level of engagement which was missing in the past. In the words of the Mexican Ambassador to India, Melba Pria, "it would be a mistake" for India if it neglects this region of 600 million people both in terms of India's economic interest and global influence.<sup>34</sup> In fact, India, since PM Manmohan Singh's era, began to give more push and brought its agenda to the table emphasizing, like China, "South-South cooperation." Since then several high-level visits took place. Then President Pratibha Patel visited Brazil, Mexico and Chile in 2008 aiming to promote connectivity, trade and economics as well as South-South cooperation. PM Modi, in his first tenure (2014–2019), visited Brazil twice for BRICS summits, Argentina once for

the G20 summit and Mexico once. India's Vice-President M. Venkaiah Naidu visited Guatemala, Panama and Peru. Before Bolivia and Chile, President Kovind had visited Suriname and Cuba.

The joint statement at President Kovind's visit to Bolivia clearly states India's interest in diplomatically isolating Pakistan, as India sought Bolivia's support to finalize the Comprehensive Convention on International Terrorism (CCIT).<sup>35</sup> In an implicit insinuation about Pakistan's support for militant, extremist and terrorist groups in Pakistan, the statement mentions Evo Morales's condemnation of the Pulwama terror attack in Kashmir that killed dozens of Indian paramilitary soldiers. Terrorism is India's biggest domestic security concern and principal diplomatic agenda bilaterally, regionally and multilaterally. Similarly, in terms of global influence, India has long sought its "rightful place" at the United Nations Security Council, especially given the fact that China's permanent membership there continuously adds insult to India's injury of not being seen as or being accorded the status of a global power. Similarly, the joint statement with Chile did not "forcefully denounce" the Pulwama attack and did not even mention it as the India-Bolivia statement did, but Chile endorses India's bid to both UNSC membership and non-permanent membership, whereas Bolivia only supports a non-permanent seat for India, which indicates varying policies of these countries that complicate India's diplomatic overtures.

In an interesting development, although a member of the Coffee Club that is against UNSC expansion, Argentina has agreed with India on UNSC reform, including expansion. Argentina also played an active role in India's bid to join Nuclear Suppliers' Group (NSG). The two countries signed an Agreement on Cooperation in the Peaceful Uses of Nuclear Energy in 2010. That agreement has led to progress in cooperation on the Fission Molybdenum Project, the molybdenum plant being built in Mumbai by the Argentine company INVAP, with a target for completion in 2020. India and Argentina signed a Memorandum of Understanding (MOU) on defense cooperation and both are looking for avenues to move forward. In terms of defense cooperation, deep engagement of Argentina with China and equipment supplies have already made the United States cautious.<sup>36</sup>

LAC has shown interest in India's opening more diplomatic missions in the region. India has 11 embassies in LAC and 3 high commissions in Trinidad and Tobago, Jamaica and Guyana. China has embassies in 24 LAC countries. India's advantage is that Chinese presence and its comprehensive engagement is perceived as a potential threat to the United States, but India's engagement does not constitute any threat to anyone; on the contrary, New Delhi can use its good ties with the United States to its advantage to secure its presence there. For its part, Japan, who used to be a major partner of the region, but gradually lowered its presence, now wants to reach out to the region again as part of Abe's policy to compete with China and going out for

the economic benefit of the Japanese economy.<sup>37</sup> Meanwhile, India's and Japan's deepening ties may turn their potential competition in the region into advantage vis-à-vis China.

To conclude, China has moved from the level of commodities and low-end products to investment in advanced digital startups to defense cooperation. India has just stepped its foot in the region, and the region is welcoming India just like China. But on the question that to what extent India can go that will qualify as competition to China, it seems that India has a long way to go.

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### *III*

## **India's New and Old Allies**



## *Chapter Eight*

# **France and India in the Indo-Pacific**

With its islands of Reunion and Mayotte in the Indian Ocean and New Caledonia and French Polynesia in the South Pacific as overseas French territories, France has stepped into the Indo-Pacific theater mainly due to other powers' active naval presence, notably China. The Chinese forays into the Western Indian Ocean also coincide with France's decision to expand its share of the oceans. In the context of dwindling energy supplies, the French establishment eyed the expansion of its Exclusive Economic Zone (EEZ) by a million square kilometers.<sup>1</sup> France already possesses the largest EEZs in the Indo-Pacific endowing France with fishery, minerals and energy, as well as an edge in maritime affairs. Via the island of Reunion, France is part of the Indian Ocean Commission (Commission de l'Océan Indien, COI) with four other African or Western Indian Ocean nations: Comores, Madagascar, Mauritius and Seychelles. French strategic documents have articulated France's comeback to its historical maritime role that will have vital stakes in every ocean and noted the altering equilibrium in East Asia due to Chinese actions and identified the need to maintain stability in the Indian Ocean and freedom of navigation in international waters.<sup>2</sup>

France's White Paper, Defense and National Security 2013, recognizes the changing dynamics in Asia where countries are driving the global economy, but are likely to engage in conflict. Especially in the context of the emergence of China and India and the increasing permanent presence of US, European, and Asian naval powers, France stresses the growing importance of the Indian Ocean and its overseas territory and France's important role in it as a "neighboring power."<sup>3</sup> In terms of the strategically situated French islands of Reunion and Mayotte, France takes "responsibility to protect the French population" and ensures freedom of navigation and tackles piracy and human trafficking.<sup>4</sup>

France's renewed policy focus on the oceans converges with that of the United States and other likeminded powers, including India, which has created a favorable space for Indo-French partnership in the Indian Ocean Region (IOR). As the Indian External Affairs Minister Sushma Swaraj declared in a meeting with her French counterpart in New Delhi, Indo-French ties are based on "mutual trust" and the two countries "are taking the cooperation forward in the Indo-Pacific region, which will not only benefit these two countries but also other countries in the region."<sup>5</sup> While French strategies recognize the opportunity to reinforce its role in the Indian Ocean building upon its deep ties with India, for India's part, France's maritime turn contributes to India's newfound naval ambitions in the Indian Ocean. France's endorsement of India's "central position" in the Indo-Pacific, its maritime concerns and ambitions and India's recognition of France as an "important player" are reflected in the Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region:<sup>6</sup>

India occupies a central position in the Indo-Pacific, given its coastline of 7,500 kilometers, more than 1,380 islands and 2 million square kilometers of Exclusive Economic Zone. It plays a pivotal role for the peace, security and prosperity of the region. France, a State of the Indian Ocean rim, is an important player in this region. This is borne out by its overseas territories, where 1.6 million of its citizens reside, and its exclusive economic zone, spanning 9.1 million sq. km in the Indo-Pacific.

Reunion to the west of Madagascar and Mayotte to the east or in the Mozambique Channel off the east coast of Africa sit strategically on the vital maritime routes, the area which India intends to strongly reconnect with and increase its naval presence in, as China has actively reached out to the region.<sup>7</sup> India reached out to the islands in the area—Madagascar, Mauritius, and Seychelles—with an offer to enhance maritime domain awareness that improves these islands' naval capacity and adds to India's role as a leading player. Given multiple challenges in the maritime domain, notably China, India rushed to try and build its own facilities in the Assomption islands of Seychelles that lie in the Mozambique Channel and Agalega island of Mauritius on the northeast of Madagascar. In Agalega, India already has strategic military installations. However, India faced resistance to its plan to upgrade Agalega and Assomption, leading to uncertainty about the outcome of India's overtures.<sup>8</sup> Three factors stand out in terms of resistance to India's ambition. First, the island nations fear possible humanitarian implications of any military base—locals of Diego Garcia had to be removed to Mauritius, for instance. Second, these nations fear being under stress by big power competition in the area, especially between India and China. China has already made big investments in the region. Third, it is unclear to what extent the resident power France would not mind India making inroads into the

region, or in other words, how far the Indo-French cooperation in the Indo-Pacific region can go and avoid competition between them to become a pre-eminent power. France seems concerned about the protection of French EEZ of Scattered Islands (Iles Éparses) located in the Mozambique Channel that possibly has oil and gas resources.

Nevertheless, cognizant of the opportunities, India and France have been working seriously to build common interests in the IOR and have actually achieved substantial convergence supported by good ties. France and India enjoy an excellent political and defense relationship. France is an early strategic partner of India as it did not protest India's nuclear test. Commentators in India give credit to then French President Jacques Chirac for helping India to be back as a bona fide member of the international community, which was the foundation of India-France strategic ties. In recent years, France has played an important role in siding with India and putting pressure on Pakistan for its harboring, as India claims, of extremist outfits.<sup>9</sup> France, like the United States and Russia, helped India become a member of multilateral export control regimes like Wassenaar arrangements and Australia Group.<sup>10</sup> These entries have particular significance for India in the context of China's barring India from getting into Nuclear Suppliers' Group (NSG), despite strong diplomacy by India and its close partners, including the United States, in this regard. The two countries' comprehensive bilateral cooperation extends from defense to diplomacy to nuclear plants, space, investments and the "Make in India" initiative. There have been several big-ticket defense deals concluded in Modi's time, such as Rafale twin-engine fighter jets and Scorpene submarines. Around one thousand French companies operate in India.<sup>11</sup> France's Naval Group has been building six Scorpene submarines at the Mazagon Dock Ltd. in Mumbai—the first Scorpene-class submarine Kalvari was already handed over to India's Navy in 2018 and was expected to be commissioned at the end of the same year. France is also likely to bag more such deals from India in the near future, especially nuclear submarines deals—as the Indian Navy seems determined to increase the quantity and quality of its assets.

Modi's government acknowledges France's new role in the global arena. Unlike its reputation of being an odd power in the Western camp, Indians now see France as having strategic convergence with the United States and working with the United States in tandem in peace interventions and other issues. Modi's government views France as an increasingly important stabilizing global power in the context of Brexit and "America First," as opposed to France's traditional reputation of being merely a "weapon vendor nation." India's own underrated view of Europe is changing. Due to Brexit, France is the continental European power with the largest defense spending and a longstanding manufacturer of state-of-the-art military equipment. French President Emmanuel Macron is looking at long-term relations with India.

India and France actively pursued the Paris agreement on climate change and the International Solar Alliance. President Macron is especially interested in attracting a large number of Indian students to French universities. Against this backdrop and the leadership of Macron and Indian PM Modi, Indian and French partnership led to the “Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region” with the objective to:<sup>12</sup>

maintain the safety of international sea lanes for unimpeded commerce and communications in accordance with the international law, for countering maritime terrorism and piracy, for building maritime domain awareness, for capacity building and for greater coordination in regional and international fora in the region.

The two sides signed the critical reciprocal logistics support agreement that enabled both parties to use each other’s naval facilities in the IOR, which is a big plus for India’s maritime ambition as the Indian Navy has been able to access French facilities in Reunion, Mayotte, Abu Dhabi, and Djibouti. South Korea is India’s latest partner to sign a logistics support agreement. India has its own naval facilities in its Lakshadweep islands off the coast of Kerala that lie on the vital sea trade route of India to the Persian Gulf. Lakshadweep archipelago has thirty-six atolls and reefs and has grown in strategic significance of late. Not to mention the huge strategic advantage India brings to the table for its strategically located Andaman and Nicobar islands right at the mouth of the Malacca strait. After years of “maritime myopia,” India has prioritized infrastructure development on the islands. Similarly, the United States and India have signed the logistics agreement LEMOA in 2016 that enabled India to even access the US base in Diego Garcia that has substantial US resources. India will likely get some agreements on that with Sri Lanka and the Maldives in the near future.

All these developments and partnership have significantly strengthened India’s naval strategy. India continues to emphasize an increase in India’s naval assets vis-à-vis China’s much larger investment in its navy. Indian ships have continuous presence in the area as no other powers have. When Mozambique was badly hit by a cyclone, Indian Navy ships were on a training mission in the Mozambique Channel and were quickly diverted for a humanitarian mission. Encouraged by its Humanitarian Assistance and Disaster Relief (HADR) mission success during the tsunami, which facilitated India’s strategic foothold in the IOR, the Indian Navy has pursued a leadership role in HADR in the IOR.

Similarly, France’s presence in several regional fora presents attractive engagement possibilities for India. France has access to several littoral organizations such as the South Pacific Forum and the Fisheries Agency in the South Pacific through the French islands New Caledonia, French Polynesia



and Wallis-et-Futuna. France also engages in the region to protect its people from climate risks through FRANZ—a tripartite agreement between France, Australia and New Zealand for assistance to the Pacific islands in times of natural disasters. France’s presence in the COI is particularly relevant for India’s Western Indian Ocean policy. Similarly, some in India argue for the need to prioritize the Indian Ocean Rim Association (IORA) as a robust architecture—a forum of twenty-two littoral nations of the Indian Ocean of which China is a dialogue partner, not a member. However, in South East Asia some see IORA’s increasing role as problematic vis-à-vis ASEAN’s centrality, notably Indonesia’s priority for IORA.<sup>13</sup> Even for India who argues ASEAN’s centrality in its Indo-Pacific vision, prioritizing IORA would be at odds.

Although not a member of the Quad, a quadrilateral grouping between Australia, India, Japan, and the United States, France’s strategic convergence with the United States and not least with Japan in terms of standing up against China in the South China Sea has given India further impetus to get closer to France as an apt partner. In fact, as France looks for allies in Asia, France and Japan have been cooperating on five-year roadmaps that include maritime security to infrastructure assistance in the Indo-Pacific.<sup>14</sup> The two countries are talking about opening “a new horizon” in their bilateral relations that span from defense to space and environment of the Indo-Pacific region.<sup>15</sup> As France is looking for different multilateral formats in the Indo-Pacific, it has even proposed a France-India-Australia trilateral. France and Britain have joined hands in sending a signal to Beijing by increasing their patrols in the troubled Asian waters.<sup>16</sup> These developments have made France all the more important for India to partner. Such a partnership counts especially for India in terms of its own challenges to expand its influence in South East Asia.

For its part, France’s sudden forays in the South East Asian waters and East Asia waters have been gaining traction. At the risk of upsetting its relations with China again, France has sent a strong signal to China by sending its frigate *Vendémiaire* through the narrow straits between Taiwan and mainland China in April 2019. Although Taiwan clarifies that such transit by foreign vessels including Australia, India, Japan and France are not unusual, China withdrew its invitation to France to participate in the PLA Navy’s seventieth anniversary ceremony in Qingdao. The bilateral relations had hit a low point when France sold military items to Taiwan in the past. Now, as a major stakeholder in the Indo-Pacific construct and because China has made inroads into the South Pacific and the Africa Indian Ocean where French islands lie, France has doubled down on the policy of “free and open Indo-Pacific” (FOIP) and US-led “freedom of navigation operations” (FON-OPs) in Asia. France conducts operations that include sea and air patrols in the South China Sea.

France and India have conducted the seventeenth edition of Varuna exercises, the biggest naval exercises in the Indo-Pacific between the two strategic partners. The first phase of the Varuna exercise took place off the coast of Goa that put up a spectacular power projection with France's aircraft carrier Charles de Gaulle, India's aircraft carrier INS Vikramaditya and a total of twelve submarines from both countries. The two navies have sought to increase interoperability and hone skills on tactical operations. The second phase took place in Djibouti, in the Horn of Africa. France and India also decided to hold tri-service exercises as India and Russia had done a short while before. India sees France as a very useful partner in terms of India's wish to become part of its weapon supply chain. In the context of China's rise, France bagged from Australia a deal for twelve next generation nuclear powered submarines, and it is quite likely that France will eye similar deals from India.

Not surprisingly, as he took office for the second time, PM Modi visited France and termed the ties IN+FRA or INFRA "alliance," but such word-play drew both appreciation and criticism.<sup>17</sup> Critics claim that Modi has played with words too many times, but his words and promises have not necessarily changed into reality. India's deepening ties with France have given India an opportunity to reinforce its "multi-alignment policy" since India is usually being tied up in a competition between the United States and Russia.

To conclude, France's rising maritime ambition and India's increasing role in the Indian Ocean have led the friendly countries to formulate a joint strategic vision for the Indian Ocean. Both countries seem increasingly confident that the maritime cooperation will be highly beneficial for both. And due to the power shift in the Indo-Pacific region, especially owing to China's "Maritime Silk Road," the interests of both nations have converged. PM Modi is so hopeful about Indo-France cooperation that he named it as "INFRA alliance." And in a big development, France and India began to jointly explore third country projects in the Indian Ocean islands.<sup>18</sup>

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## Chapter Nine

# Japan and India in the Indo-Pacific

Unlike India's old friend Russia with whom India has no choice but to engage, but does not give much excitement to the twenty-first century's forward-looking Indian elites, the new friend Japan captures Indian elites' imagination. An epitome of development and modernization, an economic superpower and a vibrant democracy, a major American security ally, a maritime nation and a strategic competitor of its next-door neighbor China, every aspect of engagement with Japan gives India a good reason to be hopeful. There was certainly growing convergence of interests between the two in recent years. Japan's changing domestic politics and economic interests, the shifting Asian regional balance mostly owing to a rising China and uncertainty in the United States' global leadership have resulted in Japan's increasing interests in engaging with India. In his speech at the Indian parliament in 2007, the visiting Japanese PM Shinzo Abe had said that: "Japan-India relationship is blessed with the largest potential for development of any bilateral relationship anywhere in the world . . . (and) a strong India is in the best interest of Japan, and a strong Japan is in the best interest of India."<sup>1</sup>

While there was a gradual building-up of bilateral ties since 2000s, Indian PM Modi and Japanese PM Abe elevated the engagement to an unprecedented level by signing the civil nuclear deal in 2016—India is the only non-Nuclear Non-proliferation Treaty (NPT) nation that Japan signed this with—and the Ahmedabad-Mumbai *Shinkansen* bullet train that is worth \$15 billion. Abe also expressed the commitment of his government and Japanese companies to Modi's "Make in India" initiative by offering to transfer technology and upgrade India's infrastructure and increase productivity.<sup>2</sup> They launched strategic investments such as the Asia Africa Growth Corridor (AAGC) to directly compete with China's Belt and Road initiative (BRI), in which Japan with its abundant capital and India with its cultural connections

are expected to provide alternative financing options for African countries. Japan committed itself to provide dollar for dollar to compete with Chinese financing in the African continent.<sup>3</sup>

Similarly, in defense cooperation both nations showed some promise. After Russia, Japan was only the second nation with whom India instituted the practice of annual summits. The two nations started a 2+2 dialogue involving defense and foreign ministries. Japan participated in Indo-US-Japan Malabar exercises and Japan-India Maritime Exercise (JIMEX). The fact that India—a nation outside of the American hub-and-spoke bilateral security alliance system—became a member in the Quadrilateral consultations called “Quad” comprising the United States, Japan, Australia, and India represented an extraordinary development in the Indo-Pacific region, although the form such grouping would take remained an open question. For the time being, to define the grouping as some kind of an alliance under a new security architecture in the Indo-Pacific would be premature.

In the same way, Abe had pointed out himself the role of India and Japan in the “Indo-Pacific region” or “broader Asia,” that provides yet another key area of cooperation that requires India and Japan to work for “free, open and rules-based” global architecture. In fact, India’s “look east” or “act east” policy (AEP) that put Japan at its core also aligns with the Indo-Pacific vision. Japan and India are also part of the so-called G4—Brazil, Germany, India and Japan—that advocates for the United Nations reform.

Nevertheless, although the Indo-Japan relation is defined as a value-based one—as both share democracy, pluralism, tolerance, peaceful resolution of disputes—elites and scholars agree that China was undeniably a major driver of this engagement. Japan only started looking toward India after having problems with China. For their part, Indians clearly want to hedge an assertive China, thereby converging into a partnership heralding a new chapter in India’s and Japan’s foreign policy.

## EVOLUTION OF INDO-JAPAN RELATIONS

PM Abe, leader of one of the biggest democracies in Asia, was a good fit for PM Modi’s characteristic “friendship card” as opposed to Putin whose moves in Georgia and Ukraine in recent years were strongly condemned and punished by the West. Unlike Putin, Abe reciprocated with effusive praise of Modi and said he was “friend of India for life.”<sup>4</sup> Both assertive nationalists who won elections on the promise of economic revival and nationalism, the personal chemistry between Modi and Abe set the stage for deep Indo-Japan cooperation. At his speech in Modi’s home state Gujarat on the occasion of laying the foundation stone for the Japanese bullet train, Abe praised Modi by saying that his “dear friend Mr. Modi is a globalist and visionary leader.”<sup>5</sup>

He said that Japan is committed to Modi's "Make in India" initiative and that more than one hundred Japanese engineers had already arrived in India and started working with Indian engineers. Abe talked about the huge potential of the combination between Japanese high-tech and highly skilled Indian human resources. Modi chose Japan as his first foreign destination outside of South Asia as the PM of India. In fact, Modi as chief minister had visited Japan and reached out to Japanese companies for investment in his state of Gujarat.

As Japan's domestic debate expanded Japan's diplomatic horizons and established the "arc of freedom and prosperity" as a pillar of Japan's new foreign policy, Japan "rediscovered" India.<sup>6</sup> In 2006, then Minister for Foreign Affairs of Japan Taro Aso laid out in his vision speech, nearly a precursor of Xi Jinping's BRI vision speech in Kazakhstan in 2013, that as Japan pursued its national interests of "survival, stability and prosperity," it must deepen its ties with the Western nations and institutions, Eurasia, outer rim of the Eurasian continent, including India.<sup>7</sup> Minister Aso emphasized the fact that Japan's engagement with India looked pale in comparison to that of China and thus asked to take "steps to improve the situation dramatically over the next few years."<sup>8</sup> Interestingly, the Japanese vision came in the context of a more assertive China—since the early 2000s China had started contesting Japan's Exclusive Economic Zones (EEZs) in the East China Sea and, in fact, in 2004 Japan claimed that one of China's nuclear-powered submarines had entered Japan's territorial waters.<sup>9</sup>

Similarly, around the same period—in 2005—the visiting Japanese PM Junichiro Koizumi signed with his counterpart PM Manmohan Singh of India in New Delhi the "India-Japan Partnership in a New Asian Era: Strategic Orientation of the India-Japan Global Partnership" and the "Eight-fold Initiative for Strengthening India-Japan Global Partnership" to build a strategic orientation in bilateral relations.<sup>10</sup> Subsequently, in 2006, PM Abe invited Indian PM Singh to Japan, where the leaders decided to establish the strategic and global partnership and PM Singh asked PM Abe for a return visit. In his visit to India the following year, Abe brought the Japanese message to the leaders and people of India, in which he used an Indian phrase itself—"the confluence of two oceans"—and called for India-Japan cooperation in the era of "broader Asia" which later came to be commonly known as the "Indo-Pacific region." PM Abe announced his vision of a "Free and Open Indo-Pacific" in 2016 in Kenya.

Japan's India priority also comes in the context of deepening Indo-US ties after a civil nuclear agreement. Japan extending its arms to India was certainly an important geopolitical shift especially because Japan is a nation with the history of Hiroshima and Nagasaki for whom India's test of a nuclear bomb in 1998 was antagonizing. Moreover, with Abe's rise to power, new avenues were opening up for India. India became excited by Abe's charm

offensive and the prospects of a free ride on Japan's newfound internationalism. In an entirely new context, the two countries went on to sign several agreements in the economic, political, infrastructure, technology, nuclear, defense and maritime domains. In a clear message to China amidst a rousing welcome for him in Gujarat, Abe declared that India has the potential to become the "factory of the world" and the two countries jointly stated under their new Africa initiative—AAGC—that any nation should pursue "development and connectivity infrastructure in an open, transparent and non-exclusive manner based on international standards and responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment."<sup>11</sup> Unlike Russia, here Japan echoed India's position against China's BRI vis-à-vis the CPEC that goes through parts of Kashmir claimed by India. Moreover, the warmth Modi and Abe enjoyed and the tremendous potential the relationship showed as they already introduced a massive Africa initiative even prompted China's reaction calling for India and Japan to "work for partnership instead of alliance" and play a "constructive role" for regional peace and stability.<sup>12</sup> Japan's strategic competition in India's periphery already started to pose a formidable challenge for China—for instance the Matarbari port in Bangladesh.

### JAPAN'S STRATEGIC INVESTMENT IN SOUTH ASIA

Beside its priority of South East Asia, Japan wants to compete with China in India's periphery. Similar to China, 80 to 90 percent of Japan's oil and gas import passes through the sea lanes of the Indian Ocean Region (IOR) before entering the narrow Malacca strait and into the South China Sea. That is one of the reasons why South Asia becomes an essential component of the Indo-Pacific vision. In terms of India's concerns about Chinese inroads into the region, Japan's strategic investments in ports in Bangladesh and Sri Lanka have come as a relief for India—these investments are expected to help safeguard India's interest in its neighborhood. Japan secured a big win in Bangladesh. Bangladesh canceled its Sonadia port negotiation with China and accepted Japan's offer to build one in Matarbari, just twenty-five kilometers away, in a big blow to Xi's BRI.<sup>13</sup>

PM Abe and PM Sheikh Hasina of Bangladesh in 2014 elevated the bilateral relationship to a "comprehensive partnership" and agreed to further Japan-Bangladesh economic cooperation under the "Bay of Bengal Industrial Growth Belt," also known as BIG-B.<sup>14</sup> During the visit of PM Hasina to Japan, Abe announced \$6 billion ODA loans to Bangladesh. Japan sees Bangladesh as having a great geographical advantage to play a "node and hub" role in the Indo-Pacific region. Japan's priority to tap Bangladesh's economic growth potential—in 2016 Bangladesh became the second fastest growing



major economy with 7.1 percent growth—and Bangladesh’s renewed focus on its own version of the “look east” policy that aligns with India’s “act east” policy all play into the larger Indo-Pacific vision subscribed to by Japan and India. The BIG-B initiative mainly covers infrastructure and connectivity projects and improvement of the business climate in the country. As Japan sought to diversify its investment from China to Indo-Pacific, it began to promote industrial clusters with its partners. Japan and Bangladesh looked to build an industrial conglomeration along Dhaka-Chittagong-Cox’s Bazar corridor, transfer technology and cooperate on nuclear energy.

Nevertheless, in terms of Chinese investment in the country, Japan fell far short by any reasonable comparison. During Xi’s visit to the nation—the first visit in thirty years by a Chinese head of state—Bangladesh and China signed investment agreements worth \$21.5 billion on transport and energy infrastructure. The Chinese pledge under the BRI amounts to \$38 billion, around 15 percent of Bangladesh’s GDP. The two sides agreed to elevate relations to a “strategic partnership.”<sup>15</sup> Beijing is also assisting Bangladesh to build a submarine base in the country.<sup>16</sup>

In India’s extended neighborhood, there is another strategically located Bay of Bengal nation, Myanmar, where China and Japan engage in intense competition. Due to years of Western sanctions on Myanmar’s Junta, Japan did not engage with the country whereas China was Myanmar’s largest external partner. But as the democratic leader Aung San Suu Kyi came to power in the early 2010s, Japan canceled its debt to Myanmar worth over \$3 billion and increased its investment.<sup>17</sup> Around the same period, Myanmar and China relations saw some signs of trouble—Myanmar suspended two Chinese-funded projects: the Myitsone hydropower and Letpedaung Coppermine.

Japan that sees South East Asia as its own backyard also intensified its investment in Myanmar in an open competition with China under its “quality infrastructure initiative.”<sup>18</sup> During Aung San Suu Kyi’s visit to Japan in 2016, Abe pledged nearly \$8 billion in the form of aids, loans and investment to Myanmar. By 2017, Japanese investment reached an all-time high of \$1.48 billion.<sup>19</sup> Japan had been investing heavily in Myanmar since its independence. But with the 1988 Junta takeover of the country, Japan significantly cut down its engagement. With the opening up of the nation, Japan renewed its economic cooperation to support market liberalization and also to get returns on its long-time investment in the country. Myanmar possesses a critical geo-strategic value for Japan as it is an important dot in the Indo-Pacific vision that connects Asia and Africa. Moreover, the fact that Myanmar is an ASEAN nation further reinforces Japan’s priority to step up engagement.

Among several ventures, the two nations established Myanmar Japan Thilawa Development Ltd. (MJTD) in 2013 that began to develop Thilawa Special Economic Zone (SEZ).<sup>20</sup> And JICA signed an agreement with MJTD

in 2017 to further develop the SEZ. Thirty-nine Japanese companies decided to invest in that SEZ. The following year JICA signed an agreement with the Myanmar government to provide grant aid of six billion yen to develop Mandalay river port for domestic water transportation. Japan also agreed to work with Thailand and Myanmar to develop Dawei deep sea port in the Andaman sea coast of Myanmar. Similarly, Japan invested in coal, steel, airports, and so on. India for its part developed Sittwe port in the Rakhine state and, albeit slowly, India worked on the Kaladan multi-modal project to road-connect Northeast India with Myanmar.

Nevertheless, in an extraordinary engagement of China with Myanmar, under its BRI, China began to divert its energy import via the deep-sea port of Kyaukphyu, Myanmar—in which it invested \$10 billion—through a 771 km-long pipeline to Kunming, Yunnan province.<sup>21</sup> Under BRI, China looked to invest in the China-Myanmar Economic Corridor, Kyaupkyu highspeed railway, Special Economic Zones and natural gas pipelines—Suu Kyi signed up to BRI in her visit to Beijing in 2017.

As far as Sri Lanka is concerned, 75 percent of India's total volume of trans-shipment passes through Colombo port. So does over 80 to 90 percent of China's and Japan's energy import from the Middle East and Africa. Over 60,000 ships annually pass through this route. It is estimated that at Colombo port the freight industries growth is 12 percent each year and the annual growth rate of shipment is 15 percent.<sup>22</sup> A Japanese defense official openly appreciates that Sri Lanka is an “extremely important maritime country” in the Indo-Pacific.<sup>23</sup> US Ambassador to Sri Lanka, Alaina Teplitz, also asserted that Sri Lanka is a “critical Indo-Pacific nation” and that the United States will be there to stay.<sup>24</sup> Against this backdrop, Japan entered the power game with China with a “comprehensive partnership” with Sri Lanka.

The fact that Chinese submarines were spotted at Colombo port and Hambantota port farther south was leased to a Chinese firm for ninety-nine years, the United States and Japan, not to mention India, became extremely cautious about the situation in Sri Lanka. On the same day PM Abe visited Colombo, a Chinese submarine and a warship were docked in Colombo harbor. China's long-range deployment patrol submarines had also called at the port ahead of Chinese President Xi's visit to South Asia. The Indo-Pacific partners became suspicious that Sri Lanka's China-friendly leaders—especially Mahinda Rajapaksha and his close aides—would let China use the port as a military facility. Beside security concerns, the next-door neighbor India also has business concerns. India is the largest stakeholder in Sri Lanka in many ways including investment—among foreign national CEOs in Colombo the large majority is Indians. Due to these growing concerns, Japan intensified its engagement with Sri Lanka including defense cooperation.

In 2018, the island nation saw the first ever visit by a Japanese defense minister. Immediately after the United States announced \$39 million for

building naval capacities of Sri Lanka, defense minister Itsunori Onodera visited the country and went to see the Hambantota port which the Chinese state firm—China Merchant Port Holdings—leased for ninety-nine years.<sup>25</sup> As Sri Lanka was unable to pay its debt, the China Merchant Port Holdings leased the port for \$1.1 billion.<sup>26</sup> Itsunori also visited the Trincomalee port, a natural harbor which was bombed by Japan in WWII. There were more visits to the port by Japanese diplomats and defense officials early that year as Japan stepped up its collaboration with partners that include India and others to develop the port as a counterweight to China. Japan's Admiral Katsutoshi Kawano, Chief of Joint staff, also visited the island nation. A Japan Maritime Self-Defense Force (JMSDF) vessel, Japan's largest warship, also had a port call at Hambantota. For its part, Sri Lanka wanted to make the port an export hub and build an international airport in the area.

Japan offered Sri Lanka to participate as an observer in Japan-India joint exercises between their coast guards. Japan was willing to provide capacity building assistance to acknowledge Sri Lankan naval cooperation. It gifted Sri Lanka two coast guard ships. Japan also agreed to fund \$330 million to build a passenger terminal at Colombo's international airport.<sup>27</sup> Given that India is looked upon with suspicion in South Asia, especially in Sri Lanka, Japan is the best option for the United States as well to counter China. The fact that Japan-US 2+2 in 2019 welcomed growing ties with India also showed growing convergence between the Indo-Pacific partners. India is ultra-conscious of Sri Lankan matters. It had a troubled past in the island nation and once again is increasingly wary about foreign activities there.

## INDIA-JAPAN INFRASTRUCTURE INVESTMENT

Commentators in Delhi say that New Delhi's metro, a mega Japanese metro project completed in time, is the epitome of what Japan and India cooperation can do. JICA invested in Delhi's metro since its phase I in the 1990s and did so in the following phases. In fact, following the summit meeting between then Indian PM Singh and PM Abe in 2014, the same year PM Modi came to office, both governments signed a large Official Development Assistance (ODA) loan agreement for the expansion of the Delhi metro that also included energy projects. The success story of the expansion of the Delhi metro led other cities in India to emulate. Due to such large investments, India became the largest recipient of Japan's ODA since the early 2000s.<sup>28</sup> Japan has also invested in Delhi-Mumbai economic corridors—although due to typical problems of land acquisitions the project started with a delay. Similarly, the bilateral trade between them grew from \$5.36 billion in 2004–2005 to \$18.51 billion in 2012–2013. But, despite much hype about the prospects of their economic engagement, the bilateral trade gradually began

to decrease from there.<sup>29</sup> Moreover, the Japan-China bilateral trade figure belittles the Japan-India figure with \$297.28 billion of goods trade in 2017.<sup>30</sup>

In alignment with “Make in India,” Japan and India jointly promoted the strategy of developing industrial corridors, clusters and improving the business climate for foreign companies to set up their business locally. For instance, under the Chennai-Bengaluru Industrial Corridor (CBIC) policy, JICA invested to upgrade intelligent transport infrastructure of Chennai to support that strategy. With the prospects of India’s entry into Japan’s regional value chain, CBIC is expected to serve as a hub for assembly lines and supply of goods between South East Asia and West Asia or Africa. As India has the Comprehensive Economic Partnership Agreement (CEPA) with Japan, just like ASEAN has one with Japan, India sees that possibility. The CBIC is expected to be extended from Bangalore further to Mumbai in the future. As mentioned earlier, Japan and India has already teamed up to build *Shinkansen* between Mumbai and Ahmedabad—Japan agreed to provide a loan with 0.1 percent interest and to transfer some technology.

Similarly, to provide support for Modi’s “Sab Ka Saath, Sab ka Vikaas,” a policy of inclusive development, Japan got involved into India’s strategically sensitive North Eastern Region (NER)—an important policy departure for India to invite an external partner to the north eastern region. Especially because of China’s territorial claim to the Indian state of Arunachal Pradesh and the larger border-related dispute between India and China, India had pursued a policy of keeping those border regions underdeveloped and under-connected.<sup>31</sup> However, with Chinese actively pursuing connectivity and integration policy around its borders on the one hand and Japan’s Indo-Pacific vision that seeks to connect South Asia with South East Asia, India decided to improve connectivity of the regions not only with mainland India but also with Bangladesh and Myanmar, hence the North East Road Network Connectivity Improvement Project. The project supports connectivity—roads and bridges—in the northeast of India that borders Bhutan, Bangladesh, and Myanmar. For instance, as a continuation of Japan’s support, the National Highways of Mizoram State and Meghalaya State were being improved. In 2018, Modi inaugurated India’s longest road-cum-rail bridge in the state of Assam over the Brahmaputra river that provides better connectivity to several districts in the sensitive Arunachal Pradesh—the project had commenced all the way back in 2002 during PM Vajpayee’s tenure. India-Japan cooperation also extends to other projects such as the Mumbai metro, Chennai desalination plant, Himachal forest ecosystem, agriculture and irrigation in Mizoram.

## ASIA-AFRICA GROWTH CORRIDOR (AAGC)

In a convergence of their policies of connecting Asia and Africa under the Indo-Pacific vision, Indo-Japan cooperation extended to Africa with their initiative of the Asia Africa Growth Corridor (AAGC). Especially for India that was unhappy with the fact that the United States did not prioritize Africa in its Indo-Pacific strategy, this partnership with Japan that at least extended up to the east coast of Africa meant a lot. In fact, the initiative is largely Japanese especially in terms of providing capital, and India sought to partner with whatever resources it could offer and make good use of its historical relationship with Africa. India's engagement in Africa, although financially it does not compare with China's massive investments, is comprehensive in its own right as discussed in the India-Africa chapter in this book.

However, regarding the AAGC, despite the effusive announcement of the initiative by PM Modi, there were no concrete projects and programs to follow. Negotiations were going on between India and China regarding AAGC and Japan was really determined to use India's historical ties, India's role in the Peacekeeping Operations in the region and the communication advantage India has so that Japan could effectively invest its capital in Africa. However, Modi was too eager to declare the plan even though it was not finalized and Japan had not spoken about it precisely for that reason.<sup>32</sup>

Meanwhile, the initiative was not free from challenges. India itself was backtracking in its strong stance against China with its Wuhan summit and there was also uncertainty in India about post-Abe Japan. Bilaterally, both Japan and India were engaging with African countries. Japan's Tokyo conference on African Development stood out in this regard with PM Abe expressing his commitment to take the relationship to a higher level. India also started its Africa policy extravaganza. Modi visited several countries in Africa which came after decades of an Indian PM's visit. The Indian Vice President went to Djibouti. India launched different summits and dialogues, opening embassies. In his visit, Modi declared to open an Indian embassy in Rwanda. India's strength in the region consisted of its initiatives such as Indian Technical and Economic Cooperation (ITEC), Team 9, and Pan Africa E-networking building human capacity. Unlike Japan, India sought to go beyond the Eastern rim and reach out up to the West Coast of Africa. India did not want to give particular focus to one region but to keep an eye on everything everywhere. Unlike Japan's and India's joint projects in India, the overseas projects have been difficult for them to kick start, due mainly to the fact that the AAGC would have to work as a clear alternative to BRI.

In Africa, in terms of investment, India prioritizes people-to-people engagement and capacity building by deepening diaspora ties and interactions. Consultations were ongoing in the areas of pharmaceuticals, agriculture, agro-processing, skill enhancements and disaster management. New devel-

opment in the relationship was the interactions between sub-national organizations. Modi gave specific status for Kerala under the Project Mausam. Kerala planned to import cashews from Africa among other interactions. But it was not all easy and good for India there. There were issues between the local population and Indian diaspora business—Gupta brothers were charged with state capture owing to their close relations with former president Zuma in South Africa. An Indian floriculture company was charged with land grab in Ethiopia. And some racist attacks against African students in India were making Africans turn against Indians in Africa. The Government of India and Indian diaspora in Africa were unhappy with each other for not helping each other out and just being selfish in their own agendas. Regarding the Mausam or any other such initiative, no progress was in sight. Finally, in terms of AAGC, the agreement on India-Japan joint investment in Colombo port in Sri Lanka came as an important step forward.<sup>33</sup>

### INDO-JAPANESE DEFENSE COOPERATION

India has defined the defense cooperation with Japan as a “strong pillar of India-Japan strategic partnership,” as evidenced by frequent exchanges at various levels: Defense ministers in the 2+2 format, Defense Policy Dialogue at the vice-ministerial and secretary level and several professional interactions. India and Japan together with the United States and Australia (including Singapore) held the first quadrilateral maritime exercise in 2007. In the 2000s, the Coast Guards of India and Japan did several anti-piracy exercises and search and rescue operations. In 2012, Japan participated in the Indian Ocean Naval Symposium (IONS) at a level of engagement which Japan has only with the United States and Australia.<sup>34</sup> They participated in the bilateral maritime exercise called JIMEX off Visakhapatnam in India in October 2018 after a gap of five years and the US-Japan-India Trilateral Malabar Exercises were held off the coast of the United States’ Guam in June 2018. The Indian Navy’s P-81 and Japan’s JMSDF P-3C conducted their first Air Anti-Submarine (ASW) off Goa in India in 2017. The Indian Army and JGSDF held their first counter-terrorism exercise. Similarly, JASDF and IAF held air exercise Shinyuu-Maitri 18 in India in December 2018. The QUAD met in Manila in 2018 at the level of foreign office officials. Japan planned to build maritime infrastructure in India’s Andaman Nicobar islands chain to monitor China’s sub-marines activities.<sup>35</sup> For Japan, in the context of somewhat declining American security presence, partnering with India in the maritime security infrastructure would provide the much-needed capacity. They signed the maritime domain awareness agreement.

In the context of Abe’s three principles of transfer of defense technology and equipment and India’s policy reforms in defense manufacturing, during

the visit of PM Modi in Japan, both countries decided to increase bilateral defense technology and security cooperation. Subsequently, under the bilateral strategic framework both sides went on agreeing on various domains: cooperation of navies, air forces and ground forces, including counter-terrorism; codevelop and coproduce defense equipment including dual-use technologies; research collaboration in Unmanned Ground Vehicle and Robotics. Modi also asked Japan to coproduce six diesel-electric submarines for the Indian Navy.

The two sides were engaged in negotiating several important deals, one that stood out being India's interest in procuring a dozen of Japan's state-of-the-art US-2 Amphibious aircrafts. However, due to the difficulties in agreeing upon the price, offset clause and technology transfer concerns, that remained due. And although the two governments had not reached any official decision, in a big development on the matter, at the DefExpo in Chennai in 2018, the Shinmaywa industry that manufactures US-2 and Mahindra Group of India signed an MOU for manufacturing and assembling structural parts and maintenance and repair services in India. Similarly, the interactions between Japan's Acquisition, Technology and Logistic Agency (ATLA) and India's Defense Research and Development Organization (DRDO) jointly worked on the Visual Simultaneous Localization and Mapping (SLAM) Based Global Navigation Satellite System (GNSS) Augmentation Technology for UGV/robotics.

Having said all this, despite Modi's priority of economic revival and issue-based cooperation with foreign partners, the negative spillover of Hindu nationalist BJP's rule—the increasing Hindu-Muslim divide—in India is likely to harm India's image. Importantly, Modi's decision to cross Pakistan air space and attack its nuclear-powered neighbor in the aftermath of the Pulwama Kashmir terror attack and on the eve of the Indian general elections questioned India's trustworthiness and its strategic restraint as a responsible partner. Although India and Japan signed a civil nuclear agreement, there is suspicion in Japan about India's use of Japanese nuclear technology. Similarly, Modi's decision to conduct an anti-satellite test (ASAT) to strike an Indian satellite just ahead of his elections especially raised the hackles of commentators in the United States about the hazards. Modi's move to end the autonomy of Jammu and Kashmir is likely to affect the American lens on Indian foreign and security policy especially vis-à-vis Pakistan and that will likely affect Japan's future defense engagement with India.

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## *Chapter Ten*

# **India-US Relations**

### *A Quasi-alliance*

The United States' switch from Pacific Command (PACOM) to Indo-Pacific Command (INDOPACOM) and India's commitment to the Indo-Pacific as a "free, open and inclusive" concept and a rules-based architecture represents the most consequential—although seen as symbolic—component of the deepening US-India strategic partnership in the context of China's Belt and Road initiative (BRI).<sup>1</sup> For the fast deepening defense ties, and broadening cooperation, the United States named India a "major defense partner" in 2016, a status unique to India. Equally important was the Strategic Trade Authorization-1 (STA-1) granted to India, a provision that only the likes of NATO allies enjoy. The US-India convergence of the Indo-Pacific, underpinned by the Logistics Exchange and Memorandum of Agreement (LEMOA) signed just a short while before it culminated into the Communication Compatibility and Security Agreement (COMCASA) and the "historic" 2+2 dialogue which both India and the United States do only with a selected few allies and partners.<sup>2</sup> The fact that China was the elephant in the room was evidenced by the fact that Indian media was flooded with headlines about how China brought India and the United States unprecedentedly close to each other. However, the historic coming together of the two democratic nations quickly turned bittersweet as India decided to acquire Russian S-400 surface-to-air defense missiles seemingly defying the United States' Countering America's Adversaries through Sanctions Act (CAATSA), which put an abrupt stop to the momentum building of Indo-US ties and raised questions about its future.<sup>3</sup> Moreover, despite the larger convergence around the idea of Indo-Pacific, India does not necessarily agree upon the US version of the Indo-Pacific policy, notably its approach toward China and the partnership in

the Western Indian Ocean region and South East Asia, mainly the South China Sea. India gave continuity to its own “act east” policy as the “cornerstone of its engagement in the Indo-Pacific region.”<sup>4</sup>

Similarly, the return of the Quad—a quadrilateral consultation between the United States, Japan, India and Australia—as the foreign ministry officials of the four powers met on the sidelines of the ASEAN summit in Manila in 2017 almost after a decade, and in Singapore in 2018, marked another important development in the era of China’s BRI.<sup>5</sup> However, as the officials from the quadrilateral met for “consultations on Indo-Pacific,” China was the common denominator, thus Chinese sensitivity toward any potential defense alliance had the members’ hands tied. The grouping could not move beyond maritime exercises, reflecting India’s limitations in such initiatives vis-à-vis Chinese sensitivity which even made India, unlike all other members, have a cautious approach toward the statements like the “respect for freedom of navigation and overflight.”<sup>6</sup>

The Humanitarian Assistance and Disaster Relief (HADR) and maritime cooperation and an “inclusive” Indo-Pacific as laid out by Indian PM Modi at the Shangri La Dialogue in Singapore in 2018 indicates that India ensures that the Indo-Pacific excludes no nation. On the whole, as some observers in Washington put, despite increasing strategic convergence, the very high expectations from the “defining partnership of the century” have made it hard for the nations involved to live up to it. However, in Modi’s second term, given several significant changes and developments in India’s foreign and security policy, especially India’s move to end Kashmir’s traditional constitutional autonomy and Pakistan and China’s response to India, India surprisingly elevated the Quad consultations to the foreign ministerial level, and the foreign ministers of the four countries met on the sidelines of the United Nations General Assembly in New York. Senior officials of the Quad countries met in Thailand on November 04, 2019 and talked about “practical collaboration on counter-terrorism, cyber, development finance, maritime security, humanitarian assistance, and disaster response.”<sup>7</sup> President Trump, during his visit to India, also mentioned Quad.

## INDO-PACIFIC STRATEGY

While there are claims from Australia, Japan and India in terms of who conceived the idea and where, it is certain that Japanese PM Abe certainly mentioned the “confluence of the two seas,” “broader Asia” and that the “Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity” during his visit to India in 2007.<sup>8</sup> Then came the Obama administration’s and Hillary Clinton’s “rebalancing” and “pivot” to Asia while the term Indo-Pacific had already entered strategic

parlance in all these countries.<sup>9</sup> In fact, Hillary Clinton mentioned the newly emerging strategic construct of the Indo-Pacific in her article “America’s Pacific Century” in 2011. However, US Secretary of State Rex Tillerson’s speech in October 2017 at CSIS in Washington was the bellwether of the United States’ new Asia strategy when he spoke about US-India partnership to uphold a “free and open Indo-Pacific” (FOIP). Immediately after, President Trump, in his visit to Vietnam put the country at “the heart of the Indo-Pacific” and the term appeared in the National Security Strategy. The FOIP provided a framework for consultations of the quadrilateral members later that year in Manila. Then, in a historic move, US Secretary of Defense James Mattis changed the PACOM to INDOPACOM, in recognition of India’s indispensable role in the increasing connectivity of the two oceans and regional stability.

However, the terms “Indo-Pacific region” and the “Free and Open Indo-Pacific” that are largely maritime concepts have different meaning for different partners of the Indo-Pacific, notably India who broadly accepted the partnership with the United States in the Indo-Pacific, but differed in the details. According to US strategic documents—National Security Strategy and the Indo-Pacific Strategy Report—the Indo-Pacific region extends from the west coast of the United States to the western shores of India. The National Security Strategy appreciates India’s role as an emerging global power and seeks to work together in the quadrilateral format. However, as PM Modi points out, India’s Indo-Pacific construct stretches from the Pacific up to the east coast of Africa.<sup>10</sup> For the United States’ part, the Indo-Pacific Command ends at Diego Garcia and the Central Command begins from there. As some critics point out, the US Indo-Pacific has more Pacific than Indo.

In fact, the United States and India converge on the China challenge, but to what extent their partnership would go or what method they would apply to challenge China became the critical question. Maritime security expert in New Delhi Commodore Abhijit Singh argues that India’s version of the Indo-Pacific is conciliatory because it is not directed against anyone, whereas the US Indo-Pacific is confrontational given that it is clearly turned against China.<sup>11</sup> As far as the ASEAN is concerned, Singh contends that it is a model that expects China, which is its permanent partner, to share power and responsibility.<sup>12</sup>

PM Modi’s position at the Shangri-La Dialogue reflected that conciliatory approach. Just ten days after he met Putin in Sochi, where they talked about non-bloc principles in the Asia-Pacific architecture, in Singapore, Modi said: “President Putin and I shared our views on the need for a strong multi-polar world order.” Moreover, in his message that India has its own vision regarding the Indo-Pacific, PM Modi said the following in Singapore:

India does not see the Indo-Pacific Region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country. A geographical definition, as such, cannot be. India's vision for the Indo-Pacific Region is, therefore, a positive one.<sup>13</sup>

Contrary to the US articulation of the US National Security Strategy of "strategic competition" against China and Russia, Modi portrays India's engagement with the Indo-Pacific region as "inclusive" and emphasizes cooperation over "great power rivalries" in Asia and that India stands for a rules-based order and peace, not war. By stressing the supremacy of international law and partnerships among those who share common values, Modi also sends the message that China's defiance of United Nations Convention for the Law of the Sea (UNCLOS) over the South China Sea dispute is unacceptable and that it is normal for India and others to build partnerships for common good. Regarding the Quad, Derek Grossman argues that although the mechanism was built to contain China, India was "having second thoughts."<sup>14</sup>

Similarly, the definition of FOIP or the differences of its interpretation show the limitations of the US-India partnership. The United States' FOIP, explained by the Senior Fellow at Carnegie Endowment for International Peace Ashley Tellis, goes as follows: in terms of the "free" component, it is a political order that denies domination by anyone, but provides equal political space for all; in terms of the "open" component, it is an open economic order of post-World War II led by the United States.<sup>15</sup> Therefore, Tellis explains, the United States has the need and responsibility to protect that economic and security architecture underpinned by its alliance and partnership in Asia and Europe which is now increasingly challenged by China. For India's part, in terms of the foundational principles such as sovereign equality, economic freedom, international law and norms, peaceful settlement of disputes, freedom from coercion, India and the United States as likeminded partners fully align. However, as the United States expects its partners to contribute to operational endeavors, if not to "freedom of navigation operations" (FON-OPs) in the South China Sea, India fears such approaches would have implications for its own waters. As the Europeans are ahead of Asian partners in increasingly conducting operations in the South China Sea, the United States is in fact expecting to engage more with European allies over Asian affairs. Despite the larger convergence between the United States and India on the Indo-Pacific, the differences in nuance have caused problems for the division of labor between the United States in East Asia and India in the Indian Ocean. India's Ambassador to the United States Harsh Vardhan Shringla says the following regarding any divergences on the Indo-Pacific:

Indo-Pacific as a concept is relatively a recent one. And lot more work has to be done in developing that concept. I think the basic principles of that concept are the same that you want Indo-Pacific to be a region that exists on the basis on which you yourself exist and you believe that others should as well; to ensure that there are international rules and laws to govern in terms of disputes that you may have, common space that we occupy, whether it is freedom of navigation, open skies policies, transparent system of development and expanding connectivity. These principles are the same and I don't think there is any divergence. It is a question of fleshing it out further. Our view of Indo-Pacific is inclusive, not directed against anyone, we want to work with as many partners as possible in a positive way to help others and help ourselves.<sup>16</sup>

Similarly, in terms of the divergence on approaching Indo-Pacific and Quad, the Ambassador says:

Quad is a concept that is still developing. It is still a group that is meeting on areas where we have common interests, common projects and common developmental priorities. It was never part of the Indo-Pacific strategy. Indo-Pacific is different and Quad is a concept that is different. I don't think the two are on the same page when it comes to strategies. Again, these are being developed and being fleshed out, so it is early in the game. But we don't have any differences with the US in categorizing these two different concepts. (edited for clarity)<sup>17</sup>

Moreover, India's "act east" policy to reach out to South East Asian countries makes India's co-existence in the region and with ASEAN, where China has established itself as a permanent power, an important priority of Indian foreign policy. Therefore, India has treaded very cautiously not to harm the growing goodwill which it has been building for the past three decades of its "look east" policy. That is why, as former India diplomat Ashok Sajjanhar puts it, on every occasion India has stressed the centrality of ASEAN as the key pillar of India's "act east" policy.<sup>18</sup> The joint declaration of the ASEAN-India summit of 2018 calls for a "rules-based regional architecture through existing ASEAN-led framework and mechanisms in terms of security cooperation."<sup>19</sup> The declaration also states that the "freedom of navigation and overflight in the region and other lawful uses and unimpeded lawful maritime commerce . . . in accordance with universally recognized principles of international law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS)."<sup>20</sup> In terms of the mentioning of the freedom of navigation, Prof Srikhant Kondapalli from Jawahar Lal Nehru University in New Delhi argues that "as far as India is concerned the concept of territorial sea defined by countries like Vietnam, Malaysia or China is problematic for India since 40–50 percent of India's trade passes through these areas."<sup>21</sup> For ASEAN's part, Kondapalli argues, they seek India as a balancer.<sup>22</sup> Thus,

India plays a balancing game in South East Asia, not containment, which puts India's position in the Quad at odds with the rest of the group, if taken the grouping as an alliance in the making as it generally is. India's best security partner in the region, Vietnam, which is also a claimant to the South China Sea, is opposed to Quad. Vietnamese Envoy to India Pham Sanh Chau in Delhi stated: "if any country wants to gang up, use force or trying to use force, then it goes against the position of Vietnam."<sup>23</sup> The cooperation between India and Vietnam goes to the extent that, despite China's protest, India's ONGC Corporation Limited continues exploration of oil in the waters off Vietnam which China claims as its own.

Moreover, ASEAN is not very keen of the Indo-Pacific concept which is perceived as having the potential to erode ASEAN's centrality, another reason that further complicates the engagement for India, since it is a member of the Quad in the Indo-Pacific. India's delicate balance toward ASEAN seems to have come at the cost of its independent engagement with the United States in the Indo-Pacific. Besides, India itself subscribes to the idea of the "Asian century" and being a bridge between South East Asia and Central Asia and West Asia. As Modi declares: "Indeed, our hopes of an Asian Century will be realized when we see Asia as one, not South, West, East or Central. Asia will rise when we all prosper together. For that, we have to connect Asia's different parts. India is at the crossroads of Asia's land and sea routes."<sup>24</sup> Such foreign policy objectives drive India to take a conciliatory approach toward China, and slowdown its defense partnership with the United States or bring in Russia in the balancing game. These dynamics present risks and opportunities for the United States: as Evan Feigenbaum had argued in the pre-BRI and pre-Modi time that if the United States failed to get Asia right in the context of "Asians themselves remaking their continent," its influence would likely wane in the near future if its policies are not aptly re-adjusted.<sup>25</sup> Feigenbaum has argued that India's "reintegration" with East Asia "could buttress US strategic objectives," especially when other Asians reached out to India. However, what is also true is that US-India ties have also helped India to enhance its own image as a power that could support a strategic balance in Asia.

### INDIA: A POLE ON ITS OWN

India substantially enhanced its strength and image by becoming a strong strategic partner of the United States, which enabled New Delhi to play its cards well from the Indian Ocean to Eurasia. In other words, India succeeded in its hedging strategy against China especially by building upon the Indo-US ties to the point where it became one step short of a full security ally. Despite the fact that India entered the Shanghai Cooperation Organization



with the help of Russian President Vladimir Putin, India signed COMCASA with the United States. India purchased S-400 surface-to-air missiles from Russia, and conducted informal summits—Wuhan Summit and Mamallapuram summit—with Chinese President Xi Jinping, but at the same time participated in the Quad meetings. India continues to argue that Russia is not a threat, and at the same time, regains its prominence in the immediate maritime neighborhood in partnership with Japan and the United States. India also continues to stress that without engaging with China India would not achieve a \$5 trillion dollar economy in near future. Although it may seem a complex equation for India's likeminded democratic partners, India insists that it all makes perfect sense. Therefore, it argues that its partners, notably the United States, need to do more for India. From the Indian point of view, this dynamic is well articulated by Harsh Pant: the “underlying strategic logic” has driven the Indo-US relations to maturity; therefore, the United States is aware of India's sensitivities while India shows “skillful strategic posturing” regarding US interests.<sup>26</sup>

It is certainly true that the Indo-US relations have reached heights that would have been unimaginable in the 1990s when India was sanctioned by the United States for its nuclear test. However, the narrative on the US side shows big expectations from India, but India seems to have abruptly stopped the momentum, especially in the deepening defense partnership. Shortly after the first ever India-US 2+2 dialogue held in New Delhi between Secretary of Defense James Mattis and Secretary of State Mike Pompeo with their Indian counterparts Defense Minister Nirmala Sitaraman and External Affairs Minister Sushma Swaraj, the Principal Assistant Secretary of State Alice Wells reflected that momentum at a program in Washington:

The 2+2 really re-affirmed the strength of the US India relationship, reaffirmed the alignment and values regarding the Indo-Pacific and underscored our interest in amplifying and building blocks on the basis of which we move forward carefully. We acknowledge that India is a power and its role as a net security provider in the region. We don't do 2+2 much, it is very big deal. And the STA-1 we gave to India shows the intimacy of our partnership, it is something we only do with our NATO allies and partners. We take India's concerns on board. That is why we helped India bypass China's veto in the Nuclear Supplier's Group. We converge in many areas of common concerns, mainly in our strategic vision of Indo-Pacific, and in terrorism, Central Asia, DPRK. We recognize that the definition of Indo-Pacific of Japan and India is different from ours—but we are willing to cooperate on that also. They see the east coast of Africa as part of the Indo-Pacific, and there is a space in which we can align our priority on Africa with that.<sup>27</sup>

Similarly, in terms of what the COMCASA agreement means and what are the chances for further deepening of defense ties, notably the signing of the

Basic Exchange and Cooperation Agreement (BECA), the Principal Deputy Assistant Secretary (PDAS) of Defense for Asian and Pacific Security Affairs of the Department of Defense David Helvey said:

COMCASA provides us the environment in which we get assurances and mechanisms in which the state-of-the-art American defense technology is secured. COMCASA is really a noteworthy outcome—it allows India greater access to American technology and optimal use of American platform and equipment’s it already has. COMCASA gives us a right type of interoperability—we want to share our technology with India and our partners, but we make sure that it is protected, and the COMCASA does that. We want to build upon the designation we gave to India as “major defense partner” since 2016. We are looking at co-development, co-production and defense trade initiative with India, and the COMCASA gives us space to move forward. We want to continue to deepen our partnership and work together in our Indo-Pacific vision. Therefore, just like COMCASA, the US wants to quickly materialize the BECA agreement, which allows imagery data sharing, another foundational agreement that the US has only with its full security allies.<sup>28</sup>

According to PDAS Helvey, Indo-US ties are on “higher trajectory” by the efforts from the Department of Defense and India and the United States have convergence of strategic interests reflected in the joint statement that mentions a “forward looking strategic partnership.”<sup>29</sup> Then Indian Defense Minister Sitaraman says that defense cooperation between the two nations has been the key driver of broader ties, which reaffirms the strength of that partnership. However, India’s decision to go for its traditional defense partner Russia for equipment put all that positivity in question as India risks being sanctioned under CAATSA by Washington.

## INDIA TURNS TO RUSSIA

Unlike the ties with Russia, the US-India relationship is quite young, especially in the defense realm where it was only after 2005 when the defense framework agreement was signed that they started having meaningful interactions. Although the condition changed after the Cold War and India looked for opportunities on the Western defense market, due to American sanctions in the late 1990s after India’s nuclear test, the relationship held back for some years. Subsequently, however, the relationship deepened very quickly: in just a decade (2008–2018) the defense cooperation between the two countries went from \$0 to \$18 billion. And the defense cooperation grew even though India continued to have the legacy of defense platform and equipment from Russia and other defense partners. India began to pursue the ambition to acquire the most advanced defense technology; the United States wanted to

see India as a natural ally in the region, hence convergence despite challenges.

However, surprisingly, Russia re-emerged as an irritant in that goal of Americanizing India's military platform and posed a challenge in the alignment of strategic vision between America and India, especially the Indo-Pacific vision. During the Sochi meeting between Putin and Modi, both leaders agreed upon "non-bloc principles" for Asian affairs.<sup>30</sup> For Russia's part, it wants to be a player in the Indo-Pacific region, for which it has its own nomenclature of Afro-Bengal Ocean, and both countries are converging even in partnering in South East Asia. On India's part, giving increasing importance to Russia again owes mainly to India's biggest concern of the day, that is its national security vis-à-vis China plus the China-Pakistan alliance. Its large trade deficit against China has reduced India's foreign policy maneuvering. It worries about securing energy supply and influence in critical regions for India such as Central Asia, West Asia and the Indian Ocean. Importantly, India also expects that being on good terms with Russia will be useful for India in terms of its terrorism concerns in Afghanistan that is inextricably linked to its archrival Pakistan and its spillover effect in Kashmir. Moreover, the fact that China had already received Russian S-400 missiles—the first government-to-government deal China signed with Russia in 2014—played its role to provide further urgency in New Delhi to procure the same. Some former officials and defense experts in Washington do concede that India was unable to continue procuring defense equipment from the United States due to financial constraints. Moreover, some contend that the US Patriot Advanced Capability-3 (PAC-3) and Terminal High Altitude Area Defense (THAAD) systems are less capable in terms of range and interceptors as compared to their Russian alternatives. Nevertheless, there has been misleading missile defense claims as well.<sup>31</sup> And the fact that India has continued signing big deals—Akula-1 class nuclear powered submarine lease—with Russia even after the S-400 deals is evidence that India gave preference to Russia over the United States not only for reasons related to the capability of the missiles but for something else. In terms of India's threat perception and perceived need to keep Russia close, Sujan Chinoy, the Director General at the Institute for Defense Studies and Analyses said in Washington:

In terms of equipment, as we draw down our Soviet-era platform, and we diversify our sources to multiple partners, US is one of our biggest defense partners today. But US has to reconcile with India's concerns that the world is in flux now and we take that into account. It is a multipolar moment, and our major concerns are our northern land borders and the Indian Ocean regions. That is why the way we do defense acquisition corresponds to our threat perception.<sup>32</sup>

Moreover, as Donald Trump was elected as the President of the United States, things started to take unexpected turns. President Trump did not show the same regard to India as Obama did and sent confusing signals to India, its “major defense partner.” As a result, India turned toward pursuing a foreign policy of “multipolarity” that does not fully rely on the United States, but still wants to deepen its relations with the United States—as some are characterizing as India’s traditional “non-alignment” or “strategic autonomy” or “multi-alignment” or “issue-based alignment.” Against this backdrop, India and Russia sealed the missiles deal. On the missiles matter, the Department of Defense’s Principal Deputy Assistant Secretary David Helvey said:

The CAATSA sanction is not about punishing partners but Russia for its unacceptable behavior. It is the US president’s decision. Secretary Mattis and Pompeo have worked hard to convince the Congress on the amendment what gives the space for the President to waive the sanctions. COMCASA has deepened the interoperability between the US military and Indian armed forces, has enabled India greater access to US systems, and optimized the use of US origin equipment India has. This is a major accomplishment and the US wants to maintain the momentum for other outstanding agreements to conclude soon. The US recognizes the fact that apart from the S-400 missiles, significant part of India’s equipment comes from Russia, and also there are other defense partners. It is a complicated issue, but that is where the COMCASA agreement comes into play.<sup>33</sup>

India’s turn to Russia after a decade of big-ticket deals with the United States undoubtedly indicates several divergences. One major complaint in India is that Washington refuses to grant technology to India and does not consider India’s desire to be in the US supply chain of arms. In this regard, Air Marshal M. Matheswaran (retired) in Chennai says:

Yes! India-US partnership is moving forward, albeit slowly. The COMCASA was signed in September. That leaves primarily the BECA. That would take some time. But before that, a lot more needs to be done from the US side in terms of technology access and industrial partnerships.<sup>34</sup>

Especially under Modi’s “Make in India,” India has made defense production in India a cornerstone of India’s economic-foreign-security policy for which India seeks to partner with those who align with Indian interests. In addition to “Make in India” as a global power in its own right, India seeks to produce critical defense technology at home and not continue its import. Indian security elites believe that the Cold War legacy of a public sector domination that prevented private sector innovation is over and that India is ready to work with partners who are willing to share their technology. Such thinking partly explains India’s acquisition of Russian advanced weapon systems even at the risk of endangering its ties with the United States which is India’s number

one export destination with \$52.4 billion worth of export in 2019 compared to a mere export of \$2.4 billion to Russia, not to mention the most coveted destination for Indians working in the IT sector that receive most of the US H1B visas. In the fiscal year 2017, 75 percent of all H1B visas were given to Indians.<sup>35</sup>

## IN THE CROSSFIRE: BETWEEN THE UNITED STATES AND IRAN

India has four immediate priorities with Iran and they are India's energy security, Chabahar port that enables access to Central Asia and countering China's Gwadar port in Pakistan and maintaining deep ties with a country with whom China seeks to make an alliance. China's westward connectivity plans to connect with Iran have given further impetus to India to value Iran strategically even more, in addition to its traditionally stable relations and civilizational connections. However, the Trump administration's withdrawal from the Joint Comprehensive Plan of Action (JCPOA), reimposition of sanctions and even pressure on India, among others, to cut down oil purchases to zero, left India extremely concerned because India had become the second biggest buyer of Iran's oil and India's energy demand will be increasing around 4 percent for the next twenty-five years.

India built terminals in Chabahar port in phase I and took over the operations in 2018. India Ports Global Limited, a joint venture set up by the Indian government for strategic overseas port investment, carried out the construction. Chabahar has great strategic value for India for various reasons: it provides the only access for India to Afghanistan bypassing Pakistan who denies India access and further into Central Asia. India and Russia signed an MOU on a North South Corridor as India's relations with Russia have been on an upward trajectory. The North South Corridor is envisaged to extend from India via Iran through Afghanistan to Central Asia and even up to Russia. India and Russia converge in using the corridor for energy, trade and commerce. India had been swift enough in signing a trilateral transit agreement with Iran and Afghanistan in 2016 and, by mid-2017, India had already sent wheat consignments to Afghanistan via Iran. India also constructed the Zaranj-Delaram highway in Afghanistan.

However, it has not been all that easy with Tehran for New Delhi because India has not been able to get favor from the Iranian government for other projects. Moreover, India-Iran relations have come under stress because of the uncertainties emanating from Washington. Iran's deputy Ambassador to India Massoud Rezvanian Rahaghi angrily said in Delhi that India would lose "special privileges" if it reduced the oil import from Iran and bought it from Saudi Arabia, Iraq, and so on, due to US pressure.<sup>36</sup> The special privileges he referred to are cooperation in the Chabahar port, favorable oil prices,

and the currency for purchase and other favorable terms. Indian elites were very upset by his remarks, fearing that India's vital strategic interests in Iran would be endangered. In addition, China is certainly a bigger player there and more than that, it stood firmly by Iran on the US sanctions issues, which put India in a difficult position. Furthermore, in terms of the use of Chabahar port, Iran has not denied the fact that it will give its friend Pakistan access to the port in the near future.

India tried to defy US pressure initially by saying that India only follows UN sanctions, not US sanctions, but given deep Indo-US cooperation in several areas including nuclear cooperation, India's resistance could only go so far. India reduced its oil import from Iran almost to zero by May 2019. The United States' exemption to Chabahar port operations for India came as a relief since the United States realized the importance of the port for Afghanistan in terms of NATO logistics. Former Indian Diplomat Meera Shankar argues: apart from its strategic importance that provides an alternative for Afghanistan to the Pakistan route, Chabahar port's exemption from sanctions also corresponds to the United States thinking that India would have primacy in Afghanistan.<sup>37</sup> In terms of trade, Chabahar does not compare to Karachi port in Pakistan, but India sees it as a strategic port that counters well China's strategic port of Gwadar which does not have much commercial viability either, but will most likely be used by the Chinese as naval facilities.

### JAPAN-AMERICA-INDIA (JAI)

Modi is championing informal bilateral summits and plurilateral sideline meetings to advance India's interests further. He initiated JAI—Japan, the United States, and India trilateral—at the G20 Buenos Aires Summit in 2018 with a “message of success.” JAI is yet another trilateral grouping among several that emerged in the last few years in the larger Asia-Pacific or the Indo-Pacific region. Such groupings hover around the United States' security role in Asia and seek to engage with the United States and its allies and partners. India did such trilateral meetings with the United States and other likeminded partners, but JAI at the highest level is certainly one of the more significant such formats.

In terms of the content of the JAI format, Modi laid out the following areas of cooperation: connectivity, sustainable development, maritime security, disaster relief and freedom of navigation.<sup>38</sup> These areas of cooperation and India's commitment to them reflect a careful calculation of finding convergence with key partners so that the partnership can turn into India's advantage. In the following G20 summit in Osaka, the JAI meeting focused on Indo-Pacific security affairs and trade and investment in the Indo-Pacific.

JAI is another reflection of the fact that India's foreign policy establishment does not believe much and is not hopeful of big multilateral forums such as the G20. They see such groups as being too fragmented, unable to forge any common agenda for greater good and as merely symbolic or talk shops. Therefore, India's preferred way of going forward is to engage with key partners in smaller groupings. Former senior Indian diplomat Vivek Katju says that the G20 is increasingly ineffective as since its inception in 2008 at the height of the financial crisis, lots of agendas have been inducted into the grouping.<sup>39</sup> Therefore, he argues, the G20 looks more like different committees of the United Nations which are mostly dysfunctional and there are many differences between the group members. In his experience, he says, sideline meetings are at times more important than the summit itself.<sup>40</sup> Modi has been able to work around difficult leaders more effectively than leading multilateral agenda on trade or security, hence several bilateral, trilateral and plurilateral formats. EAM Jaishankar has also argued that such platforms are more useful sometimes.

To conclude, India's deepening of defense ties with the United States has been extraordinary, given its short history of good ties with the United States. Both countries are just short of a full security ally. In a big development, during Trump's India visit, Trump and Modi elevated the relationship to a "Comprehensive Global Strategic Partnership," and signed defense deals worth \$3 billion mostly focused on maritime security. Commentators in India expect that India is even likely to sign BECA with the United States once the terms are finalized. However, the expectations that US-India ties have the potential to become a defining partnership of the century, especially in the era of increasing revisionism of Russia and China, seem to remain just that, expectations. Because India believes that whatever it has achieved so far from the US-India relations and the leverage it got from the relations to advance India's interests in other regions and realms, India has played its cards well.

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## *Chapter Eleven*

# **India-Russia Relations**

### *New Level of Cooperation*

While the US-India defense partnership was going through unprecedented deepening as both went on signing major security agreements—General Security of Military Information Agreement (GSOMIA) in 2002, Logistics Exchange Memorandum of Agreement (LEMOA) in 2016 and Communications, Compatibility and Security Agreement (COMCASA) in 2018—and the advocates of Indo-US ties seemed more than hopeful about signing the Basic Exchange and Cooperation Agreement (BECA), the fourth or the final of these “foundational agreements” that the United States only signs with its closest security allies, Russia seemingly unexpectedly entered the game and disrupted the momentum.<sup>1</sup> Even though the United States adopted a law that provided for sanctions on countries that purchase high-tech military equipment from Russia, known as CAATSA (Counter America’s Adversaries through Sanctions Act), India agreed to procure an S-400 surface-to-air missile defense system from Russia for \$5.2 billion, posing an uncomfortable barrier in the US-India defense ties.<sup>2</sup> Moreover, amidst uncertainty about the US sanctions on India, India signed another deal with Russia to lease a third nuclear-powered submarine for \$3.2 billion.<sup>3</sup>

In fact, Russia was the number one defense partner of India since the Cold War period; in 1971 both nations had signed a security cooperation treaty in response to the US-China strategic alliance against Russia and China’s support for Pakistan. However, due to the end of the Cold War and India’s policy to benefit from Western technology and globalization, the Indo-Russia partnership lost its original significance.<sup>4</sup> Although there was a continuity in Russia-India relations, it was defense and energy focused—between 2012 and 2016, 68 percent of India’s military equipment came from Russia.<sup>5</sup>

Therefore, Indo-Russia relations did not get that much visibility in the conversations in New Delhi. As India signed a civil nuclear agreement with the United States in 2005, with subsequent deepening of their defense partnership, India began to modernize its military with American defense equipment. Within about a decade after the nuclear agreement, India purchased US \$18 billion worth of US arms, reaching the number one position on the buyers list of US weapons.<sup>6</sup>

However, India was taken by surprise in 2016 when Russia reportedly intended to hold military exercises with India's archrival Pakistan and, on top of that, the exercise was going to take place in Pakistan-administered Kashmir which India claims (later the venue was changed).<sup>7</sup> This arguably became the watershed moment when India was forced to rethink its position on regional and global engagement.

### NEW BALANCE OF POWER

While Russia and South Asia have their own historical relationship and geopolitical interests that converge to some extent, the rise of China and Xi's BRI has given new impetus to Indo-Russia relationship among other things. In the post-Cold War era, the Asian land mass from Russia to the Indian peninsula had no established regional powers, only aspiring or rising powers, mainly India and China. Russia continued to be the dominant power in Eurasia but was a declining one.

Moreover, despite attempts by both Russia and China to forge an anti-American alliance, President Vladimir Putin's Russia largely continued its transactional relationship with the United States, and China did not want to ruin its working relationship with the United States either.<sup>8</sup> The US-China relations kept growing after the end of the Cold War and, despite some hiccups, China had strong economic ties with the United States with the bilateral trade skyrocketing from \$5 billion in 1980 to \$231 billion in 2004.<sup>9</sup> Meanwhile, China and Russia maintained good bilateral relations.

For its part, in the early 1990s, India found itself on the verge of an economic collapse of a magnitude similar to the ones in the Soviet Union or Eastern Europe of the time, says former Indian PM Singh who was the Finance Minister at that time.<sup>10</sup> According to Singh, Indian foreign exchange reserves were at the level of only two weeks' worth of imports. This situation unleashed a historic economic reform in India which embraced open market economy.<sup>11</sup> The liberalized India then drew closer to the United States and quickly projected a Western-oriented outlook.

The defense partnership in the twenty-first century between India and the United States increased so substantially that Russia's defense partner status in India seemed pale—in the period between 2013 and 2018, while India's

arms import from Russia “came down to 58 percent,” India’s import from the United States increased by 569 percent.<sup>12</sup> India’s growing diaspora in the United States, the job market for Indian IT experts, remittances, and growing trade relationship easily belittled Russia. However, India carefully maintained the language of high priority on Indo-Russia relations. In fact, PM Narendra Modi himself publicly addressed the issue saying that the claims that India left Russia behind in its quest to promote Indo-US relations did not speak to the facts.<sup>13</sup>

Meanwhile, in continental Asia, including South Asia, the balance of power was gradually shifting. Communist China’s newfound economic and military strength and need for energy security and dependence on the international market began to fill that regional vacuum, unleashing yet another balance of power reshuffle. This had big implications for India’s US policy, as India needed the United States to hedge against China which, in turn, drew Russia closer to Pakistan. The core concern of India’s foreign policy derives from insecurity emanating from Pakistan and China and the combination of the two. In terms of Pakistan, India has the challenge to manage terrorism emanating from Pakistan and Afghanistan, and regarding China, in addition to its traditional border conflicts, China’s going out to the Indian Ocean region has given yet another significant strategic worry. By way of consequence, due to the new developments and India’s geographic location, energy security, economic and military capabilities, its identity and preferences, New Delhi recalibrated its interests in terms of having strong relationship with all major powers. In addition to all these factors, India’s foreign policy architect, Modi’s EAM Jaishankar, often cites the uncertainty regarding multilateralism, for which he argues that India should pursue a multi-alignment policy.<sup>14</sup>

Consequently, India has preferred to maintain its “strategic autonomy” with some degree of political distrust of America which some quarters of Delhi had always retained. In other words, India preferred not to fully ally with one party to confront another and preserve its identity, and made sure that it is present everywhere. Commentators in Delhi argue that India’s policy is to show its presence. From Central Asia to South East Asia, bilaterally, regionally or multilaterally, India has tried to reach out and engage, although it is not necessarily able to drive the agendas there. This policy led India to try out new platforms with different partners in different areas of convergence, from the “Quad” (India, the United States, Australia, and Japan) to “triad” (Russia, India and China or Japan, America, India) to “dyad” (India and China post-Wuhan).

## India-Russia and Strategic Autonomy

Indian and Russian views of national security and global outlook display striking similarities in terms of: claims of respective spheres of influence, being civilizational super-nations with the right to regional, if not global, leadership, as something pre-ordained and the perception of being victims of US hegemony.<sup>15</sup> Romantic memories of the interactions between the two during the Soviet era and Russia's support in the 1962 India-China war vis-à-vis US support to Pakistan in the 1971 war, Russia's help in providing nuclear technology, all these appear frequently in Indian commentators' conversations. Although Indo-US ties in recent years stole the show, in fact, India's high regard for Russia was continuously evident in its statements replete with respectful words and emphasis upon Indo-Russia relations. With Modi's ascent to power on the one hand, and President Trump's administration in Washington on the other, India's Russia priority has only increased. Modi has been awarded Russia's highest state honor—the Order of St. Andrew the Apostle—for developing the “Special and Privileged Strategic Partnership” between the two countries.<sup>16</sup> There were unprecedentedly frequent visits between the leaders of the two nations and significant strategic convergence, defense deals, along with deepening personal rapport between PM Modi and President Putin. In the early days of his second term, Putin made Modi the chief guest in the Eastern Economic Forum (EEF) in Vladivostok where Modi announced a \$1 billion Line of Credit to Russia.<sup>17</sup>

Especially for Russia's role in supporting Modi's flagship “Make in India” program by transferring technology, inducting India into the Shanghai Cooperation Organization (SCO), Russia has again secured its place in New Delhi which was perceived to have faded momentarily. Despite the competing environment between different defense partners of India, in the Modi era, 60 to 70 percent of India's military hardware is Russian.<sup>18</sup> Thus, India is going to continue to depend on Russian support in terms of maintenance and repairs as well as India's export of Russian origin equipment. In fact, with new deals such as S-400 air defense missiles, frigates, and a nuclear-powered submarine, Russia has succeeded in further strengthening its defense market and deepening India's dependence on Russia. Several factors such as India's need to deepen its ties with the United States to hedge against China and keep Russia away from Pakistan, and Russia's need to use India to survive Western sanctions and to balance China in SCO; all these factors have brought the old allies to each other's arms, hence India's emphasis on “strategic autonomy.” India's eminent commentator C. Raja Mohan argues that India's invocation of “strategic autonomy” is especially against its deepening ties with the United States.<sup>19</sup> Despite the fact that there were negligible economic and trade and people-to-people relations with Russia, whereas the United States is the number one export destination of India and the source of

several modern technologies for India, Indian commentators' tone toward the United States began to sound increasingly negative. The most visible reasons for such states of affair were US President Trump giving seemingly less priority for India, his desire to leave Afghanistan, possibly without a comprehensive deal that would favor Pakistan and Trump's tariff war with India.

## RUSSIA-INDIA STRATEGIC AND DEFENSE COOPERATION UNDER MODI

As PM Modi took office with his electoral promises of "Make in India," he not only brought energy, vigor and fanfare into India's foreign policy, but actually expedited deal makings and implemented existing agreements. With Russia, he sealed the "game-changer" defense procurement of an S-400 air defense missile, leased a nuclear-powered submarine and agreed to construct several units of a nuclear power plant. Similarly, Russia helped India become a member of the Shanghai Cooperation Organization (SCO).<sup>20</sup> Putin invited Modi for an informal summit in the Black Sea resort of Sochi and made Modi a guest of honor at the St. Petersburg International Economic Forum (SPIEF) where both the leaders endorsed a strategic vision for key collaborations in the future.

However, despite the strengthening of Russia-India ties, Russia's changing posture in South Asia, notably Pakistan, showed some strategic disconnect between India and Russia.<sup>21</sup> While both sides had been touting the historically rooted and "time-tested relationship" between India and Russia, Putin ignored India's core concern of isolating and putting pressure on Pakistan in terms of cross border terrorism and militant groups present there. In fact, on several occasions, visiting Russian ministers sympathized with Pakistan as a victim of terrorism just like Russia, hitting India where it hurts—India expressed concerns about Russia's policy.<sup>22</sup> Moreover, Russia and Pakistan reached out to the Taliban in Afghanistan, despite the fact that Russia and India had also been talking about the future of Afghanistan, which almost confirmed the speculation that the interests of Russia and Pakistan converged as India went into the US camp.<sup>23</sup>

Nevertheless, from Russia's perspective, India is also a necessary partner. India is Russia's major defense partner and is likely to remain so for the foreseeable future. And Putin, especially to escape the pressure from Western sanctions after its annexation of Crimea, needs India's political and economic cooperation even more. Both nations are already critical partners in joint multilateral ventures like BRICS. By contrast, Pakistan's support to Russia in the economic realm is limited, rather non-existent. Putin's invitation to Modi for an informal summit in Sochi, Modi receiving high importance in SPIEF,

and Putin's initiative to revive the RIC (Russia-India-China trilateral) meeting in Buenos Aires, all these point to India's importance to Putin.

India also felt the pressure from the Trump administration that wanted to pull out from globalization and Trump's possible sanctions on India for engaging with Iran and Russia. Similarly, India's need to balance Pakistan-Russia relations and get Russian support on Afghanistan, and above all, its need to balance China, all these factors motivated India to be on good terms with Russia beyond its defense relations. India went to the extent of siding with Russia when the world condemned Russia's annexation of Crimea.<sup>24</sup> Therefore, given this convergence, both nations have had no choice but to cooperate deeper.

To give new impetus to the relationship, Putin personally took interest, and for Modi's part, he characteristically played the "Dosti" (friendship) card. At the BRICS summit in Goa in 2016 Modi said:<sup>25</sup>

There is a Russian saying: an old friend is better than two new friends. President Putin, we know about your deep affection for India. Your personal attention has been a source of strength in our relationship. And in the complex and changing global context, your leadership has provided stability and substance to our strategic partnership. (edited for clarity)

After the end of the Cold War both nations started looking toward different directions, but the new millennium brought the old friends closer. The bilateral Annual Summit began under Putin when the two countries sealed a "strategic partnership" in 2000, and then in President Medvedev's visit to India in 2010 the relations elevated into a "special and privileged strategic partnership." The "strategic vision" signed between Modi and Putin in 2016 in Goa enabled the nuclear technology transfer resulting into the construction of unit 3 and unit 4 in Kundakulam power plant in the state of Tamilnadu, and agreements on additional power plants elsewhere were sealed. The two nations began an institutionalized dialogue mechanism at the ministerial level.<sup>26</sup> The Inter-governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) is cochaired by the EAM of India and Deputy PM of Russia. Similarly, the Inter-governmental Commission on Military and Military Technical Cooperation (IRIGC MTC) is cochaired by defense ministers.

By 2019, India and Russia had nineteen Annual Summits. Modi's tenure saw an unprecedented number of high-level visits between the two. In 2017, in addition to the Annual Summit, then EAM Swaraj, then Defense Minister Sitharaman, National Security Advisor Ajit Doval, and the Finance Minister visited Russia. For Russia's part, two Deputy Prime Ministers visited India, and the following years also saw two-way high-level visits. In 2016, Indian firms acquired stakes in Russian firms and oilfields for \$5.5 billion and



Russia's Rosneft bought India's ESSAR for \$13 billion, becoming the single biggest FDI source for India.<sup>27</sup> Joint exploration of oil and gas in Vietnam and cooperation to construct a nuclear plant in Bangladesh also began. An investment fund of \$1 billion was established for infrastructure partnership. Similarly, several MOUs were signed on the areas of investment, education and research, engineering, ship-building, science and technology, and gas pipelines. Some of the areas where both have agreed to cooperate are:

- New focus on East Russia
- Fast track India's FTA negotiations with the Eurasian Economic Union
- Cooperate on International North South Transportation Corridor (INSTC) to enhance connectivity, logistical links and trade facilitation
- Build green corridor between Russia and India
- Target of total goods and services to reach \$30 billion in bilateral trade by 2025
- Target of mutual investment of \$15 billion by 2025

Russia seemed more committed than other partners to Modi's "Make in India."<sup>28</sup> In fact, Indian commentators proudly claim that Russia has given unprecedented defense and nuclear technology to India and that the future looks good since there are no conflicts of interest between the two. Indian analysts contend that Russia is "permanently valuable" for India. However, India has also shown its preference to diversify its defense market and technology from Russia—it also goes to the United States, France, and Israel. India's strategy to point out the elephant of the room—China—as the reason for its diversification and hedging has worked well, but has its limitations. Modi, observers put, is like a clever businessman, has played all sides, but it is a very delicate balance.

Similarly, despite increasing transactions between Russia and India and repeated official statements of convergence, there was a sense of decreasing appreciation of India's strategic concerns by Russia, except for leaders' personal preferences. Just the day after the Indian general elections had started, Putin awarded Modi Russia's highest civilian honor of the Order of St. Andrew of the Apostle in a clear bid to see him get reelected. Modi signed \$9 billion worth of defense deals with Putin. However, Putin enthusiastically endorsed and participated in China's BRI which would not please Indian eyes. As Indian commentator Dhruva Jaishankar speaking at The Heritage Foundation in Washington puts it: "Russians have become very transactional."<sup>29</sup>

## Make in India and Russia

Shortly after coming to office, PM Modi introduced the “Make in India” initiative to promote India as an investment destination, and as a global hub for manufacturing, design and innovation, an extremely ambitious agenda that was expected to be transformational for India in terms of job creation for its millions of youth. The major target of the initiative was to increase manufacturing jobs in India—where the service sector has the highest share of the GDP—from the existing 16 percent to 25 percent.<sup>30</sup> The initiative in fact came at a time when India’s manufacturing sector was shrinking. Modi reached out to European and North American governments and business communities, succeeded in being convincing globally that this time India meant business. India did show some improvement on some indicators like “ease of doing business” or big increase in FDI inflows—a 48 percent increase.<sup>31</sup>

Meanwhile, India’s defense production was often seen as a potential sector to significantly contribute to the “Make in India” campaign and the old defense partner Russia came out as India’s best fit since Russia had a history of joint development of defense hardware in India since the 1960s such as MiG-21, MiG-23 and MiG-27 aircrafts, and the Su-30MKI program as well as T-72C and T-90C tanks production.<sup>32</sup> BrahMos Aerospace, a joint venture between India’s Defense Research and Development Organization (DRDO) and Russia’s NPO Mashinostroyeniya, designed and produced BrahMos missiles, which India sought to sell to the UAE, Vietnam, South Africa and Chile. In terms of Modi’s initiative, there was some progress in the field of joint-design, development and production of high-tech military equipment in India. They established a joint venture for production of KA-226T helicopters in India. Both governments have called upon private sectors to join the initiative. Talks on production of frigates were likely to progress.

## BRICS AND SCO

Despite the fact that India and China are seen fundamentally as rivals and that Russia and China, despite their tactical convergence, are strategic competitors, all these three powers converge strongly in one area, that is, challenge the international system dominated by Atlantic powers and their regulatory instruments. In their first BRICS summit in Russia in 2009, they called for a multipolar and equitable world order showing one voice as developing countries in demanding reforms in global governance. BRICS stands for Brazil, Russia, India, China, and South Africa and the term was coined by Goldman Sachs in the early 2000s for all fast-rising large economies of the world that would arguably create an alternative to G7. The leaders of the triad—China, India and Russia—Hu Jintao, Manmohan Singh, and Dmitry

Medvedev—met in the sidelines of the G8 summit in Russia in 2008, enabling the creation of the new block. By 2011, South Africa had joined the club.

Although the grouping is not of likeminded partners, in finance they did show some promise. India's presence in the grouping can be attributed to the nation's desire to seek international status, hedge as needed mainly against China, fulfill the finance gap for its development, and challenge the Western institutional hegemony.<sup>33</sup> In fact, these factors are similar to what Russia wants as well. And as an alternative to the IMF and World Bank, BRIC nations announced the establishment of the New Development Bank (NDB) at the Brazil summit in 2016 and established a loan pool of \$100 billion. Soon the bank became fully operational. The NDB has already issued bonds in local currency denomination on the Chinese market, was about to do so in South Africa and has already approved several infrastructure projects, mainly environmental ones. The Bank's president, K. V. Kamath, who comes from India, claims that by 2021 the bank will approve 100 projects whose loan value will be up to \$40 billion.<sup>34</sup> BRICS was going to launch even its own version of rating agencies. Overall, BRICS established itself as an alternative financial mechanism at a certain level to the dominant Bretton Woods institutions.

In terms of India's success, the condemnation of terrorism to which India attaches utmost importance in any forum it participates in features prominently in the declaration of the BRICS summit in Goa. Moreover, in the following BRICS summit in Xiamen China, the BRICS declaration even includes names of banned outfits, in a clear diplomatic victory of India vis-à-vis Pakistan. Moreover, India leveraged BRICS to advance BIMSTEC by holding an Outreach summit with BIMSTEC nations in Goa. However, the question remains to what extent BRICS will cooperate especially given the complexity of Sino-India relations and the existence of China's own AIIB. Similarly, India's primary concern, that is, to put pressure on China's strong friend Pakistan on terrorism issues and its use of BRICS to strengthen India's regional preeminence are at odds with China's interests.

The main trio—China, India, Russia—also meets in the trilateral format called RIC. At Putin's initiative, the RIC leaders—Modi, Xi and Putin—met on the sidelines of G20 summit in Buenos Aires. RIC's meeting at this level came after twelve years. The RIC met for the first time in St. Petersburg in 2006, the same year when BRIC was established. In the meeting in Buenos Aires, Putin talked about aligning the Russian initiative, Eurasian Economic Union, and China's Belt and Road initiative. Modi was vocal against sanctions outside the UN mandate in an indirect reference to the potential secondary US sanctions on India as a result of transactions with Iran and Russia. Xi also emphasized close cooperation between the three nations. The RIC's foreign ministers level summit takes place regularly. The last two meetings

took place in New Delhi in 2017 and Wuzhen in 2019, in which the representatives discussed matters of global concerns, terrorism and trilateral exchanges.

### **Shanghai Cooperation Organization (SCO)**

While BRICS have broader aims of global cooperation with the focus on finance, the SCO was a regional security focused grouping, although China and Russia later began to emphasize economic, trade and other areas of cooperation as well. The interaction between President Boris Yeltsin's Russia and President Jiang Zemin's China in the 1990s in building confidence and stabilizing the border between China and former Soviet nations Kazakhstan, Kyrgyzstan and Tajikistan created the Shanghai Five which then culminated into the SCO with the inclusion of Uzbekistan in 2001. Unlike the BRICS, in which India was a founding member, in SCO India is the new kid on the block and an odd kid for being most democratic in the authoritarians' club. India had observer status since 2004 and, with a Russian push, finally joined the organization as full member in 2017 along with Pakistan. SCO membership gave India a chance to reconnect with Central Asian nations with whom it had lost connections after the Cold War. Since Russia and China want to secure peace in that region, India got a chance to either free ride on that, or proactively engage there. Although India had to control its temptation of raising Pakistan and the terrorism issue at the SCO, India's improved access to Central Asia was believed to be a huge plus for India vis-à-vis Pakistan. Amidst fears that India is a "junior partner" in SCO and might be led by Chinese or Russian agendas, Indian PM Modi managed to stay away from endorsing China's OBOR at the Qingdao summit in 2018.

Nevertheless, SCO is also a matter of delicate balance for India. India believes that Russia brought India in for preventing China from being dominant in the organization. And India has good relations with both Russia and the United States, which allows it to hedge against China. However, SCO is against inducting the United States or its allies, although officially it is not closed to the entry of any nation. Iran's imminent full membership in the SCO and its implications on US-India ties bother India. India's arms deal with Russia which could force the United States to impose sanctions on India and disrupt the Indo-Russia defense ties might affect India's position at the SCO.

### **RUSSIA-PAKISTAN TIES**

From the Indian point of view, India played its card well in terms of hedging against China by allying more with Russia, while securing firm defense ties with the United States. However, all that would not come without a price—

Russia decided to improve ties with Pakistan for two reasons: Russia's concern about terrorism, especially with ISIS in Central Asia, has increased and, therefore, it wants to work with Pakistan in that regard. Second, India has come a long way from the Cold War-era Russia-India ties and India of the twenty-first century needs to work more with the West than Russia and has already deepened its defense ties with the United States to an unprecedented level. Russia has responded to India's diversification of its defense procurement by diversifying the Russian market. Moreover, in grand strategic terms, since Russia is more aligned with China, reaching out to Pakistan by leaving the Cold War Indian legacy aside also made sense for Russia.

Being subject to US sanctions brought Russia and Pakistan together. The fact that the US factor might get China-Russia-Pakistan to form some sort of "axis" caused fear in India. In fact, the trio, or even "quad," had already begun meeting over Afghanistan—the chief of Russia's external intelligence agency visited Pakistan to participate in a four-nation meeting: China, Iran, Pakistan and Russia over the Afghanistan matter. There were speculations that Russia and Pakistan were providing support to the Afghan Taliban to counter ISIS in Afghanistan—the ISK. This change of equation was evident in Russian Deputy Foreign Minister's statement at the Raisina dialogue in New Delhi when he confirmed that Russia was supplying military weapons to Pakistan and that Pakistan also was the victim of terrorism. Similarly, Russian Foreign Minister Sergei Lavrov in an interview said that Russia will provide every possible support to Pakistan to make it a developed country.<sup>35</sup> Russian Ambassador Dedvov in Islamabad said "Pakistan is Russia's 'very valuable partner'" for regional and global stability and for fighting terrorism and drug trafficking. They conducted two-week joint military exercises in Pakistan in 2016. In the following year, they did the joint exercise on Russian soil. Subsequently, Russia, China, and Pakistan met over the future of Afghanistan. Their navies also participated in joint antidrug drills in the Arabian Sea. Pakistani warships participated in the Russian Navy Day parade in St. Petersburg.

In fact, the bonhomie started when Pakistan and Russia signed a defense cooperation agreement which lifted the long Russian arms embargo on Pakistan. And the deteriorating US-Pakistan relations—as President Trump withdrew assistance to Pakistan unless it acted against militants on its soil—accelerated Pakistan cozying up to the Russian defense establishment. Pakistan received four advanced attack helicopters (Mi-35M) from Russia and the two countries were negotiating a deal on Su-35 and Su-37 fighter jets. Moscow helped Pakistan build the Karachi-Lahore gas pipeline. Bilateral trade volume increased by 82 percent in the first five months of 2018. Russia did not rule out nuclear cooperation with Pakistan. All these Russia-Pakistan interactions have made India anxious. But for Russia also it is a delicate balance in engaging with both South Asian archrivals.

## RUSSIA IN AFGHANISTAN

Russia suddenly overtly worked to regain its influence in Afghanistan.<sup>36</sup> And that included taking Pakistan into confidence and talking to the Taliban which put India, who sees itself as an important player in the conflict-torn country, in an awkward situation. India had pursued a policy of engagement with the elected Afghan government, in this case with President Ashraf Ghani. And talking to the Taliban, Ghani's violent opposition and Pakistan's friends would not be India's choice. However, India seemed happy to be part of the reconciliation process in Afghanistan under Russian initiative and India carefully sent its representatives and policy professionals who were not Indian government staff to Russia. A former Indian diplomat contends that acceptance on the international community's part of India's participation was an achievement in itself because in the past Pakistan had always succeeded in convincing the international community to keep India out of Afghanistan affairs.

India played a significant role in Afghanistan especially in terms of nation building, reconstruction and human resources development, spending about \$3 billion, and enjoyed tremendous goodwill among the people of Afghanistan.<sup>37</sup> India built roads, dams, schools, hospitals, and a parliament building in Afghanistan at the expense of the lives of its engineers, diplomats and other personnel. India had been engaged in substantial military cooperation through trainings and supply of military equipment, although it always observed its policy of "no boots on the ground." India's priority of Afghanistan policy corresponds to three main features: reaching out to Central Asian nations, countering Pakistan's influence in Afghanistan and countering cross-border terrorism through Kashmir into India. India has had an all-party consensus on the Afghanistan position.

As far as Russia's activity in Afghanistan is concerned, it became yet one more front where Putin could compete with or make things difficult for Americans—Americans claimed that Russia was already providing weapons to the Afghan Taliban to fight against ISIS and undermining the American-supported government of President Ghani. Russia denied any such covert supplies but conceded their diplomatic contacts with the Taliban. In a surprise move, in 2016 Russia held talks in Moscow together with Pakistan and China on Afghanistan. In the following year, Russia hosted two rounds of talks including India, Iran, the Central Asian countries and the Afghan government. Similarly, Russia also resumed the SCO's "contact group" with Afghanistan. The representatives from SCO members met in Moscow. Russia's concerns about ISIS in Central Asia, just like Central Asian nations' concerns, were genuine, but India did not seem convinced to go for lesser evils (Taliban) against ISIS. Nevertheless, the fact that Americans seemed eager to leave Afghanistan as soon as possible as per President Trump's

policy, leaving Afghanistan totally ravaged, created an opening for action from regional players. While India had been talking to the United States in terms of how to collaborate so that India's interests remain secured vis-à-vis the Taliban and Pakistan, the situation unfolding in Afghanistan left India on a close guard.

To conclude, India's deepening ties with the United States, not only defense but people-to-people, raised the question whether India left Russia behind. However, Putin's maneuvering to keep India close and Modi's need to leverage Russia to balance China in the continental Asia have converged to start afresh the Indo-Russia ties. But such convergence on the other hand has put stress on India-US ties.

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## *Chapter Twelve*

# Prospects

Amidst the talk about the need for investment in transportation connectivity in Asia for achieving the required economic growth and development on the one hand and the Western financial flow decreasing and international role receding in the aftermath of the 2008 financial crisis on the other, the People's Republic of China (PRC) stepped up its financial outflow and Xi projected himself as the new global leader. China's Belt and Road initiative (BRI) under Xi ramped up China's international investments and diplomatic engagement with the world by funding massive infrastructure projects in different countries. Xi increased China's pledges to Africa three times his predecessor Hu Jintao's by announcing \$60 billion for Africa.

Economists argue that the motive behind launching such a large-scale initiative corresponds mostly to China's confidence given by its large economic surplus—\$3.5 trillion at the time—and the policy to target international space as a driver of China's growth owing to domestic overcapacity. On the political side, Xi's leadership envisioned a "China dream" that required a powerful and internationally respected China. However, as China's economy slowed down, BRI has remained a framework of diplomatic engagement with China but has not actually financially delivered as pledged. As discussed in this volume, the investment under BRI has gone down as the data from the American Enterprise Institute shows. Nonetheless, the message from China has been clear: China has come out as the major global player on par with the United States. Despite a varied track record, China's BRI will be the major instrument to expand influence and project power which will inevitably bring the US-led order under stress. In fact, it already has.

China's active internationalism spoke to most countries in the world as it played to resentment toward the limitations of the existing world system. And China's deep pockets gave new development prospects to many coun-

tries. Moreover, China leveraged its already skyrocketing trade volumes with its neighbors and faraway regions, making it hard, if not impossible, for the respective countries to ignore the Chinese offer. How wide the BRI resonated was seen in the large high-level participation in the two BRI forums in Beijing that included the head of the United Nations, World Bank and International Monetary Fund (IMF). Incidentally, what impact the spreading of Coronavirus will have on the China dream and whether the issue will have some kind of spillover effect on the popularity of China's BRI remains to be seen. Or how China itself will respond? Will China eye to establish a global health organization under its own leadership? Observers will watch these developments closely.

Through BRI, China promotes the so-called "five connectivities": policy, infrastructure, trade, financial and people-to-people connections. And Chinese commentators claim that the BRI is making "great progress."<sup>1</sup> True to such claims, countries in Latin America and Africa have been looking forward to the rollout of China's (Huawei's) 5G technology. Western analysts also argue that building upon deep economic and technological ties, China is planning to develop defense ties with different regions, near and far, on land and at sea and seeks to potentially create some sort of security architecture. The PRC's Minister of Defense Wei Fenghe, speaking at the 9th Beijing Xiangshan Forum, "calls for building a security architecture that suits reality."<sup>2</sup> Especially for world powers, because of China's rapid military modernization and ambition to dominate the South China Sea and massive international investment in infrastructure and strategic assets such as ports, BRI is a part of China's "grand strategy" to dominate the world. Xi has promoted the idea that China is working on building a new type of international relations. As other powers have joined the efforts to counter BRI, China has started feeling the pressure. The United States and other partners are putting forward new initiatives including the Blue Dot network for investment and development in the Indo-Pacific region. Therefore, China's eyes naturally turn toward India, a so-called "swing state" and a "weaker global power."

### INDIA'S RESPONSE TO BRI

India in its own right bears the brunt of BRI the most. India seems to have lost its regional primacy so valuable to its policymakers. The Chinese initiative is having huge security implications, apart from diplomatic and economic ones, for India. Therefore, despite its persistence in boycotting BRI mainly due to the CPEC component of BRI, India has signaled its interest in remaining engaged with China. The sheer scale of the China-Pakistan partnership in BRI, estimated at \$46 billion that includes the construction of a deep seaport in Gwadar feared to be China's potential naval base, has deepened India's

anxiety further. With BRI's "Maritime Silk Road" component, China has leased Hambantota port in Sri Lanka, begun constructing ports in Myanmar, naval cooperation with Bangladesh, eyeing properties in the Maldives. Nepal has joined other South Asian neighbors in signing up to the BRI. These developments have taken their toll on India's local primacy which has become one of the drivers that motivated India to recognize and respond to China's policies. As India woke up to the China challenge by adopting policies to enhance its regional and global engagement, they went on to take a life of their own. Although encouraged or forced by Chinese moves, Indian leadership realized the benefits of going out. Several of India's policies that appear in the BRI-era in fact mirror those of China's global engagement.

This volume examined India's policies in China's BRI era in three different domains: India's immediate neighborhood and extended neighborhood, India's engagement vis-à-vis China's in Africa and the Indian Ocean, Latin America and Europe and how India is engaging with other powers so that the geopolitical shift plays to India's advantage or, in the words of India's EAM Jaishankar, to reach a "strategic sweet spot" by going to as many directions possible to optimize gains for India.<sup>3</sup>

### **Neighborhood Connectivity**

As discussed in chapters 1, 2, and 3, India began to work on forging its own connectivity plans with India at the center to achieve its long-term vision of connecting East Asia to West Asia. Under Modi's "act east" policy that was born out of the "look east" policy, in an effort to cement India's leadership in the region, Modi provided further impetus to move forward with BIMSTEC and BBIN and the India-ASEAN partnership. And to remain a problem-free partner in South East Asia, vis-à-vis the US-China rivalry, India opted for ASEAN centrality. Such policy gives India space to continue its on and off position on the freedom of navigation in the South China Sea, minimizes differences in terms of India's leadership in the Indo-Pacific that might interfere with Indonesian ambitions or ASEAN's concerns of losing relevance. It is unlikely for India to take any hard position on the South China Sea that would upset China given the significant increase in India-China trade over the years and the fact that transportation via the South China Sea is an integral part of that. However, India's position is further complicated by its relations with the other claimants in the South China Sea, for instance, Vietnam. India explores oil off Vietnam and seeks to deepen mutual defense ties.

On the Western side, things are much more complicated for India because of Pakistan. Since Pakistan does not allow India access to Afghanistan and Central Asia, despite historical ties and connectivity, India is almost fully disconnected. Central Asia's importance for India has grown due to India's quest for energy and trade connectivity and China's deepening engagement

in the region, not to mention Pakistan's advantage over India to engage with the region. India has worked hard to play the new "great game" in Central Asia by getting into the Shanghai Cooperation Organization (SCO) with Russia's help, bringing Afghanistan into the India-Central Asia dialogue, increasing connectivity by building the Chabahar port in Iran to access Afghanistan and beyond, and ultimately to enable the India-Russia corridor or the International North-South Transport Corridor (INSTC). Chapter 11 discusses more on India-Russia connectivity. While China is leveraging its massive trade volume and energy purchase to elevate bilateral relations to defense cooperation, including a potential base in Afghanistan, India's geographical disconnect has remained the largest barrier reflected also in difficulties for India to upgrade and maintain its base in Tajikistan. India has increased air connectivity with Central Asia, but Indian businesses have not seen much potential. Therefore, despite rhetoric in substance, the ties have remained suboptimal. Modi, with his active reaching out to all five countries, has been gradually laying out the ground for defense cooperation with Central Asia as an option to diversify relations beyond Russia and China, but India has not taken away anything substantial. There has been some progress on the INSTC front, since the Central Asians are also actively promoting it, and India has plans to connect through Turkmenistan and Uzbekistan to Central Asia. India's Chabahar port has potential and strategic value vis-à-vis China's Gwadar, but uncertainty remains given US sanctions hitting Iran and India bringing down its oil and gas import to zero. Russia stresses working on INSTC. The Russia-India corridor as a plan does have some potential, however, given that China's east-west connectivity is already functioning, India is rather late. Regarding Afghanistan, after seeking partnership with the United States first and then Russia, India has agreed with China to begin a trilateral cooperation with Afghanistan.

### **Maritime Security and Connectivity**

On the maritime front, as discussed in chapter 6 on the Indian Ocean region and partly in chapter 8 on the India-France partnership on the maritime front, India has some advantage over China in the Indian Ocean. India's plan shows some promise as it seeks to build upon its partnerships with maritime powers such as the United States and France but challenges remain. As Xi framed his "going out" to Indian Ocean policy through the "Maritime Silk Road," India woke up to the reality in which the Indian Ocean is not India's ocean and its traditional maritime primacy even in its near waters cannot be taken for granted. Therefore, the Modi government formulated the policy of SAGAR that literally means ocean in Hindi, stands for Security and Growth for All in the Region, and showed his commitment to increase resources in maritime connectivity and take the lead. Like in other fields, in the maritime domain

also India discovered that it must or can do things for its own sake, beyond devising policies that are merely aimed at competing with China. First, after the Mumbai terror attack in 2008, when the terrorists came by sea, India began to enhance its maritime surveillance. Second, as a “net security provider” playing a bigger role in the region India can attract the United States, Japan and more likeminded partners. Third, expanded maritime activities will help India to reach out to partners from the southern Indian Ocean to the east coast of Africa, give it more access to resources there, and enhance its own seaborne trade. That is possibly the reason why former Indian diplomats and commentators increasingly prefer to avoid mentioning China in India’s version of the “going out” strategy.

Despite a hullabaloo in New Delhi on Chinese forays around Sri Lanka and the Maldives, Modi has come back quite strongly, convincing its maritime neighbors to cooperate with India on maritime surveillance. At the same time, Modi expedited railway projects and air connectivity in Sri Lanka and launched new initiatives and investments to mend fences in the Maldives. Similarly, by expanding the maritime reach, India recharged its engagement with Mauritius and Seychelles, and took the lead on surveillance and underwater exploration. Building upon logistical agreements with France, the United States, and others, the Indian Navy has achieved access to ports from the Persian Gulf to the southern Indian Ocean. And in the eastern Indian Ocean, India’s own Andaman and Nicobar Islands stand as India’s first tri-services front where further infrastructure is being built, giving India’s navy and India’s partners wide access around the Indian Ocean. However, although India bagged a deal to build some island infrastructures or strategic assets in Agalega, Mauritius, Modi’s request to let India build a naval base in Seychelles was denied, keeping India short of projecting its power the way China did by putting a naval base in Djibouti. It seems that India also must live with the new reality that China has a big presence in the waters of Pakistan, the Maldives, Sri Lanka and Myanmar around India. Nevertheless, with large naval exercises quite often with partners such as the United States, Japan, and France, along with the Indian Navy’s modernization and increasing capabilities, India is taking a leading role in several maritime cooperation platforms and sends a clear message in that respect. The United States and India conducted their first tri-services exercise in November 2019.

## **Global Competition**

As discussed in chapters 4, 5, and 7, in the global competition against China in the far regions, in Africa India has the advantage of its historical and cultural ties. Especially in some countries like Kenya or South Africa, India’s engagement has become comprehensive. Nevertheless, China’s massive investment and African countries’ increasing debt, influx of Chinese people to

Africa and growing Chinese businesses dominate the charts. Almost cloning China's strategy, Indian PM Manmohan Singh began the India-Africa dialogue, and Modi made it bigger with grandiose plans and promises. Modi came out with exactly ten plans, just as Xi came out with his ten points of cooperation with Africa. India's telecom is big in Africa with 100 million subscribers. India has engaged with the African Union (AU), provided large soft loans through line of credits to African countries as its policy of development assistance and partnership and has been pitching for its defense equipment. Interestingly, India even got criticism similar to what China gets as India's Lines of Credit require countries to get 75 percent of goods and services from India itself and some Indian businesses have not prevented the humanitarian consequences of their projects.

On the eastern shore of Africa, India has committed to anti-piracy patrols and HADR and does naval exercises off the South African coast. India has opened several new embassies in Africa recently, and has partnered with Japan to bring in capital for investment and leverage India's goodwill of peacekeeping operations and historical and people-to-people relations. India seeks not only to remain in the east, but also to reach out to West Africa, or the Francophone area from which India is historically and culturally disconnected. Africans were disappointed in India's not keeping Africa on its radar, but the Modi government's active high-level visits have addressed that diplomatic deficiency. However, in Africa not only China, but also India faces other competitors who want to invest in Africa given the very positive economic indicators of the continent in this century.

In Europe, especially in Western Europe, India's outreach is different altogether in the sense that India has to present itself not as a power but as a large emerging nation in need of investment and technology. Even there, however, China is already big. China's deep ties owe to salvaging crisis-hit countries by buying their sovereign bonds. China is one of the largest trading nations if not number one of several European countries. In terms of getting technology, China's acquisitions in Europe go as far as buying robotics—Industry 4.0—from Germany. In Eastern Europe, where India could have that advantage of projecting itself as a power as in other developing regions, China is already long ahead and leads a large cooperation format. China has taken leadership in the heart of Europe by leading the 16+1 cooperation format that includes several European Union members. It has also recently bagged Italy's Trieste port in addition to its Piraeus port in Greece which it got a thirty-year lease. China is likely to build more ports around Europe. Whereas India's vice-presidential visits to Eastern Europe are just beginning to build ties and at the moment India's outreach looks more like a cultural diplomacy.

In Latin America, India faces a different challenge—Latin America is the part of the world where its traditional advantage of English language links



does not exist. Indian ambassadors have to compete with Chinese diplomats even in speaking good Spanish in Latin American countries with some exceptions. And apart from Venezuela and Brazil, with whom India has important ties due to crude oil and BRICS partnership respectively, or Mexico with whom India's transactions are growing, China is far bigger in Latin America and the Caribbean. While India's quest for commodities is increasing in the region, China has switched from being just a commodities customer to investor in high-tech industries. China is investing billions in digital startups throughout the region and the talented youngsters in Latin America look up to China as a better alternative to Silicon Valley. China's defense cooperation with Argentina has already alarmed the United States. China's conditions for countries to change ties from Taiwan to Beijing for economic perks have worked. Panama, El Salvador, and the Dominican Republic have done so. China has plans to modernize ports in Latin America. Whereas India, like in other regions, is doing well in its own right. Indian businesses are penetrating Latin American markets and countries in the region want India to further engage as a means of diversifying their dependence on China, as well as for investment. However, India does not really put up a challenge to China. Moreover, as Indian engagement grows to a higher level, the competition will also grow, and that will be not only with China but also with others.

### **International Partnerships**

After the US-India civil nuclear agreement, there was no looking back in US-India bilateral relations. From critical defense agreements to booming bilateral trade to jobs for thousands of Indian technical personnel, the United States became the most promising partner for India. And for the United States, the growing capability of India was needed for its pursuit to balance China. Being in America's club changed India's image of a Russian ally of the Cold War and India benefited in many ways from modernizing its military to cooperation in multilateral fora to getting favor from other US-friendly powers, such as Japan. However, India's vulnerability emanating from its enemy Pakistan, China's relations with Pakistan and growing India-China power differential as well as their contentious border, an increasingly assertive Russia, all these factors managed to put a break on India's speedy engagement with the United States. While India signed a foundational defense agreement with the United States, it also decided to purchase Russia's S-400 surface-to-air missile defense. On the economic side, India has been leveraging its economic growth and, as a result, Japan is attracted to India as it diversifies its long-standing investment market of China and both countries are converging in competing with China in the wider world. Similarly, the importance of India's partnership with France is increasingly growing from

acquisition of Rafale to maritime partnership to people-to-people ties. Indo-France cooperation is critical in India's Indian Ocean SAGAR policy.

## FUTURE PATHWAY

Will India eventually accept China's BRI and its implications? Yes and no. No because endorsing BRI for India would mean losing to Pakistan, as discussed in this book. Yes, because India cooperates with China and will continue to do so in areas that are not officially under BRI. In Modi's first tenure, which coincides with Xi's BRI era, he optimally played India's economic, diplomatic and defense cards to shape a favorable strategic space. However, as he began his second term doubling down on India's economic prospects, to Modi's dismay, the economy's growth significantly slowed, manufacturing and exports shrank. Meanwhile, as China faces unprecedented pushback from the United States, India's strategic usefulness grows for China. While the two have the urgent need to manage their border disputes, they increasingly converge on the fact that due to the Trump administration's policy, multilateralism and globalism, which both giants desperately need, are under stress. Moreover, as China targets the Indian market and India eyes Chinese finances for its growth and more opening of Chinese markets for its products as well, it is highly likely that the two countries will try to maintain good terms.

Unsurprisingly, in their Chennai informal summit, both leaders invoked the great civilizational history, in the same spirit as PM Singh's India and Hu Jintao's China had talked about "A Shared Vision for the 21st Century" and both leaders converged to "chart a new pathway of development" by managing differences.<sup>4</sup> After an interlude of the Doklam standoff and an intensified narrative of security and rivalry, the Modi government has taken a gradual turn toward his predecessors' policy of prioritizing economic prospects of India-China cooperation.

Especially PM Singh's government had attached high priority to expand economic relations with China by establishing the "Strategic and Cooperative Partnership for Peace and Prosperity." As India also aspires to lead Industry 4.0, China is becoming its choice for financial access for startups and, as discussed in this volume, China's venture capital has grown exponentially in Indian startups. China is also easing its restrictions on Indian products to address India's major concerns about the growing deficit in bilateral trade. In short, for both giants, the domestic and international conditions are evolving in such a way that they see their interests secured in pushing for more cooperation than competition. PM Modi has repeatedly expressed that any partnership India pursues will be "inclusive," indirectly sending the message to China that it is not meant for containing China. And on the conten-

tious South China Sea dispute, Modi has emphasized international law avoiding direct criticism of China. In terms of the possibility of China's 5G technology rollout in India and its security implications, India did not seem to have a clear stance. India's assertiveness to not give in to external pressure—commonly defined as India's "strategic autonomy" but not always an adequate concept—often complicate things. US Senator Ted Cruz had to warn India in New Delhi that such rollout would harm US-India intelligence sharing.<sup>5</sup> However, India finally let Huawei along with other telecom giants rollout the 5G trial in India. How India will manage to have Huawei's equipment and services while addressing US concerns on data security remains to be seen. The Indian establishment contemplating an institutional cybersecurity strategy and partnership can be seen as an important step, at least. As regards the assumption that the "strategic autonomy" is mostly relevant in US-India ties, in fact it seems that India applies the same principle to several directions including China. Indian EAM Jaishankar argues that in a multipolar world India has options and no countries can pressure India to not exercise India's options while they exercise theirs.<sup>6</sup> He also emphasized that "the biggest lesson" for India is the fact that China used the United States for thirty years unhindered.<sup>7</sup>

Nevertheless, India is increasingly accepting the power differential; in other words, India has given indication that China is a power much larger than India, which is also evident in the fact that Xi has not given much to India in the areas of its concerns, but has still managed to engage Modi and talk about the "Asian century" together. To put it simply, China's policy to exert pressure on India by igniting border disputes and India's policy of siding with the United States to hedge against China have culminated into this "détente." This strategic stability is fragile but still likely to last for a while as Modi has sealed far-reaching agreements with international partners, strengthened India's capabilities and put up a willingness to come after China in almost every corner of the world, whereas China's need for India is only increasing. Moreover, as India extends its reach to the world, India is also learning about the world. India's claim of being a "leading power" is in fact a claim without real world experience and Indian diplomats know that well. There is an increasing fatigue in India for failing to garner enough support at the UN for its UNSC bid and the blame is put on China's continuous undermining of India's objective and the United States for not rallying to India's support.

Meanwhile, excessive claims about domestic economic prospects and regional and international influence, but with little substance will risk India's credibility as international bullishness on India will gradually decrease and investors will start to look for other Asian alternatives. First, India's growth rate that reached its peak in 2018, which was an adjusted figure, but even that began to fall. Therefore, an important issue for the future will be the follow-

ing: if Modi, a leader who was internationally perceived as a dynamic Indian PM who worked hard to create the much-needed psychology for international investors, cannot do it, what comes after Modi is likely to be less attractive. Nevertheless, in the areas that are less politically sensitive and more beneficial domestically and internationally, India has shown its willingness to take the lead and is likely to increasingly do so. There have been, are underway, some important reforms in India's defense ministry and ministry of external affairs—for instance, India established its first Chief of Defense Staff position; India is planning its first theater command, and so on; Modi's flagship International Solar Alliance has shown some promise; and even domestically India has done well in this regard. Kochi airport in Kerala, India, has become the first airport that fully operates on solar energy. In terms of India's naval capabilities, in the realm of HADR, India has not shied away from glorifying its role and deeds. India's growing international development partnership includes third-country projects in Africa and the Indian Ocean with Japan and France respectively. India is also keen to extend such third-country joint ventures in the defense sector with Russia. PM Modi in fact said in Vladivostok that by producing weapons in India with Russian technology, India and Russia can jointly “supply these weapons to third countries at very low prices.”<sup>8</sup>

In the meantime, India's hostility with Pakistan and strategic mistrust with China are finally contributing to changing India itself domestically. Indians put their faith in their proactive but Hindu nationalist leader who would not shy away from taking strongest action against its enemy but that is coming at the expense of the spirit of democracy and freedom. Such posture will complicate the policy convergence between India and its likeminded partners to a certain extent, but the policy India has been pursuing of looking into every direction possible is likely to continue. An important question in terms of India's international engagement vis-à-vis China in the BRI era is how committed India will remain to extending its reach. Nevertheless, India that comes out after Modi's second term benefits from better international credentials, which will have more impact on regional and global affairs and will amplify India's ambition to become a separate pole.

Finally, the hypothesis proposed at the beginning of this volume that India is attempting to turn China's BRI threat into opportunity to work toward India's own goal of being a “leading power” or a separate pole seems to be true. However, China is not the only factor that India adjusted its policies to respond to. Pakistan continues to be a major threat, if not the biggest, and is one of the major drivers of India's foreign and security policy, although there was a period when India seemed to have underestimated Pakistan. And the China-Pakistan “iron friendship” has only reinforced that threat.

However, regarding India's objective to become a separate pole is not only for the sake of being a power but Indians believe that such posture will

better manage the external pressure, including China, and help shape geopolitics and geo-economics to India's favor by providing more space for maneuvering. On the question of an India-US potential alliance, India clearly will not be an across-the-board partner of the United States because that is at odds with India's ambition of becoming a separate pole.

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