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## Rising to the China Challenge:

Sino-Indian Ties Under Modi

Edited by

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Kalpiti A. Mankikar



WILEY





# **Rising to the China Challenge: Sino-Indian Ties Under Modi**

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**Cover:** Getty Images / AFP Contributor

**Cover Design:** Rahil Miya Shaikh

**Layout:** Simijaison Designs

**ISBN:** 978-81-19656-67-7 (print); 978-81-19656-47-9 (digital)

**Citation:** Harsh V. Pant and Kalpit A. Mankikar, eds, *Rising to the China Challenge: Sino-Indian Ties Under Modi* (New Delhi: ORF and Global Policy Journal, 2024).

# Contents

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<b>INTRODUCTION</b>	<b>6</b>
<i>Harsh V. Pant and Kalpit A. Mankikar</i>	
<b>BEYOND DIPLOMACY: COUNTERING THE STRUCTURAL CHALLENGES IN THE INDIA-CHINA RELATIONSHIP</b>	<b>11</b>
<i>Arvind Gupta</i>	
<b>INDIA'S CHINA POLICY UNDER THE MODI GOVERNMENT</b>	<b>19</b>
<i>Ashok K. Kantha</i>	
<b>BETWEEN CAPACITY AND RESOLVE: INDIAN ARMY'S RESPONSE POST-GALWAN</b>	<b>29</b>
<i>Yogesh Joshi</i>	
<b>CAUSE AND EFFECT: ASSESSING THE IMPACT OF INFRASTRUCTURE DEVELOPMENT ON BORDER SECURITY</b>	<b>36</b>
<i>S.L. Narasimhan</i>	
<b>INDIA'S DEFENCE DIPLOMACY: A STRATEGIC RESPONSE TO CHINA IN THE MODI YEARS</b>	<b>44</b>
<i>Atul Kumar</i>	
<b>INDIA-CHINA NAVAL DYNAMICS IN THE INDIAN OCEAN</b>	<b>52</b>
<i>Abhijit Singh and Pooja Bhatt</i>	
<b>INDIA'S ECONOMIC REALIGNMENT</b>	<b>59</b>
<i>Bibek Debroy and Aditya Sinha</i>	
<b>BOOSTING SELF-RELIANCE TO PROTECT AGAINST CHINESE MALWARE</b>	<b>66</b>
<i>Jayadeva Ranade</i>	
<b>INDIA'S ANSWER TO THE CRITICAL ELEMENT PREDICAMENT: MITIGATING CHINA'S INFLUENCE</b>	<b>74</b>
<i>Sana Hashmi</i>	
<b>HOW MODI'S INDIA IS PUSHING BACK AGAINST CHINA IN SOUTH ASIA</b>	<b>80</b>
<i>Aditya Gowdara Shivamurthy and Sriparna Pathak</i>	
<b>A CONTEST OF CIVILISATIONS: EMERGING CHINESE AND INDIAN WORLDVIEWS</b>	<b>89</b>
<i>Kalpit A. Mankikar</i>	

# Introduction

Harsh V. Pant and Kalpit A. Mankikar

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**As two critical nodes in the Asian power structure,** India and China have had a complex relationship characterised by phases of cooperation and competition. There has been a convergence of interests between the two countries with respect to issues like climate change, global trade, and the reform of international financial institutions, among others. With both nations rising in the inter-state hierarchy, contestation has become a more visible feature of their bilateral relationship. It is increasingly present in geographies such as the Indian Ocean and South Asia, where China is eager to spread its influence. It can be seen in the Chinese pushback against India at global multilateral bodies. However, the most significant facet is the periodic tension on account of the unsettled border and China's expansive territorial claims within India, which makes it central to the latter's security and foreign policy calculus.

Despite a festering boundary dispute between India and China for more than seven decades and a war in 1962, the border has been relatively peaceful. But China, on the ascendant under President Xi Jinping, thought it fit to revisit territorial wrangles, resulting in the Indian Army and the People's Liberation Army (PLA) being involved in a tense standoff in the Doklam trijunction in Bhutan.

To dial down tensions and engage with China, Indian Prime Minister Narendra Modi interacted with Xi on numerous occasions between 2014 and 2019. During his very first trip to China as prime minister in May 2015, Modi had underscored that the India-China bilateral engagement should be one of equals, with the joint statement reading that both nations had re-emerged as major powers in the region and underlining that if the two countries “have to realise the extraordinary potential of our relationship, we must also address the issues that lead to hesitation and doubts, even distrust, in our relationship” (1). This approach of engaging China as an equal was in contrast to the earlier construct of ‘China first, India second,’ as evidenced by India’s stand when the US offered it a permanent seat in the UN Security Council (2). Hope was in the air with the 2018 Wuhan summit, which saw the top leadership of both nations installing guardrails to avoid military confrontation. Modi hosted Xi at Mamallapuram in 2019 and conferred about trade and boosting manufacturing capabilities. But barely months later, China unilaterally altered course and tried to change the status quo at the line of actual control (LAC), resulting in the deaths of Indian and Chinese servicemen in Galwan Valley.

The confrontation in June 2020 was an important turning point in relations between the two powers. Nearly four years since the confrontation, the standoff between the two nations continues, with Indian Foreign Minister S. Jaishankar categorising relations between the two nations as “abnormal” (3). Indian Defence Minister Rajnath Singh has termed China’s unilateral action along the LAC as having violated the basis of relations between the two nations (4). Within a short span of time, relations between India and China swung from engagement to escalation. The violent confrontation of June 2020 and subsequent efforts by China to alter the status quo along the LAC have led to the Modi government robustly combatting China on several fronts: military, diplomatic, and even economic. Delhi has upgraded the human resources, firepower, intelligence, and reconnaissance capabilities of the defence forces. Plans are afoot to upgrade the border infrastructure, both civilian and military. India is upping its game in manufacturing to reduce its dependence on China, and is zeroing on new trade partners.

This volume examines the broad trend lines in the India-China dynamics under the Modi government. Arvind Gupta sets the tone for this series with his analysis of the structural factors responsible for this state-of-affairs between the two Asian powers. Ambassador Ashok Kantha plots the course of how Delhi's approach to Beijing evolved in the Modi 1.0 and 2.0 dispensations.

Since the Galwan clashes of 2020, there has been a dramatic change in the approach towards China from romanticism to realism. Thus, with national security considerations at the fore, Lt. Gen. S.L. Narasimhan examines China's efforts to build infrastructure along the border to bolster its military capability. He also charts how India, which started the infrastructure development much later than China, is fast catching up despite the drawbacks of terrain. Yogesh Joshi charts the march of how the Indian Army is overhauling its capability to take on the PLA after the confrontation in 2020. Atul Kumar examines the emerging contours of India's defence diplomacy in response to China's growing military footprint in India's periphery and beyond.

Jayadeva Ranade tracks China's advances in cyberspace and communications technology and decodes its civil-military tech ecosystem, which promotes the participation of private companies and entrepreneurs, universities and the PLA. He details measures by the Modi government to curb Chinese malware in Indian knowledge and technology systems.

The contestation with China is not just confined to the icy Himalayan heights but also to the vast expanse of the Indian Ocean, with naval and undersea activities emerging as a challenge to New Delhi's primacy in South Asia. Abhijit Singh and Pooja Bhatt delve into the depths of China's ambitions in the Indian Ocean and its naval modernisation programme. In turn, the duo analyses how the Indian Navy is stepping up to the China challenge and how India aspires to be a security provider on the high seas, zipping with important trade lanes. Building on this, Aditya Gowdara Shivamurthy and Sriparna Pathak decipher the Modi government's 'Neighbourhood First' policy, and how connectivity has become the new catchword to build bridges with nations in South Asia where China has made inroads.



In his book *Why Bharat Matters*, Jaishankar posits that the shadow of the border clashes has led the Indian establishment to approach China from a more integrated perspective, encompassing issues like investment, commerce, technology, and civil society interaction (5). The 2020 Galwan clash brought forth a new realisation that the enemy camping at the gates is the world's second-largest economy, a technological and manufacturing powerhouse with formidable military muscle. For long, India's intelligentsia and policymakers believed that both nations should let their resource monopolies thrive—meaning China's destiny lay in manufacturing and India's in services. Bibek Debroy and Aditya Sinha argue how Modi has upended this dogma to lay the foundation for India's manufacturing capabilities, reduce the overdependence on Chinese imports, and, importantly, pivot to reliable economic partners. Sana Hashmi writes on how India is aligning closely with global initiatives that seek to protect supply chains in critical minerals at a time when China is leveraging its dominance in the field.

Both China and India are modern nations with a rich historical past. This civilisational salience, long suppressed, has now found new propulsion. Kalpit A. Mankikar charts the increasing resonance in China under Xi over the concept of a 'civilisation state', while Modi is popularising an important civilisational principle of '*Vasudhaiva Kutumbakam*' (the world is one family) to offer a credible counterpoint to China.

The current epoch has been billed as an 'Asian Century' on account of the power balance shifting from the West to the East. In this transformation, China's rise in the 21st century was an important factor, and there were optimistic predictions that it would overtake the US. But a black swan event like the pandemic, China's demographic setback, and Sino-US tussles have cast a shadow on its rising economic trajectory. Simultaneously, there are also signs of an 'India Moment'. Is it the end of the Chinese growth miracle? Can India seize this moment? Most importantly, how the two Asian giants manage their relationship will hold answers on the architecture of the new world order.

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# Beyond Diplomacy: Countering the Structural Challenges in the India-China Relationship

Arvind Gupta

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**Prime Minister Narendra Modi's** first term began with hope and optimism for improvement in India-China relations. Right from the word go, the government sought to infuse new ideas, energy, and vigour into foreign policy. There was sincere hope that with the change of government in New Delhi, a new page would be turned in ties with China as well. However, the bilateral relationship experienced a serious setback following the military clashes in Galwan in June 2020.

## Background

Despite fundamental differences on several issues, the trajectory of bilateral relations has shown a generally upward trend since Prime Minister Rajiv Gandhi's landmark visit to Beijing in December 1988, when the two governments decided to normalise ties and create conditions for the settlement of the boundary (1). De-emphasising the boundary question and opting for normalisation was a major shift in India's position. India made important concessions to China both on the Tibetan and the boundary question by reducing their salience.

This approach has, by and large, continued since then. During Prime Minister Narasimha Rao's time, two significant bilateral agreements were signed on maintaining peace and tranquillity along the line of actual control (LAC) in 1993 and on confidence-building measures (CBMs) in the military field in 1996. The two sides agreed to broaden and deepen their relationship while continuing to work towards the clarification of the LAC and the eventual resolution of the boundary question at an unspecified date in the future. During Prime Minister Atal Bihari Vajpayee's visit to China in 2003, the two countries signed the Declaration on Principles for Relations and Comprehensive Cooperation and appointed special representatives to explore the framework of a boundary settlement. Prime Minister Manmohan Singh also worked on the relationship during his tenure (2004-2014). During Chinese Premier Wen Jiabao's visit to India in April 2005, the two sides upgraded their ties to a Strategic and Cooperative Partnership for Peace and Prosperity. The hope of a final settlement of the boundary question arose briefly when India and China signed a key agreement on the political parameters and guiding principles of the settlement of the boundary question in which it was clearly stated that an "early settlement of the boundary question will advance the basic interests of the two countries and should therefore be pursued as a strategic objective" (2). However, China adopted a cold attitude to the agreement as it maintained a radically different interpretation of some of the articles of the pact, particularly Article 7, which talked about taking on board the interest of the settled population while arriving at the boundary settlement.

Even as India and China were normalising their relations, there were frequent incidents of Chinese transgressions across the LAC. In 2012, the two sides established the Working Mechanism for Consultation and Coordination (WMCC) for India-China Affairs, embedded in the respective foreign offices (3). In 2013, India and China signed an agreement on border defence cooperation. One major Chinese incursion deep into Dapsang Plains in Ladakh took place days ahead of the Chinese premier's state visit to India in May 2013. Clearly, China was not serious about the central issue in the bilateral relationship. It seemed that while bilateral ties were moving ahead at a good pace, the structural issues remained unresolved.

## The Modi Years

Despite some hiccups, the bilateral relationship developed rapidly during Modi's tenure. Chinese President Xi Jinping visited India in September 2014 in the early days of the Modi government. Xi's visit was full of symbolism and substance. A new momentum was imparted to bilateral relations. Interestingly, there was a major Chinese incursion in the Chumar area of the LAC in Ladakh, even during this visit. Modi had to take up the issue with Xi. Still, the overall vibe was positive. Xi's visit was followed by Modi's state visit to China in 2015 and Indian President Pranab Mukherjee's visit to China in May 2016. Apart from bilateral contacts, Modi and Xi met each other several times on the margins of important multilateral summits (4). Additionally, the foreign ministers and special representatives met regularly (5). Over 30 dialogue mechanisms, including a high-level mechanism, were set up. Bilateral ties now covered political, economic, cultural, security, people-to-people, and consular matters, as well as dialogues on regional and global issues. It seemed that the relationship was growing strongly.

## Doklam, Informal Summits

In 2017, an unexpected hitch arose. The Chinese People's Liberation Army began to build a road in Bhutan's Doklam area close to the India-Bhutan-China tri-junction. The road, if built, would have had serious implications for the security of the narrow Siliguri Corridor that links India's Northeast with the rest of the Indian landmass. The Indian army moved in on Doklam to stop the Chinese from constructing the road. This led to a 75-day military standoff that threatened to derail the progress in bilateral relations. There was no military clash, and the Doklam crisis was eventually resolved peacefully after some difficult and tense diplomacy. India stood firm, and the Chinese got the message.

However, India-China relations looked vulnerable in the aftermath. This should have been a wake-up call. But the relationship soon returned to its high-octane mode, and a new format for high-level contacts—informal summits—was crafted. Two informal summits were held, one in Wuhan in 2018 and the second in Mamallapuram in 2019 (6). The idea behind the 'informal' summits was that the leaders could meet without a structured

agenda and shape bilateral ties. The informality of the meetings was designed to signal that there was good chemistry and trust between the leaders. No joint statements were issued. Instead, both sides presented their respective readouts of the outcomes, which differed in emphasis and perception. The Indian readout of the Wuhan informal summit emphasised that “both sides have the maturity and wisdom to handle the differences through peaceful discussion within the context of the overall relationship, bearing in mind the importance of respecting each other’s sensitivities, concerns and aspirations” (7). In Wuhan the two leaders agreed to “create the broadest possible platform” for the relationship, while in Mamallapuram, they “evaluated the direction of bilateral relationship in a positive light”. They agreed that “India and China were factors for stability in the current international landscape and that both sides should properly manage their differences and not allow them to become disputes” (8). At Mamallapuram, the two leaders agreed to celebrate 70 years of the bilateral relationship in 2020 by organising 70 activities.

### The Galwan Crisis

The euphoria generated by the informal meetings crashed in 2020. A massive change came in June 2020 with the military clashes at Galwan on the Western sector of the LAC in eastern Ladakh. There had been reports in April and May that China had inducted a large number of troops from Xinjiang and other areas close to the LAC and made incursions at several points. Even as India grappled with the COVID-19 pandemic, the military clash at Galwan, the first in 45 years, plunged the bilateral relations into a deep crisis. India lost 20 soldiers in a clash between the soldiers at Galwan. A massive wave of public anger swept the country. Although the Indian government denied that the Chinese troops had entered Indian territory, it accepted that China had disturbed peace and tranquillity in the LAC in violation of the bilateral agreements. Indian External Affairs Minister S. Jaishankar met his Chinese counterpart Wang Yi in Moscow on 10 September 2020, releasing a five-point joint statement that emphasised “disengagement” (9). The foreign ministers and special representatives have kept in touch with each other; 15 rounds of WMCC and 21 rounds of military-commander-level talks have been held. The statements issued by both sides after these dialogues indicate that disengagement has happened on several points on the LAC but disagreements remain on a few others. There is yet no de-escalation nor the restoration of the status quo ante. Jaishankar has

repeatedly stated that any return to normalcy in bilateral relations will require a restoration of peace and tranquillity (10). On the other hand, China advises India to take a long-term perspective of the relationship and “place the differences on the boundary issues in a proper place in the bilateral issues”. According to a Chinese readout of Wang’s meeting with Indian National Security Advisor Ajit Doval, the former conveyed that “the two sides should meet each half-way and adhere to the right direction” and should “properly manage and control the ground situation, and avoid misunderstanding and misjudgment” (11). At present, the relationship is marked by mutual suspicions and distrust.

## Structural Factors

The prospects for improvement of ties do not appear bright at this stage. Even Jaishankar has described the current state of the relationship as ‘abnormal’. There are several structural factors that are responsible for this state of affairs. These are:

**(i) The border issue:** The border issue is central to the health of India-China relations, but the two sides are nowhere near resolving it. Even maintaining peace and tranquility is a challenge. Post Galwan, the LAC has been militarised, and the trend is only strengthening. Both sides have deployed a large number of troops close to the LAC. This is an entirely new situation. As long as the border issue between India and China remains unresolved, ties are unlikely to improve.

**(ii) Rebalancing of global power:** The downward trend in bilateral relations comes in the backdrop of major global changes like the pandemic, the Russia-Ukraine war, and the Gaza conflict. These crises are leading to a rebalancing of global political and economic equations. Some kind of competition between India and China on regional and global platforms is possible. This will affect bilateral relations too.

The growing China-US strategic rivalry in the Indo-Pacific, which is critical for India’s security and development, is a matter of concern. The uncertain security situation in the Indo-Pacific and concerns about an assertive China

have pushed India closer to the US and Western countries. India is seen by the US and the West as a reliable strategic partner. India's growing profile in the Indo-Pacific, its membership in the Quad, and its closeness to the US are seen with concern by China. Likewise, India is discomfited by the growing Chinese profile in the Indian Ocean, particularly in India's neighbourhood. These factors complicate the bilateral relationship.

**(iii) Diverging world view:** The two countries have divergent world views. While India is a robust democracy, China is a one-party state and has become increasingly authoritarian, assertive, and aggressively nationalistic under Xi. It is striving for a new world order based on what it calls a 'shared destiny'. This is a code word for Chinese dominance. In recent years, China has launched sweeping initiatives like the Belt and Road Initiative, the Global Security Initiative, the Global Development Initiative, and the Global Civilisational Initiative. Launched unilaterally, without consultations, these initiatives are designed to spread Chinese influence globally. In contrast, India is promoting 'Vasudhaiva Kutumbkam', an inclusive concept rooted in ancient Indian philosophy, that means 'the world is one family'.

**(iv) Power differential:** Forty years ago, India was slightly ahead of China in economic development. China is now the second-largest economy globally and the world's second-biggest military and technological power. China holds a dim view of India's democratic system. Although India is growing, it has much to catch up on. India is likely to emerge as the third-largest economy in the world by 2028. It hopes to become a developed country by 2047. China also has the ambition of becoming a developed country by that time. Mutual competition between the two Asian powers is a distinct possibility. Further, India-China trade has grown to US\$120 billion (2023), with a US\$100 billion trade deficit for India. This indicates the Indian economy's unhealthy dependence on supply chains passing through China.

**(v) Neighbourhood:** India is deeply concerned about the growing Chinese influence in its immediate neighbourhood. China has used its clout as a means to penetrate the policies and economies of the neighbouring countries. India is uncomfortable with several aspects of China's relationship with Pakistan, Sri Lanka, the Maldives, Bangladesh, Nepal, and Myanmar. Some of these countries have been riddled with unsustainable debt, which has made them



vulnerable to Chinese pressure. The China–Pakistan ‘all-weather friendship’ and the China–Pakistan Economic Corridor pose security risks to India. China has also built several ports in India’s strategic neighbourhood. Although India follows a ‘Neighbourhood First’ policy and has provided substantial economic aid to countries in crisis, the neighbours have a tendency to balance India and China.

## Conclusion

It can be argued that India has not fully acknowledged the impact of the widening power differential with China, the rise of an authoritarian Xi, the deepening of US–China rivalries, the rising tide of nationalism in China, and the rebalancing in international relations. Even if it has, it has yet to fully articulate proper strategies to deal with China. While there has been a lot of emphasis on diplomacy, there was less focus on developing the attributes of comprehensive power. Hard power—and not just diplomacy—is the answer to the China challenge. The Galwan incident exposed the structural problems in bilateral ties, revealed the true intent of the Chinese regime, and pushed the relationship into a deep freeze. The prospects of early recovery from the setback of 2020 seem bleak. Normalisation cannot be envisaged until structural issues in the relationship are resolved.

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# India's China Policy Under the Modi Government

Ashok K. Kantha

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**India's policy towards China** during the past decade was marked by a large measure of continuity along with some significant initiatives. This changed in 2020 when the amassing of troops and multiple transgressions by China at different locations in Eastern Ladakh and the deadly clash in the Galwan Valley in June disrupted the basic paradigm that had governed the relationship for over three decades. Since then, the India-China border has been in an abnormal state; consequently, the overall relationship between the two most populous countries of the world is also passing through a period of abnormalcy. The old equilibrium has broken down, and the search for a new equilibrium promises to be a protracted and difficult process.

The Modi government inherited a complex relationship with China in May 2014 that was simultaneously stable and fraught. The stability derived from the fact that the two countries had broadly subscribed to a basic template since 1988, which involved addressing the boundary question and other outstanding issues while not letting them come in the way of developing their relations, with the caveat that the maintenance of

peace and tranquillity in the border areas was an essential prerequisite for the normal growth of the relationship. An elaborate architecture of confidence-building measures based on the obligation to respect the line of actual control (LAC) ensured that there were no clashes along the borders, with no loss of life for 40 years until June 2020. Trade had expanded rapidly though it had become increasingly lopsided in favour of China. Interactions had grown substantially, bilaterally, and in regional and multilateral platforms.

Yet, the new government was acutely aware of the challenges in the relationship. There was no illusion about the fact that we were dealing with a country that was undergoing unprecedented transformation and was aggressive in its pursuit of unilateral territorial claims and self-defined core interests. It was our assessment that after the 2008-09 global financial crisis, China had come to the conclusion that the West was in terminal decline and that time and momentum were on its side. Xi Jinping's 'China dream' of the 'great rejuvenation of the Chinese nation', articulated soon after he became the General Secretary of the Communist Party of China in October 2012, involved the 'restoration' of China's 'rightful role' as the leading power in the region and beyond (1).

In its bilateral dealings with India, China was not showing much interest in resolving the boundary question and clarifying the LAC, notwithstanding explicit agreements in that regard. Likewise, it was not responsive to India's concerns, interests, and aspirations on a range of issues, such as trade imbalance, India's permanent membership of the UN Security Council (UNSC), its inclusion in the Nuclear Suppliers Group (NSG), and the listing of known terrorists under the aegis of the UNSC.

One major change after the NDA government assumed office was that the leaders of the two countries, Narendra Modi and Xi, took charge of India-China relations. Until then, it was the Chinese premier who was the primary interlocutor for the prime minister of India. While receiving the credentials of the new Indian Ambassador in March 2014, Xi told him that he saw improving relations with India as his "historic mission" (2). Likewise, Modi took a personal interest in the relationship with China, a country he had visited earlier as the chief minister of Gujarat.

Immediately after the new government was sworn in, Xi sent Foreign Minister Wang Yi to New Delhi as his special emissary in early June 2014 to initiate preparations for his own state visit to India, which took place in September 2014. In an unusual move, it was conveyed by the Chinese side that Xi would like to commence his visit in Modi's home state of Gujarat and, if possible, meet him there. In a departure from the protocol, Modi travelled to Ahmedabad to receive Xi in a 'hometown diplomacy' gesture. Xi reciprocated in May 2015 by receiving Modi in his own hometown of Xi'an. Between 2014 and 2019, the two leaders had nearly 20 meetings, including two informal summits at Wuhan (April 2018) (3) and Chennai (October 2019) (4).

These interactions resulted in some key understandings on 'Closer Developmental Partnership' (September 2014) (5) and on managing "the simultaneous re-emergence of India and China as two major powers in the region and the world" in a mutually supportive manner with "both sides showing mutual respect and sensitivity to each other's concerns, interests and aspirations" (May 2015) (6). During the 2014-19 period, there was significant momentum in trade and investment linkages, people-to-people contacts and the deepening and widening of dialogue mechanisms at various levels.

At the same time, India's concerns and interests were being projected forcefully. Thus, while receiving Xi in Ahmedabad in September 2014, Modi conveyed privately to the Chinese leader, during a walk along the Sabarmati riverbank, his strong concerns regarding the Chinese intrusions in Chumar and Demchok, which had escalated the previous evening. The message registered with Xi, and talks commenced the same evening on the de-escalation and withdrawal of Chinese troops; the status quo ante was restored through a written understanding reached in Beijing later in the month.

In the summit talks in Xi'an in May 2015, Modi pressed Xi on the imperative of early boundary settlement. The joint statement issued in Beijing the following day "affirmed that an early settlement of the boundary question serves the basic interests of the two countries and should be pursued as a strategic objective by the two governments...

Peace and tranquillity on the India-China border was recognized as an important guarantor for the development and continued growth of bilateral relations” (7).

Likewise, subsequent summit meetings were utilised to convey strong messages on a range of issues, including the boundary question, the need to move towards a more balanced economic relationship, India’s membership of the NSG, and blocking by China of listing of Pakistan-based terrorists under the UNSC’s 1267 Committee (8).

However, even while the relations appeared to be on an even keel, ominous clouds were building up due to accumulation of unresolved issues and irritants. There were structural challenges in the relationship that predated Galwan. The world views of India and China have become highly divergent. As China’s strategic contestation with the US accentuated with the Trump administration beginning to take a more hardline position vis-à-vis China in 2016 and the revival of the Quad in 2017, Beijing was increasingly looking at its relations with New Delhi through the prism of its rivalry with Washington. In 2018, Wang famously dismissed the Quad as nothing more than “sea foam” that would dissipate, but soon, the Chinese were voicing their strong concerns regarding the mechanism and India’s participation in the “small clique” diplomacy of the US aimed at countering and containing China (9).

On the Indian side, there was a realisation that China was not inclined to deliver on the understanding reached in May 2015 that the simultaneous rise of the two countries would progress in a mutually supportive manner. Given the asymmetries in the economic and military power of the two countries, China was not prepared to work towards a relationship between equals and was instead seeking a hierarchical order. The situation along the borders had become more challenging. Apart from Chinese intrusions in Demchok and Chumar in September 2014, there was a prolonged standoff in the Doklam area of Bhutan in 2017, which was resolved but it proved to be a shortlived respite as the Chinese soon reinforced their deployments and infrastructure within the Bhutanese territory. The Chinese were not ready to clarify the LAC, let alone resolve the boundary question, as they used the unsettled border as a pressure point in the relationship.

There were growing concerns in India on a host of other issues, including the denial of market access to Indian products and services, growing dependencies on sourcing from China in critical areas (which came to the fore during the COVID-19 pandemic period), China's aggressive behaviour in the shared periphery, land and maritime, undermining India's interests, and so on.

There were also serious doubts on whether informal summits were resulting in progress on these structural challenges in the relationship. The Chinese are traditionally averse to using summit-level meetings as platforms for negotiations on contentious issues. It has also been our experience that meetings at the highest level with China have been fruitful only when preceded by extensive preparatory negotiations at lower levels, including through the deployment of special emissaries.

Even before the Chinese intrusions in May 2020, the policy on welcoming investment from China was being revisited. Thus, Press Note 3 issued on 17 April 2020 put all foreign direct investment from China (and other countries sharing land border with India) in the prior approval category (10). It was a significant shift in policy.

Earlier, in November 2019, India had decided not to join the Regional Comprehensive Economic Partnership (RCEP) even though it had fully participated in the negotiations on the agreement. India decided to opt out of RCEP as several of its key demands were not addressed in the agreement (11), but concerns about China were possibly the most significant factor in India's decision. The apprehension was that the Indian market could be overwhelmed by cheaper Chinese goods, adversely affecting India's manufacturing and agricultural sectors (12). This was compounded by the broader geopolitical tensions and trade imbalances between India and China.

However, the amassing of troops by China in the spring of 2020 and their transgressions at multiple locations across the LAC in Eastern Ladakh created a qualitatively different situation and a turning point in the relationship. Unlike previous standoff incidents, the Chinese have refused to restore the status quo ante.

Through protracted negotiations, troops have been disengaged at five 'friction points', though not before the deadly clash in the Galwan Valley in mid-June 2020. These understandings on disengagement have reportedly involved creating 'buffer zones' partly on the Indian side of the LAC and denial of access to Indian troops to several patrolling points they were visiting earlier.

The Chinese have so far not agreed to disengagement in Depsang and Demchok. In Depsang, the Chinese continue to prevent Indian border forces from resuming patrolling beyond the Y-Junction to five patrolling points. A similar denial of access to traditional patrolling routes in Demchok persists. There has been no significant de-escalation or de-induction of additional troops deployed by both sides since mid-2020, even during the winter months of four consecutive years.

However, India's robust military deployments to counter the amassing of troops by China and stepped-up infrastructure development along the LAC has deterred any further encroachments by China (13). The Chinese attempt to transgress the LAC in the Yangtse region of Tawang in the Eastern Sector was foiled by Indian troops in December 2022. The Indian military operations in the Kailash Range in August 2020 were a significant strategic manoeuvre that created the leverage for achieving disengagement along the Pangong Tso in particular (14).

While the government has refrained from acknowledging it in the public domain, there is little doubt that the status quo along the border has been seriously disturbed by Chinese encroachments. The LAC has become live and unstable. The Chinese have stepped up infrastructure building in border areas and India has reciprocated. The infrastructure gap in favour of China remains sizeable and it is still increasing. China continues to significantly enhance long-term deployment capabilities along the entire LAC. Three major railway projects coming close to the India-China borders, to Nyingchi, Yadong and Gyrong in Tibet, are under development, as are several highways, including G695 in Aksai Chin. The Chinese are prepared for an entrenched military presence close to the LAC and it is unlikely that the status quo as of April 2020 will be restored anytime soon.



Minister of External Affairs S. Jaishankar has repeatedly stated that “the state of the border will determine the state of the relationship” (15) between India and China, that there cannot be any restoration of normalcy in India-China relations as long as the borders remain abnormal. After all, there is a clear understanding between the two countries that the continued development of their relations is predicated on the maintenance of peace and tranquillity in border areas (16), a long-standing understanding that has been violated by China along with several other provisions of bilateral agreements on confidence-building measures.

Yet, China continues to press India to accept a de-linkage between the border issue and bilateral relations returning to the normal track. It seeks incremental gains along the LAC and maintains a coercive stance through grey zone operations to consolidate those gains to create a ‘new normal’.

While building up its own economic and military capabilities, India has not shied away from working with the US, the Quad and other like-minded countries to reinforce its deterrence vis-à-vis China through an understated strategy of hedging and balancing, recognising the asymmetries in its economic and military power compared to its northern neighbour. India has publicly questioned China’s narrative on a host of issues like ‘Asia for Asians’ and the Belt and Road Initiative, and its aggressive behaviour in the Taiwan Strait and the South China Sea.

The government has also taken measures to reduce dependencies on China-dominated supply chains by building up domestic capabilities through production linked incentives in 14 sectors, tapping alternative supply sources and banning over 350 Chinese apps. This policy of derisking vis-à-vis China will be a difficult and protracted but necessary process. In May 2021, the government of India decided to leave out Chinese telecom entities Huawei and ZTE from its 5G trials (and the subsequent rolling out).

In recent months, China has made a tactical outreach not only to the US but also to the European Union, Japan, South Korea, Vietnam, and

Australia to restore greater stability in those relationships. There is not much evidence of a similar reaching out to India. Xi's absence at the G20 summit at New Delhi and the fact that the post of the Chinese Ambassador in New Delhi is lying vacant for the last 16 months convey their own signals. India is an outlier as far as China's current charm offensive is concerned.

Looking ahead, India must work on the basis of the new situation in border areas. It cannot be in any hurry to de-induct additional troops as it is at a disadvantage when it comes to the reinduction of troops, given the asymmetry in border infrastructure and the nature of terrain. However, a situation of enhanced deployment of troops of the two countries in close proximity is also not desirable as it can lead to accidents. India must therefore keep exploring ways and means of achieving de-escalation and de-induction of troops through patient negotiations.

While the resolution of the current impasse is needed, India must safeguard its perception of the LAC while investing in border infrastructure and enhanced deterrence. It is imperative that it keeps pressing for the resumption of patrolling in Depsang and Demchok areas.

Post-elections, the government should seriously consider the resumption of high-level strategic dialogue with China. Going by the past experience, it is unlikely that the present stalemate in the relationship can be resolved at the level of Corps Commanders or the Working Mechanism for Consultation and Coordination on India-China Border Affairs. The search for a solution to the border issue will also involve a broader conversation on structural challenges in India-China relations. While there is no alternative to a basic stance of engagement with China as India's largest neighbour, any such engagement must be tempered with a heavy dose of realism, deterrence, and balancing, which will remain the country's primary strategic challenge in foreseeable future.

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# Between Capacity and Resolve: Indian Army's Response Post-Galwan

Yogesh Joshi

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**In May and June 2020, India and China** confronted each other in the Eastern Himalayas over territory along the Himalayan lake of Pangong Tso and other adjoining areas, which both countries claim as their own. The series of brawls that culminated in a clash in the Galwan Valley on 15 June 2020, was the bloodiest and most intense, if not the longest, confrontation in five decades along the world's longest unsettled border, the Line of Actual Control. Since then, the world's two most prominent rising powers with the biggest land forces and sharing the world's longest undemarcated border remain at loggerheads (1).

For India, the 2020 clashes and the continuing border crisis present the most formidable external security threat in the post-Cold War era. For one, India's principal adversary—China—has shifted the balance of power significantly in its favour. China's economy is five times that of India's, and its annual defence budget pales to what India spends on its armed forces (2). Second, this overall balance of power has also resulted in significant asymmetry in the balance of forces on the border (3). After the drubbing in the 1962 war, India made concerted efforts to create a conventional deterrent in the high Himalayas.

Within two decades, India enjoyed a considerable defensive advantage along the entire frontier. Such military advantage also resulted in a diplomatic thaw between the two, where China realised that any unilateral efforts to alter the status quo could be prohibitively expensive. Border negotiations began in earnest in the 1980s and resulted in significant confidence-building measures in the 1990s and 2000s. However, preoccupied with its internal security issues, economic and developmental needs, and the prickly neighbour in the West, the Indian armed forces, and particularly the Indian Army, lost sight of the China challenge. Whereas Beijing dedicated considerable resources to modernising its armed forces and building the border infrastructure along the Himalayan frontier, New Delhi believed that economic interdependence, diplomacy, and confidence-building measures would ultimately help resolve core differences on the border with China (4). India became a prisoner of its expectations (5).

These expectations received a rude awakening in the summer of 2020. How has the Indian Army evolved to meet the China challenge since the Galwan clashes?

## **Balance of Forces**

A crucial shift has occurred at the level of balance of forces. Notwithstanding the technological changes undergoing in the character of war, the geography of the India-China border, along with the demands of strategy, necessitates both an overwhelming accretion of human resources and material at the China border. As a status quo power, a defensive posture suits India's political objectives. Yet, such defensive measures must communicate a significant deterrent to the adversary. Such a deterrent works both through denial and its inherent capacity for punishment (6). For one, shifting the balance of forces to its advantage underlines to China's People's Liberation Army (PLA) the significant costs it would have to absorb in any limited war on the border. Second, an advantage in the balance of forces is also required to limit the probability of tactical surprise along the vast frontier, as was the case during the summer of 2020. Lastly, force accretion also allows the Indian army to take the fight to the PLA by conducting limited incursions for tactical advantage to force negotiations, as was the case with the occupation of the Kailash range in August 2020. More strategically, in case of a limited war, this deterrence-by-punishment strategy can greatly assist post-war negotiations.

In the last four years, the Indian Army has significantly upgraded its human resources and firepower on the China frontier (7). First of all, there has been a massive reorientation of the Indian Army towards the China border. As many as seven divisions of the Indian Army have been rededicated to the China border. These divisions have been reassigned from counterinsurgency operations in Kashmir and the Northeast and two Strike Corps based in central and northern India. Moreover, the Indian Army has also combatised its administrative commands to plug the gaps in the central sector of the India-China border. This is in addition to the over 50,000 troops already deployed in the Western sector in the Ladakh region.

Similar adjustments have been made in firepower. A significant number of armoured and artillery units are now providing firepower support to the troops along the frontier. This includes the deployment of both T-72 and T-90 tanks, Bofors and M-777 towed guns, and K-9 Vajra-T self-propelled howitzers. Stand-off missile systems are increasingly bolstering such accretion in firepower for precision strikes deep inside the enemy territory, such as the supersonic cruise missiles like Brahmos and semi-ballistic missiles like Pralay. State-of-the-art air defence systems such as the S-400 have also been dedicated to the China theatre. This is further bolstered by the air assets deployed by the Indian Air Force to the China border.

The Indian Army will continue to redeploy human resources and firepower to create a favourable balance of forces vis-à-vis China.

## **Balance of Information and Logistics**

The 2020 crisis also was a significant lesson for the Indian Army in upgrading its information and logistics capabilities vis-à-vis movement and accretion of PLA forces along the border and its capability to counter-mobilise its human resources and firepower (8). Given the length of the border and the terrain, constant intelligence, surveillance, and reconnaissance (ISR) to gauge adversary intentions, along with ready infrastructure to launch forces to forestall any aggressive moves, is fundamental to the Indian Army's deterrence and defence requirements. The gaps in both these departments were evident not only in the manner in which the PLA was able to spring the

tactical surprise over the Indian armed forces in 2020 but also in the stop-gap arrangements made to plug these gaps by New Delhi. For example, India was forced to dedicate the Navy's long-range surveillance systems, such as the P-8I maritime reconnaissance aircraft and MQ-9B on the Himalayan frontier. Even when the Modi government had implemented the strategic plan to build border roads, much of the heavy lifting in logistics was performed by the Indian Air Force.

On both these fronts, the Indian Army has dedicated significant resources and focus over the last four years. Two dedicated drone squadrons, most probably medium-altitude long-range Heron systems, have been deployed along the Ladakh and Northeastern frontier (9). These drones provide constant surveillance along the vast border, particularly in regions prone to Chinese ingress. The Indian Army's keenness to acquire the Reaper drones for ISR capabilities along the China frontier is also inspired by the need to plug these holes. Though India established a dedicated space defence agency in 2019, most of India's military use of space is to provide safe and reliable communications networks for its armed forces. Space-based ISR capabilities are still less than robust (10). To fill the gaps in its ISR capabilities, New Delhi relied upon strategic partners such as the United States (US). The US-India partnership is more than handy in providing advanced warnings about Chinese troop concentrations and movements, which was evident in how India pre-empted a Galwan-style salami slicing of Indian territory by the PLA in the Northeastern theatre of Arunachal Pradesh in December 2022 (11). The Basic Exchange and Cooperation Agreement on Geospatial Cooperation, or BECA, one of the four foundational defence agreements signed by India and the US, provided the framework under which the US shared such highly sensitive information with India.

The balance of logistics between India and China along the frontier has also been a major source of concern for New Delhi. New Delhi, for decades, neglected the need to build the road infrastructure to feed India's defence deployments on the Himalayan frontier. However, in the last four years, the infrastructure development, particularly of roads, bridges, and advanced landing grounds for the Indian Air Force, has acquired significant speed. The Border Roads Organisation, the nodal agency responsible for infrastructure development along the border, has seen a three-fold increase in its budget.



Several strategic roads, tunnels, and bridges, including the Zozila Tunnel in Kashmir and the Sela Tunnel in Arunachal Pradesh, are either in an advanced stage of completion or have been opened to traffic. According to a BRO official, since the crisis, “295 roads, bridges, tunnels, and airfields have been constructed (12).” At this pace, India will be able to outpace China’s logistical support infrastructure in about five years.

## Balance of Resolve

The Indian Army’s capacity and capability to deter the Chinese and defend Indian territory in case deterrence fails fundamentally depends not only on the balance of forces and balance of information and logistics but also on its balance of resolve. But this resolve has to first emanate from the political class. The Galwan crisis put the Modi government in a conundrum. Notwithstanding the unsettled debate on the loss of territory that India confronted, the decision matrix for any government in New Delhi would have been the same: is the cost of escalation to retrieve lost territories lesser or greater than the value of the territory lost? Any effort to retrieve the status quo ante using force would have been extremely costly. Therefore, the government practised restraint against retaliating to the Chinese surprise. However, to ensure that such an eventuality does not occur in the future, the Modi government has sent very costly signals of resolve to the PLA, including economic and diplomatic, but mostly through accretion of enough human resources and firepower on the border, along with strengthening the informational and logistical infrastructure. The Indian Army’s force posture is simple yet profound: any misdemeanour on the border will henceforth involve major costs for the PLA.

War is often a negotiation between capacity and resolve (13). In terms of capacity, even when India is building its strengths, given the asymmetry of comprehensive national power between India and China, New Delhi cannot match Beijing in bean count. However, deterrence does not result from an abstract balance of power but a very specific capability to both deny the enemy its desired goals and impose punitive costs in retaliation. The Indian Army’s current force posture aims to do precisely that. Yet, where India lacks in capacity, it must resort to resolve. The Indian Army needs to constantly remind the PLA that it is highly motivated to both defend and punish any

transgressions on Indian territory. Notably, the political resolve of the government seems to be percolating down to the military, where India has declined to negotiate with China without establishing status quo ante on the border.

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# Cause and Effect: Assessing the Impact of Infrastructure Development on Border Security

S.L. Narasimhan

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**Only when the borders of a country** are safe can citizens rest easy. A country's borders are not only on land but also on the sea and in the air. The development of border infrastructure by both India and China has implications not only for the security of the shared border but also for water and climate security. This essay examines how the border between India and China has gained importance. It is restricted to the line of actual control (LAC), the Andaman and Nicobar Islands, and the Lakshadweep Islands.

The Great Himalayas, whose watershed is the boundary between India and China, bestows some advantages and disadvantages to both countries. For India, the terrain south of the watershed is rugged and riverine. This favours the defender. The airfields, barring a few, are located at lower altitudes and, therefore, allow greater payloads to be carried by aircraft using shorter runways. The drawback for India is the difficulty such a terrain poses for infrastructure development and the mobilisation, manoeuvrability, and sustenance of forces. The terrain to the north of the Himalayan watershed is the Tibetan plateau, which has an average height

of 4500 m. This terrain facilitates the easy development of infrastructure and the mobilisation and manoeuvrability of forces. The drawback for China is the load penalty on the aircraft and sustaining forces at such altitudes. With China's development of technology and naval forces, India's maritime boundary assumes greater importance.

## **Different Trajectories**

India and China have followed different trajectories in infrastructure development. China moved into Tibet in 1959. For some time, Tibet did not get adequate attention. Then came the 'Go West Policy' in 1999 (1). Initially, the expected development did not take place. However, the development started picking up pace with the completion of the Qinghai Tibet Railway (QTR) in 2006. Now, with the benefit of better terrain and resources, the infrastructure is improving fast.

When India achieved its independence, and even after the 1962 war, the border areas were very remote. Before the war, a lack of money, resources, altitude, inclement weather, and the belief that China would not be a threat contributed to the neglect of infrastructure development. Post the 1962 war, the reason for not developing the border areas was that if the People's Liberation Army (PLA) crossed the watershed, the difficult terrain to its South would create difficulties for the attacking forces. If the border areas were developed, additional forces had to be deployed to defend the road axes. Therefore, the strategy was to keep the border areas underdeveloped (2). However, this changed in the 2000s.

The LAC became more active with the 2013 Depsang bulge incident. Incidents in Chumar (2014), Dolam and Pangong Tso (2017), Eastern Ladakh and Nakula in Sikkim in 2020, and Yangtse (2022) followed. This necessitated the development of infrastructure by both sides—road, rail, air, billeting, missile emplacements, heliports, telecommunication, and integrated border surveillance networks by both sides.

## Infrastructure Development

**Roads:** Besides the G 219 highway that connects Xinjiang with Tibet, a new north-to-south highway, G 216, is being improved (3). A new highway that will run parallel to the G 219 but closer to the LAC, called G 695 (4), will likely be completed by 2035. After the 2020 Galwan incident, the PLA constructed many roads opposite Eastern Ladakh (5). A parallel bridge to the existing one has also been built across Pangong Tso Lake, which will facilitate faster movement of PLA troops.

On the Indian side, Darbuk Shyok Daulat Beg Oldi Road in Ladakh has become functional. The tunnels at Zoji La (Date of Completion (DOC) – 2027) (6) and Shinkun La (DOC 2026) (7) will improve the connectivity further. The road through Saser La will further this connectivity (8). In the Eastern Sector, Frontier (1800-km-long highway) and Trans Arunachal Highways are being constructed (9). Bogibeel and Sadiya bridges, which are operational, facilitate the quicker mobilisation of troops from the south of the Brahmaputra River to the north. Moreover, the Se La tunnel enables year-round mobility towards the forward areas (10). A bridge under Brahmaputra is also being contemplated (11). These have been made possible by a fourfold increase in the budget for the Border Roads Organisation from INR 37.84 billion in 2013-14 to 143.87 billion in 2023-24. Between 2014 and 2022, 6806 km of roads have been constructed, as against only 3610 km of roads between 2008 and 2014.

**Railways:** After QTR, the Chengdu to Lhasa line is under construction. This line will pass through Nyingchi, located close to the border opposite Arunachal Pradesh. Another railway line from Kunming in the East to Lhasa is also under construction. With Lhasa as the hub, a railway line to the west connecting Nepal and Xinjiang through Shigatse is also being considered (12). That railway line has already been constructed up to Shigatse.

The difficulty in constructing railways on the Indian side is due to the terrain, climate, and funding. However, the Udhampur-Srinagar-Baramulla railway line is progressing (13). In the east, 14 railway lines are under planning and in various stages of progress. The Sevok-Rangpo railway

line connecting Sikkim is likely to be completed soon. The railway line to Itanagar (the capital of Arunachal Pradesh) is operational.

**Air:** Tibet and Xinjiang have 37 airports and heliports that have been newly constructed or upgraded since 2017 (14). A further 22 airfields have been planned to be completed by 2035. After the Galwan incident, several heliports came up close to the border.

Air connectivity to Sikkim has been established, and the Pakyong airport has become operational. Eight advanced landing grounds in Arunachal Pradesh have been improved and are operational (15). Airfields are being developed in Nyoma, Daulat Beg-Oldie, and Fukche in Ladakh. In the last decade, in Arunachal Pradesh, airfields at Tezu, Pasighat and Holongi have been completed, and the airfield at Ziro has been upgraded. Since 2020, several helipads have been developed all along the border areas. Indian Air Force boasts of 25 airports from where it can launch operations on the Northern Front.

**Integrated Border Surveillance Network:** China has established an integrated border surveillance network along the border (16). This enables effective monitoring of the border and facilitates quick reaction by the PLA.

**Communication:** China has completed optical fibre cable (OFC) connectivity up to the border areas, facilitating effective communication facilities for the PLA (17).

Establishing communication networks on OFC is progressing at India's border areas (18). Areas not conducive to lay OFC are being connected through satellite links. The Indian government has approved 4G-based mobile facilities for 1117 border posts.

**Border Villages:** China has constructed 628 Xiao Kang (moderately well-off) villages along the border with India. These are purported to be under China's border development plan. To develop the border areas, India has embarked on a vibrant village programme to develop 663 villages since 2022 (19).

**Water Security:** China is in the process of completing eight run-of-the-river dams on Yarlong Zangpo (Brahmaputra). These do not pose a major problem per se. However, China's plans to build a mega dam at the Great Bend, from where the river enters India, are of concern (20). The reason is twofold: one, it can be used to flood the areas downstream, and second, water can be diverted to northern parts of China, which may reduce the flow of water to the Indian side. This can affect India's water security to some extent.

**Weather modification infrastructure:** China has established 500 fuel-burning chambers to facilitate moving rain from Tibet to the parched northern areas (21). This can adversely affect the rain and weather system near the India-China border.

**China-Pakistan Collaboration:** During the Galwan incident, there were reports that a PLA Air Force aircraft had landed in Skardu, Pakistan (22).

**Development of Andaman and Nicobar and Lakshadweep Islands:** With the Chinese navy increasing its presence in the Indian Ocean, the Indian government has begun to develop these islands.

## Conclusion

Infrastructure development in the border areas by both sides is becoming a real battleground. The silver lining is that the civilian population living close to the border on both sides can enjoy the fruits of such development.

Infrastructure development by China will enable it to mobilise, deploy, sustain, and shift large quantities of troops faster. The mutual use of infrastructure by Pakistan and China is a possibility. Developing villages near the border may facilitate dual use by civilians and the PLA.

India's border infrastructure development under Prime Minister Narendra Modi's leadership has been nothing short of remarkable. Most of the developments discussed in this essay have occurred in the last 10 years. India, which started the infrastructure development in border areas much



later than China, is fast catching up, notwithstanding the drawbacks of terrain. From enhancing connectivity and modernising surveillance systems to promoting socioeconomic development in border regions, the Modi government's efforts have strengthened India's defence capabilities, boosted trade and economic growth, and fostered regional stability. The comparative benefits China enjoys must be overcome by better planning and preparation, which the Indian government and military planners are looking into very closely.

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# India's Defence Diplomacy: A Strategic Response to China in the Modi Years

Atul Kumar

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**On 17 September 2014, Chinese President Xi Jinping** embarked on his inaugural visit to India during Prime Minister Narendra Modi's first term. However, a week before, more than 200 soldiers from China's People's Liberation Army (PLA) trespassed into Indian territory in the Chumar sector of Eastern Ladakh (1). These PLA personnel arrived, equipped with cranes and bulldozers, to construct roads on the Indian side and deploy surveillance cameras. The military standoff soon escalated into a significant dispute, casting a shadow over Xi's state visit to India. This incident marked Modi's first encounter with China's offensive deterrence (2).

Throughout the past decade, India-China relations have experienced a series of setbacks that have compelled Indian military diplomacy to explore avenues to enhance deterrence. Initially cautious, this approach aimed to foster a *modus vivendi* with China. However, major bilateral episodes, notably the Doklam standoff and the Galwan incident, resulted in India adopting a proactive approach against China. Through two regional case studies, this paper demonstrates India's success in projecting capability, credibility, and communication, the three essential aspects of effective deterrence against China in the last decade.

## India's Defence Diplomacy through Malabar Naval Exercises

The Chumar incident was followed in 2014 by two Chinese attack submarines, including a nuclear-powered one, being dispatched to the Indian Ocean as part of the Chinese Navy's flotilla (3). These submarines docked at a Sri Lankan port for refuelling and resupply, posing potential security risks to the peninsula. Consequently, from the outset, the Modi government felt an immediate imperative to devise regional strategies in response to Chinese military manoeuvres. An integral component of India's response involved bolstering its defence diplomacy with key stakeholders in South and Southeast Asia and the Indo-Pacific region.

In this context, the Malabar naval exercises emerged as a prominent strategy. In 2015, India and the US agreed to incorporate Japan as a permanent participant in these exercises. This marked a significant step towards consolidating the naval capabilities of three major navies in the Eastern Hemisphere. Each of these navies had encountered challenges in their relations with China. In 2020, the group expanded and included Australia as the fourth member. The Malabar exercises have provided the participating nations with a shared platform for exchanging doctrines, refining training skills, and enhancing operational coordination to bolster regional security.

The scope of the exercise has broadened to encompass carrier-strike group operations, maritime patrol and reconnaissance operations, surface and anti-submarine warfare, helicopter cross-deck operations, and underway replenishment (4). Over the past decade, these exercises have been conducted in various regions, including the Bay of Bengal, Arabian Sea, Philippine Sea, East China Sea, Guam, Japan, and the South Pacific Ocean. As a result, the Malabar exercises have become the foremost naval diplomacy tool in Asia.

As anticipated, the Chinese government has strongly criticised the increasing naval cooperation among major regional democracies. India's collaboration with US forces within the Indo-Pacific framework and its emphasis on enhancing maritime domain awareness have drawn condemnation (5). China is particularly angered by India's scrutiny of Chinese vessels transporting dual-use goods to Pakistan, resulting in their subsequent seizure by India.

India's membership in the Wassenaar Arrangement, where China has faced repeated rejection from joining as a member, affords it the legal authority to regulate and confiscate dual-use items with potential applications in missiles and nuclear technology.

Furthermore, the Malabar exercises have helped India procure several advanced sensors and weapon systems from the US and Japan (6). These arms sales and the resulting familiarity with each other's military capabilities and interoperability have the potential to undermine any Chinese aspirations for regional hegemony in Asia. Therefore, the Malabar exercises are an ideal defence diplomacy initiative for responding to and deterring China.

### **Defence Diplomacy with Southeast Asian States: Singapore, Vietnam, and the Philippines**

India's commercial and strategic interests and commitment to freedom of navigation hinge upon maintaining stability in the South China Sea and the Western Pacific. Given China's coercive tactics and expansionist policies, there is a risk of jeopardising Indian interests and undermining a rules-based international order in the region. Consequently, Indian defence diplomacy has fostered deeper partnerships with key Southeast Asian states; countries like Singapore, Vietnam, and the Philippines have strengthened their ties with India, diversifying their strategic options and hedging against Chinese influence.

In November 2015, Singapore finalised a Defence Cooperation Agreement, followed by the inaugural Defence Minister's Dialogue in June 2016. Subsequently, in November 2017, India and Singapore sealed a naval cooperation agreement to bolster maritime security, mutual logistics support, and joint exercises (7). Noteworthy features of this pact included temporary deployment from each other's facilities and streamlined access to Singapore's port for refuelling and berthing. This accord extended the operational reach of the Indian Navy east of the Malacca Strait and strengthened military ties with multiple Southeast Asian states. The comprehensive partnership includes crucial agreements on Submarine Rescue Support, humanitarian assistance and disaster relief, and cyber security (8).

Furthermore, Vietnam and the Philippines have progressively intensified their defence collaboration with India under Modi. Vietnam and India elevated their military relations to a Comprehensive Strategic Partnership in 2016, holding their inaugural security dialogue in 2018. Their Joint Vision for Peace, Prosperity, and People, established in 2020, was followed by another similar agreement in 2022, facilitating mutual logistics support, the first accord Vietnam signed with any country (9).

In recent years, China's persistent encroachment into Vietnam's exclusive economic zone and harassment of the latter's oil and gas operations have sparked major disputes (10). For instance, Chinese forces have destroyed approximately 98 Vietnamese boats between 2014 and 2022. This ongoing Chinese intimidation has drawn Vietnam closer to India, seeking political and military support. Despite Beijing's warnings, the Indian government consistently backs these Southeast Asian states against China on international platforms (11). Since 2020, India's rhetoric regarding Chinese coercion in the South China Sea has toughened, complemented by naval deployments in the region.

Furthermore, India has helped Vietnam with materiel support. It has extended a US\$100 million credit line to Vietnam to procure 12 patrol vessels from Larsen and Toubro Shipyard in Chennai (12). Moreover, India presented a missile corvette, INS Kirpan, to the Vietnamese Navy in June 2023 (13). There are also ongoing considerations regarding the potential sale of Brahmos missiles to Vietnam (14). Vietnam has emerged as a cornerstone of Indian defence diplomacy in Southeast Asia and constitutes a key pillar of India's 'Act East' policy and an anchor in India's Indo-Pacific strategy.

Finally, since 2016, the Philippines has emerged as a crucial partner for the Indian armed forces and a significant export destination for defence goods. Historically, India-Philippines relations were among the least developed in the region, with previous Philippine governments primarily focused on balancing relations between the US and China. However, erstwhile President Rodrigo Duterte's visible antipathy towards the US and concerns about China prompted him to seek defence partnerships in the region, elevating the prominence of Indian defence diplomacy in the Philippines' security framework.

Modi's attendance at the ASEAN and East Asia Summits in Manila in 2017 and Duterte's subsequent visit to New Delhi in 2018 laid the groundwork for deeper defence collaboration (15). Under Duterte and his successor President Bongbong Marcos, bilateral defence ties have flourished, with Indian naval warships frequently visiting Philippine ports and conducting joint exercises (16).

Further, the Indian government, for the first time, agreed to sell three batteries of BrahMos supersonic cruise missiles to the Philippine Marine Corps (17). At the fourth Philippines-India Joint Defence Cooperation Committee meeting (March 2023), India also agreed to post a defence attaché in Manila to oversee defence and security affairs (18). Additionally, training, intelligence sharing, cybersecurity, maritime domain awareness, and white shipping information exchanges have commenced. Consequently, this bilateral relationship appears to be evolving into a defining regional partnership, serving their mutual interests, particularly concerning China.

### **Chinese Perception of Indian Military Diplomacy**

The Chinese defence discourse frequently highlights significant shifts in India's foreign strategy since Modi came to power, emphasising considerable improvements in India's military relations with Japan, the US, Vietnam, the Philippines, and Australia (19). India's expanding interests in the South China Sea and its use of related disputes to counter Chinese actions along the border have garnered attention (20). Following the Galwan incident, Indian activity in the South China Sea region surged, aiming to restrict China's resource investment along its Indian border.

Furthermore, according to China, India perceives the Indian Ocean as its strategic domain, potentially leading to an India-centric regional order through the control of key maritime channels (21). Consequently, India competes with China as a development model in the Global South and is seeking to emerge as a leading force in maintaining the balance of power in the Indo-Pacific through robust military diplomacy. With the completion of the BrahMos missile sale to the Philippines, China is apprehensive that India will soon become one of the primary sources of weapon supplies in Southeast Asia (22).



## Lessons and Trends

India has historically refrained from commenting on Chinese coercive and expansionist actions in Asia, but this has changed in recent years. India has begun to assertively oppose such policies. India's vocal opposition to the Belt and Road Initiative, support for the 2016 United Nations Convention on the Law of the Sea judgement against China's Nine-Dash Line in the South China Sea, emphasis on a rules-based order, and advocacy for a free and open Indo-Pacific have bolstered democratic responses to China, exerting influence on international politics.

In addition, India's defence trade trajectory is set to witness significant growth in the coming decade. Indian weapon platforms have gradually gained recognition for their performance, contrasting with perceptions of subpar quality associated with Chinese defence goods. Consequently, India is poised to emerge as a major supplier of defence goods to countries on China's periphery, shaping long-term strategic partnerships and serving as a crucial strategic response to China in the region.

Finally, the increasing frequency of joint military exercises, exchange programmes for officials in mutual military training establishments, regular high-level visits, and the conclusion of numerous bilateral defence agreements collectively reshaped India's image as a major power in the Eastern Hemisphere. India's rising profile serves as a counterbalance to potential Chinese hegemony in the region, given its substantial size, population, economy, military, and diplomatic capabilities. Consequently, India's military diplomacy is expected to intensify further, complicating China's strategic position in the region.

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# India-China Naval Dynamics in the Indian Ocean

Abhijit Singh and Pooja Bhatt

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**Over the past few years,** China's increasing presence in the Indian Ocean has caused disquiet in India, where many believe Beijing's military and non-military activity challenges New Delhi's strategic primacy in South Asia. The People's Liberation Army Navy (PLAN) has been expanding its activities in the region, ostensibly to protect Chinese interests in trade and investment. However, China's focus on enhancing defence ties with nations around India's periphery, particularly in the Eastern Indian Ocean, raises suspicions (1). Notably, China's naval presence in the Gulf of Aden includes sophisticated vessels such as guided-missile frigates, advanced destroyers, submarines, and amphibious ships. These seem to perform no other function than to gather information and mark a presence in the littoral. Indian observers worry that the PLAN's growing Indian Ocean footprint could potentially tip the regional balance of power against India (2).

## Deciphering China's Naval Ambitions in the Indian Ocean

To many in India, expanding Chinese influence in the Indian Ocean is a deliberate ploy to limit India's strategic options. As Indian analysts see it, China's regional initiatives aim to establish a greater presence in India's maritime neighbourhood. China's increasing arms exports to South Asian nations, coupled with its support for Pakistan's naval capabilities and military assistance to Bangladesh and Myanmar, further complicates India's strategic calculus (3).

Compounding India's apprehensions is China's relentless military modernisation (4). With a naval fleet numbering over 370 warships, the country's shipbuilding programme is the world's largest, a seeming testament to its far-seas ambitions. China has been deploying large guided-missile destroyers and amphibious assault ships in the Indian Ocean, and it has sought to expand its overseas base in Djibouti to accommodate bigger, more potent warships. Reportedly, the PLA has also established a naval facility in Cambodia and has been scouting locations for military outposts on Africa's east coast, reinforcing fears in India that China intends to project power in the Indian Ocean (5).

Indian observers interpret China's regional initiatives as a clear attempt to establish a stronger foothold in India's neighbourhood. Beijing's growing arms exports to South Asian countries, further confound New Delhi's calculus. India's naval watchers are particularly concerned about China's assistance to Pakistan's warship-building and submarine-construction programme, as well as China's supplies of weapons and armament to Bangladesh and Myanmar (6).

China's Belt and Road Initiative (BRI) accentuates India's dilemma. The BRI has spurred Chinese companies to deepen their engagement in the Indian Ocean Region (IOR), presenting attractive propositions that many regional countries find irresistible. This potentially extends China's influence, positioning it as a significant political and economic player. China's commercial investments have significant military implications for India. Developing strategically sited ports in the IOR has no ostensible aim but to expand the PLAN's deployment options (7). As Indian observers see it, the BRI is a proxy for China's strategic ambitions in the Indian Ocean.

## Countering China

In response to China's expanding presence in the Indian Ocean, India has launched a series of initiatives to bolster its naval capabilities. The Indian Navy has implemented Mission-Based Deployments (MBD) since 2017, aiming to strengthen its presence in India's immediate maritime neighbourhood (8). Indian warships have been actively patrolling key sea lanes and choke points, including those around the Malacca Strait. To monitor Chinese submarine activities in the Eastern Indian Ocean, the Indian Navy has deployed P-8I maritime patrol aircraft from the Andaman Islands. Additionally, a network of radar stations along the Indian coast has improved maritime domain awareness, supported by the Information Fusion Centre in Gurugram, which aids in tactical information management (9). India is also enhancing its island bases, such as those in the Andaman and Nicobar Islands and Lakshadweep, by expanding berthing facilities and runways to accommodate surveillance aircraft for tracking Chinese naval assets in the region.

In March 2024, India commissioned the INS Jatayu at Minicoy Island in the Lakshadweep group of islands (10). While Minicoy already has a naval detachment, the Indian Navy still decided to upgrade the existing facility on the island into a full-fledged base to track Chinese movements and illicit activity in the littoral, especially given its strategic position astride major shipping lanes, including the nine-degree channel.

The new base does more than serve as a surveillance outpost. Jatayu, which compliments INS Dweeprakshak on Kavaratthi island as a forward outpost, aims to enhance the operational reach of the Indian Navy, expedite force deployment, and uphold a strategic presence. The Indian Navy intends to utilise its forward operating facilities as nodal points for logistics and support operations in the Arabian Sea and the Bay of Bengal. Significant infrastructure developments have occurred at INS Kadamba near Karwar on the Western seaboard, showcasing India's commitment to safeguarding its maritime interests through enhanced naval capabilities.

To deter China, India has also intensified its focus on submarine operations. Recently, a Kalvari class submarine was deployed to Campbell Bay, near Indonesia, and eight Indian submarines reportedly participated in exercises in

the Arabian Sea (11). Additionally, in a bid to bolster trust and build capacity in the region, India has gifted a submarine to Myanmar and a warship to Vietnam.

To be sure, India's regional outreach has not been all smooth. The Maldives' refusal to renew a hydrography pact with India and the expulsion of Indian military personnel indicates an attempt to force close ties with China. The Maldives signing of a defence pact with China and the recent deployment of a Chinese research ship in Maldivian waters further underscore this trend (12). While it remains focused on constabulary operations in the Eastern Indian Ocean, the Indian Navy is seized of the strategic implications of China's growing regional military and nonmilitary operations, in particular, the presence of Chinese survey ships in India's maritime neighbourhood.

Many in New Delhi believe that China's marine and seabed surveys advance a strategic agenda (13). China's expansive oceanographic research programme, including scientific research vessels such as the Shi Yan and Xiang Yang Hong series of ships, seems intended to enhance China's anti-submarine warfare capabilities. By mapping the ocean's temperature profile and studying oceanic phenomena such as currents and eddies, Chinese scientists seek to better understand the Indian Ocean's operating environment. The aim, ostensibly, is to enhance sensor performance to detect enemy submarines and fine-tune tactics for littoral combat.

For its part, India remains focused on its own naval modernisation program. The Indian Navy has prioritised the development of indigenous platforms to achieve self-reliance by 2047. Concurrently, it has sought to strengthen its regional partnerships, particularly with the Quad countries. Since November 2020, the Malabar exercises have adopted a Quad format, emphasising combat drills like anti-submarine and anti-surface warfare. Naval deployments to Southeast Asia, the Gulf region, and Africa's Atlantic coast have also expanded. Furthermore, operational exchanges with European navies, such as the Royal Navy, German Navy, and French Navy, have notably increased. Indian P-8I aircraft frequently participate in air exercises conducted from the French Reunion Island. There's also heightened maritime engagement with Africa, notably Tanzania, Kenya, Mozambique, and Madagascar.

## India's Anti-Piracy Focus

In recent months, the resurgence of piracy off the east coast of Africa has galvanised the Indian Navy into stepping up its security efforts. Since December 2023, Indian warships have deployed actively in the Arabian Sea and the Gulf of Aden to combat growing pirate attacks. On 16 March 2024, the INS Kolkata, assisted by air surveillance assets and marine commandoes flown in from India, rescued the MV Ruen, a Malta-flagged bulk carrier vessel with 18 crew members on board and cargo worth around US\$1 million (14).

The rescue of the MV Ruen was just one of several interventions by the Indian Navy in recent months. Since December 2023, the Indian warships have responded to at least 18 incidents, deploying over 21 warships to assist vessels attacked by both pirates and Houthi militants. During this time, the navy has come to be seen as a 'first responder' and principal security provider in the Indian Ocean. The PLAN, on the other hand, has been oddly subdued in its response to growing pirate and militant attacks in the Indian Ocean. Despite significant trade interests in the Indian region, China's anti-piracy taskforce has been strangely inert, perhaps because the Houthi challenge is a geopolitical issue that Beijing remains reluctant to engage with.

## Strategic Trendlines

Under Prime Minister Narendra Modi, India's naval endeavours have sought to showcase the country's broader ambition to be a security provider in the Indian Ocean. This is significantly reflective of Modi's vision of SAGAR. Unveiled in 2015, SAGAR, which stands for Security and Growth for All in the Region, forms the philosophical bedrock of the Indian Navy's regional endeavours. The concept acknowledges the interdependence of maritime activities and the potential repercussions of instability on India's maritime security. SAGAR acknowledges that non-traditional challenges contribute significantly to the instability in the Indian Ocean, emphasising the need for cooperative endeavours as the solution.

Importantly, SAGAR is a holistic concept, extending beyond self-interest to foster economic and security cooperation with neighbouring states. It is a statement of India's commitment to enhancing the maritime security



capabilities of friendly regional nations. As India has sought to establish itself as the primary security guarantor in the Indian Ocean, the SAGAR vision has lent credibility to the Indian Navy's regional initiatives by facilitating capacity building, reliable information exchange, coastal surveillance, and infrastructure development. In the key area of constabulary security, the Indian Navy has shown itself to be a willing and capable first responder to crises.

Importantly, the Indian Navy today is a vital component of the regional security architecture, with a key role in protecting the maritime commons and preserving the balance of power in the Indian Ocean. Many of India's partners see the strategic logic of countering China, whose attempts to leverage its diplomatic and military presence for strategic benefits are increasingly evident. India's growing naval heft and capability have generated an additional incentive for regional and extra-regional navies to engage with it. The navy's cause has been helped along by political initiatives such as the Quad, IORA, and I2U2. To the Modi government's credit, the political context has been favourable, with West Asian, African, and Western powers more willing than ever to forge close strategic and military ties with New Delhi.

Not surprisingly, the Indian Navy's role in policing the regional commons has grown substantially, with more focused efforts to build bridges of friendship, improve partner capability, and expand crisis response capacity. The key thrust has been to foster a favourable environment for regional navies to cooperately secure the regional sea lanes India's military leaders recognise that the sea lanes are dual carriageways that facilitate both trade and hard-power projection. With China expanding its Indian Ocean operations, India's imperative to counter Chinese power posturing overrides other considerations. Yet, it must do so in a liminal way. The Indian Navy realises that it needs to be a gentle security stabiliser—a source of positive deterrence and greater regional goods. In projecting power in the Indian Ocean, it knows it must reassure friendly forces, even as it actively pushes back against malign adversaries.

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# India's Economic Realignment

Bibek Debroy and Aditya Sinha

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**The trade war between the US and China**, initiated during the Trump administration, significantly reshaped global trade dynamics. As a result, imports from China were offset by increased imports from other countries. Additionally, the tariffs imposed by the US incentivised firms operating manufacturing units to relocate back to the US or to other geographies with more favourable trade conditions (1).

This shift was dramatically accelerated by the COVID-19 pandemic, which exposed and intensified vulnerabilities within these concentrated supply chains. The pandemic's disruption, marked by severe lockdowns and restrictions in China due to the zero-COVID policy, further highlighted the risks of an overreliance on a single geographical area for manufacturing.

Another factor that has led to the 'friendshoring' of business operations to friendly countries is the geopolitical tensions between Beijing and several countries, particularly those in the West. National security concerns have been a major driver of the decoupling from China. The US, for example, has emphasised limiting China's access to advanced technologies that could be used to enhance its military capabilities or commit security breaches. This has led to increased restrictions on technology transfers and investments. For

instance, the US Bureau of Industries has restricted China's access to advanced artificial intelligence chips, which US-based firms have designed (2).

India and Vietnam have significantly benefited from the 'China+1' strategy. Both countries have seen growth in sectors such as computers and electronics, where exports to the US have surged.

At the same time, India is also decreasing its dependence on Chinese imports. In the last four years, there has been a sea change in the products that are imported from China. The decoupling exercise is not just confined to goods but also to investments. The government has amended India's foreign direct investment (FDI) policy in April 2020. These amendments were introduced to prevent opportunistic takeovers of Indian companies during the COVID-19 pandemic by entities from countries sharing a land border with India, which notably includes China. As a result, any investment from these countries now requires approval under the government route.

Thus, India's economic realignment away from China is based on three pillars. The first pillar aims to reduce dependency on a single foreign supplier, particularly during crises and supply disruptions. The Atmanirbhar Bharat (self-reliant India) initiative has played a crucial role in reducing this dependence. The second pillar focuses on transforming India into an appealing hub for global value chains. This has been done through tweaking India's industrial policy by introducing schemes such as the production-linked incentive (PLI) scheme and improving the ease of doing business in India. This approach not only boosts Indian exports and addresses trade imbalances but also fosters job creation domestically. The third pillar deals with India's renewed focus on regional trade agreements (RTAs) with developed countries, which has led to trade creation by eliminating tariffs and other trade barriers. Thus, it has enhanced market access for Indian goods and provided foreign companies with easier entry and operational conditions in the Indian market. Enhanced regulatory harmonisation and investor protections under these RTAs further incentivise multinational entities to establish or expand their manufacturing and service bases in India, thus giving an impetus to trade and investment flows.

## Atmanirbhar Bharat

Critics often view Atmanirbhar Bharat as being in opposition to free trade and as a step towards autarky. Scholar Eric Helliner has identified three critical ideals of autarky: “(1) insulation from foreign economic influence, (2) insulation from foreign political and/or cultural influence, and (3) the promotion of international peace” (3). But India is not aiming to achieve any of these objectives through the Atmanirbhar Bharat initiative and should be seen through the lens of pragmatism and reciprocity. Atmanirbhar Bharat is a pragmatic policy that emphasises enhancing India's competitiveness by improving infrastructure, supporting small and medium enterprises, and encouraging technological advancements.

The COVID-19 pandemic has catalysed a worldwide trend of countries prioritising domestic industries. Nevertheless, Atmanirbhar Bharat transcends merely shielding local industries from international competition, which could potentially stifle their growth. Instead, the initiative strategically encourages foreign firms to manufacture in India. This approach nurtures a competitive market environment within the country and compels Indian companies to enhance their efficiency and productivity.

Any kind of protectionism is seen as being at loggerheads with free trade. Free trade, despite its ideal of unimpeded economic exchange, can lead to vulnerabilities when strategic industries are too dependent on external sources. Adopting selective protectionist measures can safeguard national interests. It also ensures economic security in an unpredictable global landscape, demonstrating that prudent protectionism can be a necessary complement to free trade in maintaining a balanced and resilient economy.

Not many have read John Maynard Keynes's 1933 essay on national self-sufficiency (4). Initially, Keynes, like many of his contemporaries, staunchly supported free trade. He viewed it as an economic and moral doctrine beyond reproach, fundamental to England's economic dominance. However, by the 1930s, Keynes began questioning the unmitigated benefits of free trade. This was in light of the Great Depression's impact on global economies, including persistent high unemployment rates. This period challenged the previously held belief that free trade invariably led to optimal employment and economic stability.

The sentiment expressed by Keynes in 1933 resonates strongly with current Indo-Sino relations, especially in the context of recent geopolitical and economic tensions. India's situation during the COVID-19 pandemic, marked by an excessive reliance on China for essential goods, highlighted vulnerabilities in its supply chain. In February 2020, the then-Union Minister of Chemicals and Fertilizers told the parliament that India was importing two-thirds of its active pharmaceutical ingredients from China. The supply shock from China seriously hampered India's ability to manufacture even basic antibiotics during the pandemic.

Further, the compounded issues of Chinese territorial incursions and repeated violations of security agreements (5) have made a case for India to reconsider its economic policies. This reevaluation aligns with Keynes's earlier shift, reflecting a similar move away from a pure laissez-faire approach towards adopting strategies that ensure economic security and sovereignty.

### **Production-Linked Incentive Schemes**

To drive this self-reliance in essential goods, India has launched PLI schemes across 14 key sectors. These include pharmaceuticals, large-scale electronics, medical devices, electronic/technology products, telecom and networking products, food products, white goods (ACs and LEDs), high-efficiency solar PV modules, automobiles and auto components, advanced chemistry cell (ACC) batteries, textile products (MMF segment and technical textiles), specialty steel, and drones and drone components. The aim of the schemes is to create national manufacturing champions and attract global champions to manufacture in India.

PLI schemes have substantially revitalised manufacturing in India. Since their inception, over INR 1 trillion in investments and INR 8.6 trillion in production/sales had been made by November 2023. These schemes have also been pivotal in generating employment for more than 6.78 lakh individuals and fostering exports exceeding INR 3 trillion.

PLI in mobile phone manufacturing has been a great success. Further, due to PLI in the pharmaceutical sector, there has been a significant reduction

in imports of raw materials. Unique intermediate materials and bulk drugs, including Penicillin-G, are now manufactured in India. Additionally, the production of 39 different medical devices is now underway, encompassing a variety of essential equipment such as CT-Scans, linear accelerators (LINAC), rotational cobalt machines, C-arms, MRIs, cath labs, ultrasonography machines, dialysis machines, heart valves, stents, and more.

PLI has also successfully transformed India's export basket from primarily traditional commodities to a more diversified range featuring high-value-added products. This pivot has been particularly evident in sectors such as electronics, telecommunications, and processed food products.

### **Reviewing Existing RTAs and Forging New Ones**

An internal analysis in 2020 by the Economic Advisory Council to the Prime Minister (EAC-PM) highlighted a significant pattern in the 'China+1' manufacturing strategy: industries aiming to diversify their manufacturing bases away from China were increasingly favouring Vietnam. This preference was largely attributed to RTAs with developed countries, which provide Vietnam with preferential market access. These RTAs positioned Vietnam as an appealing hub in the global supply chain, drawing companies eager to leverage these well-established trade connections.

Historically, India's RTAs focused on strengthening ties with other emerging economies. This was driven by geopolitical considerations, the nature of Indian exports, and the regulatory environments of potential partners in developed countries. While these relationships enhanced regional cooperation and growth, they also resulted in India's challenges in accessing well-established, developed markets.

From 2007 to 2011, India primarily forged RTAs with developing countries in Africa, South America, and Asia. These agreements often resulted in a trade imbalance, favouring India's partners who benefited from the large Indian market, while Indian exports lagged behind.

Recognising these dynamics, the Indian government has pivoted its strategy post-2020, actively pursuing and signing RTAs and free trade agreements

(FTAs) with developed economies. A landmark development was the India-Australia Economic Cooperation and Trade Agreement (ECTA), signed on 2 April 2022. This was India's first trade agreement with a developed country in over a decade, designed to broaden economic and commercial cooperation across various sectors, including goods, services, and technical barriers to trade.

Moreover, India renewed its trade relationship with the UAE through the Comprehensive Economic Partnership Agreement (CEPA) on 18 February 2022. This pact aims to triple goods trade to US\$100 billion within five years and potentially reach US\$250 billion by 2030, promising substantial job creation across diverse sectors.

India is also advancing negotiations with the European Union, the UK, Israel, and the Gulf Cooperation Council countries. These efforts are part of a broader initiative to engage more fully with both developed and developing economies worldwide, seeking to secure significant economic and strategic advantages for India.

In summary, India's economic shift away from China has significantly strengthened its manufacturing sector. The government has actively created a more favourable environment for foreign manufacturers to operate within the country. Nevertheless, while substantial progress has been made, further reforms are essential at the state level to fully capitalise on these developments. This includes implementing recent labour reforms, making improvements in the land market, and enhancing skill development initiatives. These steps are crucial for ensuring that the new policies effectively support and sustain the growth and attractiveness of India's manufacturing industry to global investors.

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# Boosting Self-Reliance to Protect Against Chinese Malware

Jayadeva Ranade

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**Technology has provided nations** with the platform for progress and dominance through the centuries. This has been more accentuated in the 21st century with the huge strides in science, electronics, communications technology, and artificial intelligence (AI). Technological advances have not only helped countries (by bettering lives and economies), but have also made them more vulnerable. Technological advancements have impacted the India-China relationship as well. With bilateral relations marked by uncertainty and strategic competition between the two intensifying and showing no realistic signs of easing, China's advances in cyber and communications technology are of particular significance to India. Since 2014, China has included this sector in its secretive '863' programme, or State High-Tech Development Plan, funded and administered by the government and made part of the civil-military fusion programme, thereby allowing participation by private companies and entrepreneurs, universities, and the People's Liberation Army (PLA). Today, China outpaced India in cyber and communications technology and continues to pour immense financial and technological resources into these areas and the frontier sciences.

China's strategic objective has clearly been to compromise and, ultimately, control India's communications networks. The first step

was to control and dominate the communications and cyber networks of China's neighbours. It succeeded in South Asia, where Zhongxin Telecom (ZTE) and Huawei have set up and continue to maintain countrywide landline and mobile telephone networks in Afghanistan, Pakistan, Nepal, Bangladesh, and Sri Lanka. ZTE was also laying fibre-optic cables in Pakistan. Similarly, Chinese companies have a monopoly on the telecommunications networks in Myanmar. This policy will have significantly facilitated China's electronic and signals espionage efforts in these countries. Chinese companies, aided by governmental neglect, also made deep inroads into India's telecom sector and gradually acquired a substantial presence in Indian telecom companies.

Both Huawei and ZTE maintain large offices in Bengaluru and Delhi. Huawei has had a major software research centre—an area in which India is a world leader—in Bengaluru to tap into the country's qualified human resources and, in 2009, registered a sales volume of US\$1 billion (1). They are also the 'main service providers' for most Indian mobile telephone networks and, in most cases, also maintain the networks. The vulnerabilities are obvious. Mobile telephones are used by politicians, bureaucrats, armed forces, security officials, and corporate and industrial tycoons, and confidential subjects are routinely discussed. Huawei and ZTE have easy access to these conversations. More importantly, since they also maintain the networks, they can selectively disrupt networks or isolate and terminate communications of certain telephones or of any number of customers spread across financial, security, medical, and other domains. This additionally permits them to debilitate India's communications systems and cyber infrastructure and eavesdrop on classified communications.

Huawei (founded in 1988) and ZTE (founded in 1984) spearheaded China's entry into India's communications sector nearly 20 years ago. Both companies are closely tied to the PLA and China's security establishment (with Sun Yafang, an officer in the Ministry of State Security, which is responsible for external intelligence, serving as chairperson of Huawei between 1999 and 2018). Both firms have also benefited from the system of 'national preferences', which ensures that they are among the five companies that supply routers, switches and computers to the PLA.

The magnitude of the threat can be gauged from the potential threat to India from Chinese cyberattacks during wartime or periods of high tension. The increased incidence of cyberattacks on various installations, such as power utilities, hospitals, railway reservation centres, and government offices, that have been traced back to China (2) heighten the threat. These could easily be launched by Chinese companies from within India. Reliable estimates are that China's cyber force has at least 50,000 trained hackers, based in the Xinjiang Uygur Autonomous Region, primarily targeting India and the Dalai Lama's establishment (3). With India and its armed forces getting increasingly 'wired' and several Indian companies going hi-tech and global, enhancing cyber security must be a priority. This must include the indigenisation of critical communications networks and the capability to trace, disable, and counterattack the source of cyberattacks.

Conscious of the growing importance of technology, China has made massive visible investments in robotics, AI, telecoms, Internet of Things, unmanned automobiles, biomedicine, and so on. China is also striving to progress in hi-tech research areas like organelles to build tissue for soldiers injured in war and 3-D printing to build weapons on the battlefield. Its civil-military fusion programme is designed to pool and optimise the hi-tech advances made by the military and civilian private industry. China has made huge capital investment in AI, already crafted an AI policy, and holds more patents than the US (4). China began funding AI start-ups through 'government guidance funds' set up by local governments and state-owned companies. Between 2016 and 2018, the Chinese government invested more than US\$1 billion in domestic start-ups (5). According to Tsinghua University, private funding for Chinese AI-related companies in 2017 totalled US\$27.7 billion, equivalent to 70 percent of global investments in the industry (6). Additionally, China's core AI industry could exceed US\$145 billion by 2030 (7). Huawei, for example, has already been establishing AI nodes in approximately 30 countries along the Digital Belt and Road Initiative (8).

China's strides in communications technology, lower prices, and the presence of its companies in over 50 countries give China an edge in its competition with other foreign competitors, such as Ericsson and

Nokia, to provide 5G technology. This has helped it compete for Indian government tenders.

Notwithstanding the US technology sanctions, Chinese President Xi Jinping has urged China's science and tech community to redouble efforts in hi-tech research. The recent National People's Congress plenary session approved increased budgets for science and tech and research and development (9). Speaking to PLA representatives at the plenary sessions in March 2024, Xi "emphasised that the strategic capabilities in emerging fields are crucial components of the national strategic system and capabilities, which are related to the high-quality development of China's economy and society, national security, and the initiative of military struggle" (10). He stressed the need to "promote the efficient integration and two-way stimulation of new productive forces and new combat forces". He also mentioned building a network space defence system and enhancing the ability to safeguard national network security. Alluding to the civil-military fusion, he called for strengthening the coordinated implementation of major projects in science and technology, promoting independent and original innovation, and fostering a vibrant ecosystem for innovation (11). Underscoring that adequate funding would be available, Zhang Yuzhuo, chairperson of the state-owned Assets Supervision and Administration Commission of the State Council, disclosed that investment by central state-owned enterprises in strategic emerging industries increased by 32.1 percent in 2023 and that this would grow. He said there would be a focus "especially on brain-like intelligence, quantum information and controlled nuclear fusion" (12).

An area where the Chinese have made deep inroads and successfully targeted academics and students are India's universities. China has used scholarships, travel, cash, and other incentives to 'win' them over. Chinese diplomats and entities took advantage to exploit India's free democratic systems. The government at last moved to crackdown on Chinese influence operations in India. The Chinese Communist Party, assisted by sympathetic elements in India, had long pushed for the establishment of Confucius Centres in India. In addition to teaching the Chinese language, these centres, funded by the Chinese government, also taught the Chinese version of events and history, including, for example,

of the 1962 war and the India-China boundary issue. Resistance meant that progress was slow until the government decided not to permit such centres. Similarly, Chinese efforts to forge cooperative relationships with Indian universities through memoranda of understanding were stymied in 2019 by the government's decision prohibiting such pacts or cooperative ties with Chinese universities and entities and prohibiting educational institutions from operationalising any agreements already signed without government authorisation.

## **Towards Self-Reliance**

These developments underline that the technology challenge for India will intensify. It also calls for urgent measures to safeguard India's civil and military communications and cyber infrastructure from hostile attacks. The failure to develop the required hardware capability while focusing only on software has meant that India has remained dependent on imports and has paid a heavy price. India's telecom industry too shares substantial blame as it opted to avoid investment in research and development and chased profits. The government woke up to this challenge from China and initiated measures to build indigenous capability. The prime minister's call for *Atmanirbharata* (self-reliance) has seen efforts to indigenise defence equipment and platforms and reduce imports.

This was accompanied by decisive government action in prohibiting 17 Chinese companies from participating in tenders in the country (13). Starting from January 2024, private companies have been warned against using these Chinese products while doing business with government entities. This move is being considered as a major crackdown on Chinese products that were entering the country after changing their brand names and collaborating with Indian entities, ostensibly to conceal their place of origin, which would have impacted the strategic and security interests of India while benefiting the Chinese economy. The banned companies include Xppen, Highvision Hikvision, Lenovo, Dahua, Lava, Ottomate, Xolo, Airpro, Grandstream, Wi-Tek, Realtime, Maxhub, Nokia, Domino, Reputer, and Tyco (14).

India needs to act in a coordinated all-of-government manner to prevent the entry of products that insidiously impact on national security and to begin seriously reducing the burgeoning trade deficit with China. This is easily done since most items purchased from China (such as umbrellas, lampshades and so on) were being, and can be, manufactured in India, thereby providing employment to Indians, and saving foreign exchange. Even the import of other items, such as condensers and power turbines, impacts India's national security as Indian companies that had acquired expertise in high-end precision engineering are shutting down because of a lack of orders and Indian engineers are losing their ability to manufacture these items.

An area of serious concern is that of electric vehicles (EVs) and China's automobile industry. Chinese-made EVs are risky as they emit signals that compromise security. Consider, for instance, that the UK has dispensed with the car bought for the British Prime Minister because of the security risks ascertained after examination by British security authorities, and the Chinese authorities prohibiting Tesla automobiles anywhere near Xi due to similar security concerns (15). There is adequate reason to ban the purchase and entry of Chinese-made EVs or those by auto firms in which Chinese entities have controlling shares.

The government has also acted decisively on the hi-technology cyber front, and there has been rapid progress. In 2014, IIT Madras started developing India's first microprocessor as a first step towards building semiconductor capabilities in India. India has also been trying to collaborate with foreign chip manufacturers to fabricate and manufacture chips in India and, in 2024, began setting up an entire semiconductor value chain comprising semiconductor fab, assembly, testing, marketing, and packaging. In 2024, Tata Electronics Pvt Ltd partnered with Taiwanese chipmaker Powerchip Semiconductor Manufacturing Corporation to set up a semiconductor fab unit in Dholera, Gujarat, with an investment of INR 910 billion (16). The Tata Semiconductor Assembly and Test Pvt Ltd. is also setting up a semiconductor unit in Morigaon in Assam with an investment of INR 270 billion (17). The government also approved three semiconductor units in India in February 2024 to start production in 100 days (18). Contrary to predictions that it would take a minimum of 10

years before India can start manufacturing chips, industry experts are confident that production can begin in about three years (19). India's requirements are massive, and as the country progresses towards EVs and indigenous manufacturing of aircraft and other weapons platforms, the semiconductor fabs will prove vital for growth.

As India grows and plays a larger role in world affairs, it will need to become self-reliant in at least areas vital to its national security. Science and tech will need to be given priority and private players encouraged to participate in high-end technology. India will also be required to objectively identify the sources of vulnerability and build appropriate safeguards.

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# India's Answer to the Critical Element Predicament: Mitigating China's Influence

Sana Hashmi

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**The COVID-19 pandemic and concurrent conflicts** in Europe and West Asia have exposed vulnerabilities in numerous industries, highlighting deficiencies in global supply chains, particularly the overreliance on China. The aftermath of the pandemic has prompted an expedited shift towards reshoring or nearshoring as countries try to diminish their reliance on distant and precarious supply chains, with China predominantly at the helm.

As China adopts a more assertive stance in its foreign policy, concerns about relying on it for critical elements have intensified. Consequently, the US, India, and the European Union (EU) are swiftly confronting and diversifying strategies to enhance supply chain resilience. The US has initiated several domestic endeavours and partnerships, such as the Mineral Security Partnership, while the EU has introduced the Critical Raw Materials Act to address these concerns.

Critical elements—vital for cutting-edge industries such as consumer electronics, renewable energy, semiconductors, and defence systems—are pivotal in transitioning to cleaner technologies and curbing carbon

emissions. Rare earth elements, cobalt, graphite, tungsten, and germanium are indispensable resources for these sectors. Conspicuously, China not only commands the production of certain critical minerals but also serves as the primary importer of these elements globally. In 2022 alone, China's imports of critical minerals soared to a staggering US\$126 billion, underscoring its paramount position in the global supply chain (1). This dominance extends beyond domestically mined minerals to encompass imports that undergo processing before entering the market. Consequently, China's influence spans its domestically sourced minerals and the imported materials that it refines and distributes.

With China wielding substantial control—producing over 60 percent of global rare earth minerals and processing 90 percent of them, alongside its dominance in approximately 70 percent of worldwide graphite extraction and nearly 100 percent of processed graphite production—global supply chains face significant risks. China's hegemony in mining, exporting, and managing supply chains presents considerable vulnerabilities.

The persistent trade and technology rivalry between the US and China heightens these apprehensions. China's imposition of export controls on vital elements like gallium, germanium, and high-grade graphite escalates tensions, compelling countries to explore alternatives and foster collaboration. Through its control over critical minerals, China aims to wield influence over economic and strategic landscapes. Consequently, diversifying supply chains has emerged as a pressing imperative for countries in the Indo-Pacific region and beyond.

## **India: A Key Player in Critical Element Supply Chains**

In March 2024, India's External Affairs Minister S. Jaishankar underscored that the differences between India and China transcend the boundary issue (2), extending into various domains where competition is broadening beyond conventional realms. One significant area of contention pertains to critical elements, where competition and tensions are rising. India's acknowledgement of the multifaceted threat posed by China, encompassing both security and non-security dimensions, coupled with its demonstrated capabilities and

willingness to tackle these challenges, has rendered it indispensable. India is actively pursuing strategies to de-couple from China, positioning itself as a credible alternative for collaboration and addressing the challenges posed by China.

India largely relies on imports for critical elements. For instance, India needs elements such as lithium, cobalt, germanium, and strontium, with China being a key supplier (for instance, 60 percent of India's graphite demand is sourced through imports) (3). Recognising this dependency, India has undertaken initiatives toward self-reliance and has identified 30 minerals critical for its economic and national security. In the fiscal year 2023-24, India launched 123 exploration projects to bolster its domestic resource reserves and diminish its reliance on external sources (4).

India can provide a viable alternative alongside the US in response to China's export control measures and its stronghold over the supply chain. Efforts are underway in the US to mitigate dependence on China, exemplified by initiatives such as the introduction of bipartisan legislation that aims to compel defence contractors to cease rare earth mineral purchases from China by 2026 and proposes the establishment of a permanent stockpile of these strategic resources under the auspices of the Pentagon (5). Increasingly, the US has turned its attention to India, seeking collaboration and a more active role in diversifying the critical mineral supply chain. This interest was underscored during Indian Prime Minister Narendra Modi's visit to the US in 2023, where he and US President Joe Biden "pledged to hasten bilateral collaboration to secure resilient critical minerals supply chains through enhanced technical assistance and greater commercial cooperation, and exploration of additional joint frameworks as necessary" (6). India's participation in the US-led Mineral Security Partnership underscores its commitment to ensuring self-reliance and mitigating vulnerabilities in its supply chain. Media reports indicate that India and the US are collaborating on a mechanism to jointly develop technologies for processing critical minerals (7).

In tandem with its collaboration with the US, India is actively cultivating partnerships with Australia, a major player in the critical minerals market. In March 2023, the two countries unveiled a partnership targeting five pivotal projects, with a particular emphasis on two lithium projects and

three cobalt projects. According to the press release, “investments under this partnership seek to solidify resilient supply chains, leveraging Australia’s proficiency in processing critical minerals. These initiatives harmonise with India’s objectives to curtail emissions in its electricity grid and assert itself as a premier global manufacturing hub, particularly in the domain of electric vehicles (8).”

## Conclusion

China’s policies have spurred countries to seek alternatives that are not solely reliant on China. It is not about exclusion but rather the recognition that any dependence on China to secure the supply chain is untenable. China’s assertive and self-serving policies have positioned it as an outlier, perceived as adversarial by several Western countries and India. This underscores the imperative of global cooperation to address the challenges posed by China. India, in particular, confronts vulnerabilities in critical mineral sectors due to China’s actions, highlighting the significance of self-reliance, sustainability, and collaboration.

India’s pivotal role is significant in bilateral, regional, and global contexts. With ongoing domestic reforms and initiatives in critical mineral exploration, India actively collaborates with countries like the US and Australia. Its participation in the Mineral Supply Partnership underscores India’s keen interest in a collective response, yet concerted efforts are required from Indo-Pacific countries to diminish dependence on and dominance of China. In this regard, the Quad assumes paramount importance. While not a novel concept and previously advocated (9), Australia, India, Japan, and the US should utilise the Quad to activate the Critical Element Supply Chain, aligning with the grouping’s overarching purpose of addressing the challenges posed by China. In 2021, India, Japan, and Australia introduced the Supply Chain Resilience Initiative. Elevating it to the Quad Supply Chain Resilience Initiative and integrating critical minerals into it will further advance their objectives.

The importance of diversification and cooperation in the critical mineral supply chain cannot be overstated. While China remains a central player in the critical elements supply chain, its employment of coercive tactics underscores

the necessity for alternative sources and partnerships. It is imperative for China to recognise that dominating and weaponising supply chains contradicts the principles of a rules-based order and ultimately leads affected countries towards a mutually beneficial, collaborative approach.

Leveraging platforms like the Quad and potential initiatives such as the Critical Element Supply Chain Resilience is crucial. The Critical Element Supply Chain Resilience initiative can facilitate a coordinated response to mitigate China's dominance and promote stability in the Indo-Pacific region and beyond. This collaborative approach not only reinforces individual countries' policies but also cultivates a more resilient global economy capable of withstanding disruptions caused by China.

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# How Modi's India is Pushing Back Against China in South Asia

Aditya Gowdara Shivamurthy and Sriparna Pathak

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**In 2023, India's External Affairs Minister S. Jaishankar** remarked that past governments and policymakers worldwide had underestimated the importance of growing Chinese presence in the Indian Ocean (1). This realisation seems to have been the rationale behind the Modi government's 'Neighbourhood First' policy, which aims to enhance trade, commerce, and physical, digital, and people-to-people connectivity in its immediate neighbourhood (2). The policy has reprioritised South Asia in India's strategic calculus and has attempted to counter China's ever-increasing overtures in the region by consistently learning from its past experiences. Today, the Modi government is pushing back against China by accommodating non-friendly governments, embracing a pragmatic foreign policy, and offering carrots and economic incentives to its South Asian neighbours. The assessments presented in this essay exclude the cases of Bhutan and Pakistan due to their unique relationships with India and China, respectively.

## Politics and Pragmatism

India's neighbourhood policy under the Modi government has consistently learned from its previous experiences. A major change in India's neighbourhood strategy is that it is more accommodative and willing to work with South



Asian governments that are nationalistic (read, anti-Indian), pro-Chinese, or detrimental to Indian interests. This is for two reasons. One, the use of sticks, publicly conveying dissatisfaction, and entanglement in domestic politics to alter certain policy outcomes risks alienating the “non-friendly” political parties or leaders who have the potential to return to power and further anti-Indian sentiments. Two, there seems to be a realisation that the India-China competition for South Asia is the new normal (3), and smaller countries are keen to use the competition to further their agency. In other words, a change in the government does not necessarily further Indian interests.

For instance, the pro-Chinese governments of Mahinda Rajapaksa in Sri Lanka in 2015 and K.P. Oli of Nepal in 2016 (4,5) were followed by governments that were supposed to be sensitive to Indian interests and concerns. Yet, in 2017, Sri Lankan President M. Srisena leased out the Hambantota port to China for 99 years due to the country's inability to repay Chinese loans, and Nepal joined China's Belt Road Initiative (BRI) (6). To complicate matters, Oli returned to power in 2018, and Gotabaya Rajapaksa (Mahinda's brother) was elected as the Sri Lankan president in 2019. Their victories resulted in further promoting anti-Indian sentiments, appeasing China, and side-lining Indian sensitivities.

The 2020 Galwan clashes between India and China acted as a major catalyst for New Delhi to change its approach. The incident increased India's trust deficit for China and created more uncertainty about the latter's intentions, compelling India to keep away from its neighbour's domestic politics, accommodate non-friendly regimes, and offer more carrots. This policy is being supplemented with pragmatism in two forms: first, to wait for China to burn its fingers in South Asia, and second, to use domestic developments in these countries to further Indian interests or reverse China's gains (7).

In Sri Lanka, India came to the Rajapaksa's rescue by supplying fertilisers when a dispute arose between China and Colombo (8). The subsequent economic crisis offered India an opportunity to entrench its influence in the country through US\$4 billion assistance and convince the government to cancel Chinese projects that were detrimental to Indian interests. China's slow response to Sri Lanka, commercial loans, and hesitancy to restructure debts further hindered its leverage in Colombo. While China did indicate its willingness to restructure Sri Lanka's debts, the willingness remains at

the indication stage. Sri Lanka has been continuing to try to restructure its debt and has reached an agreement in principle with a group of 14 creditor countries, which China did not join (9).

China's slow and India's swift response has also convinced Nepal and Bangladesh to exercise caution before borrowing from China (10). Both countries are upset with the BRI's slow progress and have not taken China's unilateral decision to categorise certain projects under the BRI banner lightly. China's warning to Dhaka to not join the Quad, the burgeoning trade deficit, and slow progress in the BRI project has caused a backlash in Bangladesh (11). With Nepal, China has continued reiterating its 2008 pledge of providing NPR 80 billion (approximately US\$ 600 million) in assistance in executing various infrastructure-related projects (12). The white elephant project at Pokhara in Nepal and China's inability to offer low-interest loans has kept the BRI projects at bay. In fact, two of the proposed BRI hydropower projects have now been handed over to India (13).

In the Maldives, India has embraced an accommodative policy toward a China-leaning government. Unlike its assertive response to pro-China Abdulla Yameen in 2018, New Delhi has offered a US\$90 million grant to the new government and even agreed to withdraw its troops. In Afghanistan, too, India is shredding its scepticism over the Taliban and engaging with them more openly. This will likely help India keep up with other countries' engagement (including China) with the new regime.

## **Carrots and Connectivity**

India is supplementing this pragmatic and accommodative policy with carrots, such as development assistance and connectivity. India's ability to offer and deny carrots has been crucial to wooing South Asian countries, moderating their agency-seeking behaviour, and pushing back against China. The prevalent narrative is that China's assistance has much deeper pockets than India's and is more welcomed by India's South Asian partners. A closer look at the details proves this narrative is devoid of facts.

Connectivity with neighbours has taken precedence for India, especially as the Modi government is pushing for infrastructure development throughout the

country, including the border regions. New Delhi is currently working on over 100 connectivity projects worth US\$7 billion in four neighbouring countries: 50 in Nepal, 30 in Bangladesh, 19 in Sri Lanka, and four in Myanmar. These include rail, road, air, and port connectivity, transmission lines, and telecommunication projects (14), which will offer more market access and opportunities to South Asian countries.

For instance, in 2022, India and Nepal inaugurated train operations on the Jaynagar-Kurta section of the Jayanagar-Bardibas rail link. This segment of the rail link has Nepal's first-ever integrated check post at Birgunj. In 2023, New Delhi and Dhaka inaugurated the Akhaura-Agartala rail link, built with Indian assistance. This is the first train link to connect Bangladesh to India's Northeast. India launched a direct shipping service between Tuticorin (Tamil Nadu) and the Maldives last year. The new service replaced the practice of sending bulk cargo to the Maldives through barges and sail ships, while containers were routed through Colombo (15). India and Sri Lanka are also discussing the prospects of opening a land bridge.

In the energy sector, the commissioning of the Motihari-Amlekhgunj Petroleum pipeline between India and Nepal, worth around INR 3.2 billion (approximately US\$ 38 million), has resulted in direct economic benefits to the people of Nepal. In 2023, India and Bangladesh inaugurated their first cross-border energy pipeline to transport high-speed diesel to Bangladesh (16). Sri Lanka and India are also discussing connectivity via oil pipeline and an estimated US\$1.2 billion undersea transmission line that will link India to Colombo's power grid (17,18). India is also helping Nepal with the production of hydropower and its exports. In addition, it is facilitating hydropower trade between energy-scarce Bangladesh and revenue-scarce Nepal and Bhutan.

Besides grants, many of these projects are being supported by Indian credit lines. In 2015, the Modi government approved the Development Assistance Scheme to streamline development assistance through Indian credit lines with the help of the Indian Export-Import Bank (19). Unlike the Chinese policy banks, where the government plays a crucial role in determining whether the project would get development assistance (aid, concessional loans, and interest-free loans) or official assistance (loans with market interest rates) (20), Indian EXIM's credit lines are more transparent. The interest rates and

grant components of these credit lines are based on the IMF's classification of low- and lower-middle-income countries (see Table 1) (21). These interest rates are cheaper than Chinese loans and interests. As a result, development assistance has increased significantly since 2014 (see Table 2), pushing back against Chinese investments.

**Table 1: Interest and grant components of Indian EXIM credit lines**

Category	Classification	Interest Rates	Grant ratio
Category 1	Low- and lower-middle-income 1	1.5%	37%
Category 2	Low- and lower-middle-income 2	1.75%	31%
Category 3	Developing economies	LIBOR + 1.5%	24%

Source: ORF (22)

**Table 2: Credit lines facilitated by India's EXIM bank**

Country	2015	2023
Bangladesh	US\$2.8 billion	US\$7.9 billion
Nepal	US\$1.3 billion	US\$1.6 billion
Sri Lanka	US\$1.7 billion	US\$2.7 billion
Maldives	US\$80 million	US\$1.4 billion

Source: *Economic Times* (23,24)

To limit the Chinese presence, the Modi government is also collaborating with partner countries in the region. Not only has India grown more open to the idea of deepening bilateral relations between extra-regional powers and South Asian countries, but it has also been using these relations to increase its connectivity and influence. For instance, In Nepal, the US has committed to US\$500 million in aid through its Millenium Challenge Corporation. Most of these investments are being directed to electricity transmission, where several Indian firms have won the contracts. Similarly, the US is assisting Sri

Lanka with US\$553 million to help develop the West Container Terminal of the Colombo Port City. India's Adani Ports is building the terminal. In Bangladesh, Japan is developing the Matarbari Port, which will further link India's Northeast to Bangladesh (25). India is also exploring possibly operating the Hambantota International Airport with Russia through a joint venture. This will offer India closer access to the Chinese Hambantota port.

Finally, India has also been following a people-centric development approach in the neighbourhood. This has been crucial to promote better relations, mitigate anti-Indian sentiments, and promote better connectivity. For instance, between 2018 and 2023, India implemented over 50 High Impact Community Development Projects (HICDPs) in the Maldives (26). In Nepal and Sri Lanka, India has increased the fund size of HICDPs from INR 50 million (about US\$ 0.6 million) and INR 300 million (around US\$ 3.6 million) to INR 200 million (an estimated US\$ 2.4 million) and INR 600 million (approximately US\$ 7.2 million), respectively (27,28). The projects are based on the needs of the local community, with the key focus areas being health, education, recreational activities, agriculture, cultural activities, and the fishing sector. Such a people-centric approach was evident when India extended multiple lines of credit worth US\$1.5 billion for medicines, fuel, and other necessities to Sri Lanka during the economic crisis. Additionally, a consignment of kerosene was delivered for use by fisherfolk.

## Conclusion

In the last 10 years, the Modi government has repositioned and reprioritised South Asia in India's strategic calculus through its Neighbourhood First policy. It has become more proactive in countering China's increasing presence in the region and has become more accommodating of non-friendly governments. It has steered away from its domestic politics and embraced an opportunistic foreign policy to let China burn its fingers and create new leverages. New Delhi is also limiting Beijing's inroads through connectivity, development assistance, partnerships, and a people-centric foreign policy. Indeed, the Modi government's legacy thus far is that it enabled India to create new leverages with its neighbours and push back against China in the region.

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# A Contest of Civilisations: Emerging Chinese and Indian Worldviews

Kalpita A. Mankikar

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**If the 20th century was marked** by the demise of empires and the evolution of political structures based on the concept of nationhood, the 21st century has arguably been one of the rise of the civilisation state.

Christopher Coker, author of *The Rise of the Civilizational State*, charts some important features of a civilisational state: (a) the State represents itself as an ancient civilisation; (b) the use of the past by its elite to service its present; (c) promotion of mandatory patriotism by the State (1).

There is an increasing resonance about the concept of a 'civilisation state' in China under President Xi Jinping, who convened a study session of the elite politburo on the theme of 'researching Chinese civilisation' in March 2022 (2). Xi spoke of the salience of China's 5,000-year-old civilisation, positing that while the West had its own concept of civilisation, it was not right to blindly copy it since it is a more recent one. He argued that the Chinese civilisation had made a significant contribution to humankind but argued that the West tended to see China from its perspective of a modern nation-state (3). This Western assessment sidestepped China's civilisational history, making it difficult to comprehend China's present and future. Thus, Xi wishes to fuse basic tenets

of Marxism with ancient civilisational wisdom and Chinese current reality, directing the Chinese Communist Party of China (CCP) to sell its 'civilisational story well'.

At a conference on China's cultural inheritance in August 2023, Xi added that ancient Chinese teachings conceived a "moral international order," and that Imperial China was the arbiter of such an order (4). The CCP sees Chinese civilisation as one that has continued uninterrupted across a 5,000-year-old timeline, and, crucially, itself as the legatee of the Chinese empire, as stated by Pan Yue, Director of the State Ethnic Affairs Commission (5).

Imperial China considered itself the 'Middle Kingdom' and saw itself as the custodian of "everything under the heaven," a concept termed *tianxia* in Mandarin (6). Foreign rulers who accepted the superiority of the Chinese Emperor, in turn, received their endorsement to rule and also received lucrative trading rights. During the Han dynasty (206 BCE – 220 CE), when a regent in Vietnam conferred upon himself the title of emperor, it was conveyed to him that when there are two emperors, one must be destroyed. Imperial China saw the world as divided between binaries of 'civilised' and 'barbarian'. Thus, when the CCP talks of the moral order, it is really harking back to the *tianxia* system in which China is at the helm and forms patron-client ties with nations.

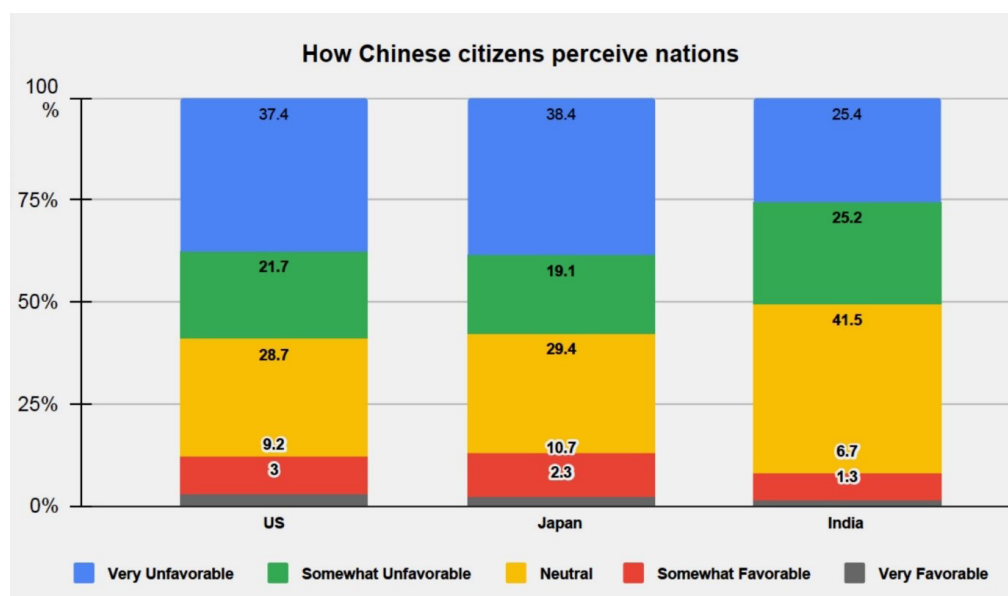
As the elite in a civilisational state seeks to use the past to bolster its current legitimacy, history and patriotism become important tools. Here, there are key divergences between different leadership generations. In the Mao Zedong era, the CCP launched a campaign against '4 olds', excoriating old habits, ideas, customs and culture, resulting in the defacing of cultural sites associated with the philosopher Confucius. However, later leadership generations have revived Confucian thought, with China establishing a worldwide network of Confucius Institutes (7). In 2021, which marks the centenary of its founding, the CCP started the Party History Study Campaign, which aims to use "history effectively" to educate citizens on the party's role in nation-building (8). Under the initiative, students will be taken on tours to "revolutionary sites" and museums to increase their "appreciation of the CCP's struggle" (9). The party wants to promote a narrative that juxtaposes a "weak" Imperial China against a "strong" People's Republic. The Qing dynasty, the last to rule

over China, saw Western nations invade and enfeeble it. The Qing dynasty comprised Manchus, an ethnic minority in China, who ruled over the majority of Han Chinese. This tacitly pushes the notion that China's exceptionalism is due to its racial superiority. Chinese state media specifically sought to reference how Western powers tried to subjugate the Imperial Qing Empire through "unequal treaties" (10).

China introduced the patriotic education course after the 1989 Tiananmen Square incident. Among the teachings is the "hundred years of humiliation" hypothesis, an account of China's history from the 19th and 20th centuries emphasising the nation being "subjugated" by Western forces (11). Following the protests in China in December 2022 against the zero-COVID-19 curbs, an article in the CCP's journal, *Qiushi*, highlighted that educational institutions were the top priority for ideological work and urged the CCP to dominate propaganda (12). Plans are afoot to promulgate new legislation, which aims to deploy online platforms and new technology to spread patriotism more effectively. The draft law circulated last year emphasises a better promotion of China's cultural heritage, and targets ethnic Chinese living overseas. The iconography of China's promotion of its cultural heritage also furthers the narrative of the '100 years of national humiliation'. In recent years, commemorations have been encouraged at the site of the Yuanming Garden Palace in Beijing, which French and British soldiers destroyed during the Opium War in the late 19th century (13).

Xi's weaponisation of memory and past grievances has instilled a sense of resentment among the Chinese; Tsinghua University's report on the 'Chinese Outlook on International Security' (released in 2023) reveals how the average Chinese perceives the world (see Figure 1) (14). State-run media is the primary source of information for 40 percent of the respondents, while the corresponding figure for foreign media outlets and social media is just below two percent. With its information hegemony, China can mould the perception of its people, with nearly 50 percent of those surveyed viewing India 'unfavourably'; the corresponding statistics for the US and Japan are 60 percent and 57.5 percent, respectively.

**Figure 1: Chinese Citizens' Perception of the US, Japan, and India**



Source: Tsinghua University (15); data tabulated with assistance from Satish Tezza.

Thus, the CCP's appropriation of China's civilisational tenets helps aid several of its objectives and it consolidates the notion that the party is a legatee of the Imperial dynasties of China. Second, it pits the concepts of ancient civilisational state vis-à-vis new nation-states, thereby conveying that the rules of the postwar international order do not bind China. Third, it opens the scope for revisiting settled territorial boundaries.

### India's Approach

India, under Prime Minister Narendra Modi, has shed political correctness to provide a counterview to the tianxia notion. Foreign Minister S. Jaishankar has cited that the Modi government has drawn from civilisational epics like *Ramayana* and *Mahabharata* to articulate an alternative international order shorn of competition (16).

The 2023 G20 summit in New Delhi saw Modi popularise the important civilisational principle of 'Vasudhaiva Kutumbakam', which translates into the notion that humanity is one family (17). Modi's worldview inculcates a

sense of responsibility towards the world in terms of meeting the challenges posed. Modi hosted more than 125 nations at the 'Voice of Global South' summit, raising concerns related to food and energy security. Modi utilised the G20 presidency to push for reforms of international financial institutions to secure greater representation for developing nations. In keeping with the spirit that science and technological breakthroughs must benefit humanity rather than a select few, Modi mooted a joint proposal for a G20 satellite to source data on weather and climatic conditions. China raised objections to the 'Vasudhaiva Kutumbakam' concept on technical grounds, with Xi skipping the Delhi summit altogether. While Confucius has been resuscitated in the service of the CCP and is facing severe backlash the world over, yoga and Ayurveda have spread through the world on their own strength. For instance, around 135 nations took part in marking Yoga Day (21 June) in New York at an event led by Modi in 2023. The AYUSH Ministry offers scholarships to foreign students to pursue education in premier medical institutes in India, with over 200 students from 32 nations securing the fellowship thus far (18). India provided the crisis-ridden Sri Lanka with a US\$4 billion lifeline to tide over its economic woes, while the Indian Navy has ramped up its presence in the Gulf of Aden in response to the challenge of the Houthi militia and is also the first responder in the event of a natural disaster even beyond its immediate neighbourhood in nations like Türkiye. India has shown that its civilisational salience has not just a soft-power quotient but economic, military, and human components too. India's 'Vasudhaiva Kutumbakam' approach was also in action during the COVID-19 pandemic when, under the Indian initiative of 'Vaccine Maitri', New Delhi dispatched lifesaving medications and critical supplies to 150 countries (19). Brazil, a predominantly Christian nation, shared an illustration showing Lord Hanuman carrying a mountain with vaccines from India to Brazil (20).

As such, it is clear that Indian civilisational thought is at the apogee of its global acceptance under Modi, constituting a significant pushback to China's approach.

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