

ISAS Insights

No. 488 – 26 April 2018

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



Xi Jinping-Narendra Modi Meeting in Wuhan: Understanding the Chinese and Indian Motivations

The scheduled informal meeting between India's Prime Minister Narendra Modi and Chinese President Xi Jinping on 27 and 28 April 2018 in Wuhan, China, is widely perceived as an attempt to reset the relationship between the two countries. This paper argues that the Chinese and Indian motivations for the meeting are different. As such, the meeting is likely to produce much positive hype, but it may not succeed in achieving any far-reaching outcomes for both countries.

Srikanth Thaliyakkattil¹

India's Prime Minister Narendra Modi and China's President Xi Jinping will meet informally in the Chinese city of Wuhan on 27 and 28 April 2018. This announcement was made at a joint briefing by Indian External Affairs Minister Sushma Swaraj and Chinese Foreign Minister Wang Yi on 24 April 2018.

The announcement immediately attracted much attention from the media in both countries, with the widely-held view being that the meeting is likely to reset the relationship between China and India. This paper, however, argues that this is highly unlikely to be the case, due

¹ Dr Srikanth Thaliyakkattil is Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isasst@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.

primarily to deep fundamental differences between the countries. It contends that the Chinese have an immediate reason for wanting to reach out to India – its looming trade war with the United States (US). The Indians, on the other hand, have different motivations for the meeting.

The Joint Press Briefing – Different Focus, Different Emphasis

During a joint press briefing on 22 April 2018, Wang emphasised the commonalities between China and India and said that “Xi and Modi will have strategic communication on the world’s profound changes, and exchange, in an in-depth manner, views on overall, long-term and strategic issues regarding China-India relations.”²

These “profound changes” in the current global situation are widely perceived to be the current trade frictions between the US and China. Wang did not specifically refer to the differences or issues in the China-India relationship. Swaraj conveyed India’s appreciation to China for its confirmation of the resumption of data sharing on the Brahmaputra and Sutlej rivers in 2018. She also expressed India’s happiness that the Kailash Mansarovar Yatra through the Nathu La route would resumed this year. However, while emphasising the commonalities between the two countries, Swaraj also stated that “maintaining peace and tranquility in the India-China border areas is an essential pre-requisite for the smooth development of bilateral ties.”³

The resumption of the Kailash Mansarovar Yatra through Nathu La route is a rather insignificant matter in the scheme of things while the resumption of data sharing on the Brahmaputra and Sutlej rivers is not new – it was stopped during the Doklam crisis and it could certainly be stopped again in another crisis between the two countries. Swaraj’s emphasis on maintaining peace in the India-China border areas, in contrast to the Wang’s indifference to it, may reinforce India’s concerns about the ambiguity of Chinese diplomatic behaviour.

A day after his meeting with Swaraj, Wang met with Pakistani Foreign Minister Khawaja Muhammad Asif and reassured him that, “China will continue to firmly support Pakistan’s

² “Xi, Modi to meet in central China”, *Xinhua*, 23 April 2018. <http://en.people.cn/n3/2018/0423/c90000-9452324.html>. Accessed on 23 April 2018.

³ “Border peace ‘essential pre-requisite’ for smooth ties with China: India”, *Times of India*, 22 April 2018, <https://timesofindia.indiatimes.com/india/border-peace-essential-pre-requisite-for-smooth-ties-with-china-india/articleshow/63869693.cms>. Accessed on 23 April 2018.

efforts to safeguard national sovereignty, seek its own development, and create a good external environment”.⁴ Wang also mentioned the smooth progress of the China-Pakistan Economic Corridor (CPEC). This is a clear indication that China will not compromise on its own strategic interests. It will continue to support Pakistan and will move ahead with its CPEC plans, despite India’s continued protest over the project.

China’s Motivations for the Meeting

The main motivation for China to reset its relationship with India is the increasing pressure from US President Donald Trump’s administration and the looming trade war with Washington. There seems to be a feeling of isolation in Beijing and it is seeking friends to hedge against possible escalation of the trade friction with US. Within few days after Trump announced tariffs on Chinese goods, China’s international trade representative held a series of meetings with the Ambassadors from major European nations to seek support for Beijing against American protectionism. It showed China’s heightened concern.⁵ The overture toward India is, therefore, to seek its support against the US action.

In China, the official media and analysts have been closely following India’s reactions to the escalating trade friction between China and US. There is concern in China that India may seek to exploit the differences between the US and China. Reflecting these concerns, one Chinese media headline read, “Will Indian “fisherman” benefit from China-United States Trade War”, The Chinese media also pointed out to Modi increasing the tariffs on imported mobile phone parts so as promote his ‘Make in India’ initiative. Another Chinese media report, in making reference to India’s Rashtriya Swayamsevak Sangh leader Indresh Kumar’s call to boycott Chinese goods, suggested that this pointed to India’s “ill intentions” and that it was taking the

⁴ “China reassures Pakistan on ties ahead of Xi-Modi meeting”, *The Nation*, 24 April 2018. <https://nation.com.pk/24-Apr-2018/china-reassures-pakistan-on-ties-ahead-of-xi-modi-meeting>. Accessed on 24 April 2018; Zafar Hussain, “China reassures Pakistan on ties ahead of Modi-Xi summit”, *The News*, 23 April 2018. <https://www.thenews.com.pk/latest/308167-china-reassures-pakistan-on-ties-ahead-of-modi-xi-summit>. Accessed on 24 April 2018.

⁵ Michael Martina and Robin Emmott, “China seeks trade firewall with U.S. allies in rush of ambassador meetings – sources”, *Reuters*, 17 April 2018. <https://www.reuters.com/article/us-usa-trade-china-eu-exclusive/exclusive-china-seeks-trade-firewall-with-u-s-allies-in-rush-of-ambassador-meetings-sources-idUSKBN1HO1Y0>. Accessed on 22 April 2018.

opportunity of China-US trade war to stab China in the back.⁶ At the same time, Chinese reports have made mention of the possibility of Chinese industries shifting to newly emerging markets like India, Vietnam or Bangladesh should the trade war between China and the US escalate.⁷

The Chinese suspicion of India's intentions have been further fuelled by the fact that "many countries have publicly criticized the White House, and the head of the World Trade Organization and the International Monetary Fund has publicly warned Mr Trump that a trade war would be of no benefit to anyone."⁸ However, among the major countries, only India has kept silent.

At the same time, China is alive to the fact that the Indian side has been trying to differentiate its trade position with the US from that of China. India's Foreign Secretary Vijay Gokhale told US Trade Representative Robert Lighthizer that the US should not equate India with China and that India's trade deficit with the US is on a downward trend – it will continue in this direction.⁹ As India will import more from US, its trade surplus with the US will decrease substantially. An example of this is India agreeing to import more natural gas from the US. India's Jet Airways also said in a news release that the company will purchase 75 Boeing 737 Max aircrafts, with the transaction amounting to an estimated US\$8.8 billion (S\$11.6 billion).¹⁰

On the other hand, India suffers from a large deficit in its trade with China while Chinese investment in India is almost insignificant (Figure I). Chinese products have also become increasingly popular in India, with some items such as Chinese smart phone dominating the Indian market. These developments are likely to negatively impact Modi's 'Make in India' initiative. There are concerns that these issues may force India, like the US, to also adopt

⁶ 中美贸易战正酣印度却在背后捅刀：趁机抵制中国货 [in the middle of the China-US trade war India took the opportunity to stab in the back: It used the opportunity to boycott the Chinese products], *Sina*, 9 April 2018. <http://mil.news.sina.com.cn/china/2018-04-09/doc-ifyvtmx2447547.shtml>. Accessed on 22 April 2018.

⁷ 中美贸易战，印度渔翁得利？ [Will Indian "fisherman" gain from a China-US trade War], *Sina*, 28 March 2018, <http://mil.news.sina.com.cn/2018-03-28/doc-ifyssims5201138.shtml>. Accessed on 22 April 2018.

⁸ 印媒：中美若爆发贸易战 或将令印度渔翁得利 [Indian Media: A Trade War between China and US could benefit "Indian Fisherman"], *Sina*, 7 March 2018. <http://mil.news.sina.com.cn/dgby/2018-03-07/doc-ixipenp1564861.shtml>. Accessed on 22 April 2018.

⁹ Pranab Dhal Samanta, "Don't equate us with China, India tells US", *Economic Times*, 23 March 2018, <https://economictimes.indiatimes.com/news/economy/foreign-trade/dont-equate-us-with-china-india-tells-us/articleshow/63423141.cms>. Accessed on 24 April 2018.

¹⁰ 中美贸易战，印度到底是要“趁火打劫”还是“龙象共舞”？ [China-US trade war: will India "fish in the troubled waters" or "dance with the Dragon"], *Sohu*, 10 April 2018, http://www.sohu.com/a/227837182_441488. Accessed on 22 April 2018.

protectionist measures against China.¹¹ Chinese analysts feel that such protectionist tendencies are growing in India due to the impact of domestic right wing forces and as a result of Trump’s influence on the country.¹²

Figure 1: India’s Trade Deficit with China

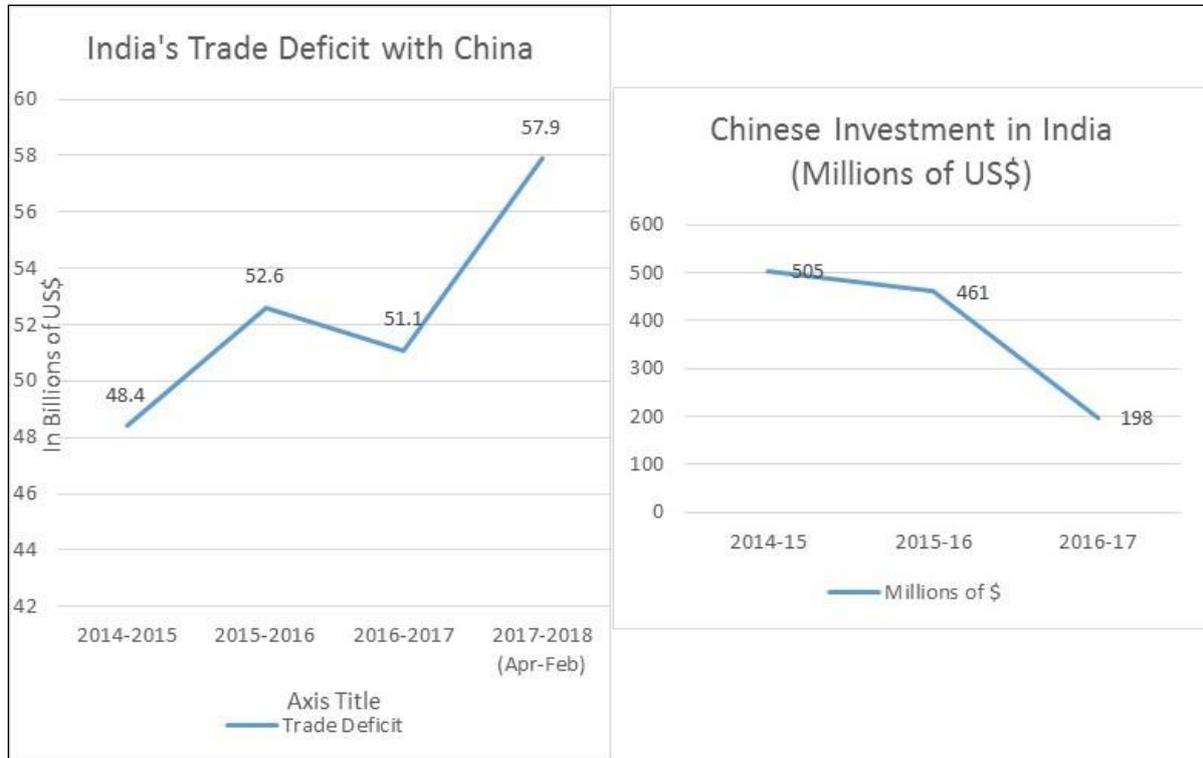


Figure created by the author. Data sources: <http://commerce.gov.in/> and <https://www.rbi.org.in/>, Accessed on 22 April 2018.

¹¹ “Govt raises import duty on electronic items including cellphones, TV to boost Make in India”, *Economic Times*, 16 December 2017. <https://economictimes.indiatimes.com/tech/hardware/government-raises-basic-customs-duty-on-mobile-phones-to-encourage-make-in-india/articleshow/62079342.cms>. Accessed on 24 April 2018; “Modi Should Practice What He Preaches on Trade: The last thing India needs is a lurch toward protectionism”, *Bloomberg*, 23 February 2018. <https://www.bloomberg.com/view/articles/2018-02-23/india-s-rising-tariffs-signal-a-lurch-toward-protectionism>. Accessed on 24 April 2018; Mary Lovely, “Narendra Modi’s rise in import tariffs will hurt India’s economy: The country’s answer to a perceived Chinese threat risks detaching it from supply chains”, *Financial Times*, 20 February 2018. <https://www.ft.com/content/25900f14-1564-11e8-9c33-02f893d608c2>. Accessed on 24 April 2018; and M Devan, “Indian phone makers seek higher tax on imports to boost local manufacturing,” *The News Minute*, 28 December 2017. <https://www.thenewsminute.com/article/indian-phone-makers-seek-higher-tax-imports-boost-local-manufacturing-73872>. Accessed on 24 April 2018.

¹² 中美贸易战，印度到底是要“趁火打劫”还是“龙象共舞”？ [China-US trade war: will India “fish in the troubled waters” or “dance with the Dragon”], Sohu, 10 April 2018, http://www.sohu.com/a/227837182_441488. Accessed on 22 April 2018.

India's Motivations for the Meeting

Several factors in recent times have caused strains in the relationship between the two countries. China intensifying its strategic engagement with the other South Asian states has been viewed with concern and suspicion by India.

In the case of countries like the Maldives, China has become a strategic hedge against India. The crisis in the Maldives, which led to the declaration of emergency by President Abdulla Yameen in February 2018, witnessed China and India aligning themselves on opposite sides. India's concern about the Maldives increasingly close strategic relations with China has been further compounded by the Maldives selling uninhabited islands of Feydhoo Finolhu to China. This "means a Chinese presence just 75 nautical miles from India's Exclusive Economic Zone (EEZ). A radar station there will bring India's entire western and southern coast within China's coverage."¹³ China is also building an ocean observation station in Makunudhoo Island in the Maldives which is not far from the Indian state of Kerala.¹⁴ In December 2017, Yameen signed a free trade agreement (FTA) with China. This has raised fears in India that, as a result of its preferential trade agreement with the Maldives, the Maldivian-Chinese FTA would pave the way for Chinese products to enter India and enjoy the preferential treatment India offers to the Maldives.¹⁵

Apart from the Maldives, China has also moved closer to Sri Lanka. In July 2017, Sri Lanka signed an agreement with the state-owned China Merchants Ports Holdings Company which agreed to pay US\$1.12 billion (S\$1.48 billion) for 85 per cent share of Hambantota port for 99 years. While Sri Lanka has assured India that it would control the port's security and it would allow the port to be used for military purposes, India views the port as a Chinese strategic asset at its doorsteps. China is also actively negotiating an FTA with Sri Lanka.¹⁶

¹³ Jayadeva Ranade, "Maldives turbulence impacts India's strategic space", *The Sunday Guardian*, 4 March 2018. <https://www.sundayguardianlive.com/opinion/12982-maldives-turbulence-impacts-india-s-strategic-space>. Accessed on 24 April 2018.

¹⁴ Sachin Parashar, "China's ocean observatory in Maldives sparks fresh security concerns", *The Times of India*, 26 February 2018. <https://timesofindia.indiatimes.com/india/chinas-ocean-observatory-in-maldives-sparks-fresh-security-fear/articleshow/63072040.cms>. Accessed on 24 April 2018.

¹⁵ Indrani Bagchi, "How did 'India First' turn into 'China First' in the Maldives?", *The Times of India*, 11 February 2018. <https://timesofindia.indiatimes.com/india/how-did-india-first-turn-into-china-first-in-the-maldives/articleshow/62864889.cms>. Accessed on 24 April 2018.

¹⁶ C Colonel R Hariharan, "Chinese trick: Unviable port turns strategic asset", *The Times of India*, 13 December 2017. <https://timesofindia.indiatimes.com/city/chennai/chinese-trick-unviable-port-turns-strategic-asset/articleshows/62044407.cms>. Accessed on 24 April 2018.

Nepal's Prime Minister K P Sharma Oli is perceived in India as a pro-China leader. After being elected into office in February 2018, Oli actively push for Nepal's integration into China's Belt and Road Initiative. China's plans for large-scale investment in Nepal are also raising concerns in India about the country being caught in China's debt trap.¹⁷

India would naturally like China to disengage strategically from its immediate neighbourhood. One can perhaps expect Modi to raise India's concerns with Xi when they meet in Wuhan. However, China has continued to reiterate that its bilateral relations with the other South Asian countries are standalone and there is no reason for India to be concerned with its involvement in these countries.

A core security concern for India is the border issue with China. The Doklam crisis (June 2017-August 2017) tested the resolve of the two militaries and seriously impacted the strategic partnership between the two neighbours. To-date, the Doklam issue has not been conclusively resolved. India's Army Chief General Bipin Rawat testified in January 2018 that Chinese soldiers are still present in Doklam. Chinese activities in the India-China border areas have also led to the Indian Army Chief warning of the possibility of war with China.¹⁸ The Xi-Modi meeting could be seen as part of the ongoing reconciliation in bilateral ties between China and India since the Doklam crisis.

Conclusion

China's primary motive in organising the informal meeting between Xi and Modi is to bridge the gap between China and India, and create distance between India and the US. The Chinese

¹⁷ Prashant Jha, "Up north: In 10 yrs, a new Nepal with a new neighbour", *Hindustan Times*, 23 February 2018. <https://www.hindustantimes.com/analysis/up-north-in-10-years-a-new-nepal-with-a-new-neighbour/story-Wu8n9oFP51hrsUJhmMwi7J.html>; Sachin Parashar, "Nepal's participation in OBOR in its national interest: Nepal PM", *The Economic Times*, 7 April 2018. <https://timesofindia.indiatimes.com/india/nepals-participation-in-obor-in-its-national-interest-nepal-pm/articleshow/63632542.cms>. Accessed on 24 April 2018; and "Future Left Govt in Nepal can't afford Himalayan blunder", *The Pioneer*, 13 January 2018. <http://www.dailypioneer.com/columnists/oped/future-left-govt-in-nepal-cant-afford-himalayan-blunder.html>. Accessed on 24 April 2108.

¹⁸ "China plays down Rawat 'war' alert", *The Telegraph*, 7 September 2017. https://www.telegraphindia.com/1170908/jsp/nation/story_171577.jsp. Accessed on 24 April 2018; Pranjal Sharma, "The invisible Chinese threat", *DNA*, 14 January 2018. <http://www.dnaindia.com/analysis/column-the-invisible-chinese-threat-2575215>. Accessed on 24 April 2018.

need the Indians in their trade battle with the Americans. This is China's immediate goal. However, the fundamental differences between India and China in the geo-political, economic and security spheres will ultimately overshadow the short-term conciliatory efforts. As history has shown, the meetings between Indian and Chinese leaders have often produced promises of cooperation and collaboration. However, these promises were broken at the border or at bilateral or multilateral forums. There is no guarantee that it would not be the same this time around.

.....