

SOUTH ASIA DISCUSSION PAPERS



NAVIGATING INDIA-CHINA RIVALRY:

Perspectives from South Asia

C Raja Mohan
Chan Jia Hao



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South Asia Discussion Papers

Navigating India-China Rivalry: Perspectives from South Asia

September 2020

Edited by C Raja Mohan and Chan Jia Hao

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Introduction

C Raja Mohan and Chan Jia Hao

Even before the deadly clashes between the armed forces of India and China in the high Himalayas in the summer of 2020 drew international attention to the deepening conflict between the two Asian giants, the South Asian states have been acutely sensitive to the complex dynamic between New Delhi and Beijing. This edition of the *South Asia Discussion Papers* reviews the nature of the South Asian navigation between a China that has risen to be a great power and an India which is at the heart of the subcontinent. For the Institute of South Asian Studies, located in Singapore, the relationship between India and China, emerging integration between South Asia and East Asia, Beijing's growing footprint in the subcontinent and New Delhi's expanding engagement with the Association of Southeast Asian Nations have always been of abiding interest.¹ We hope that this set of essays helps better understand the changing nature of South Asia's international relations amidst the sharpening rivalry between New Delhi and Beijing.

As China became the world's second largest economy, with an aggregate gross domestic product of about US\$15 trillion (S\$20.6 trillion) in 2020, its economic impact in all regions of the world has dramatically risen.

Although China has had deep historical and civilisational ties with the subcontinent through the millennia, the emergence of the People's Republic of China with Xinjiang, Tibet and Yunnan as its constituent units in the middle of the 20th century made Beijing an important neighbour of the post-colonial subcontinent. If politics seemed to dominate Beijing's engagement with South Asia in the 20th century, economics loom large in the 21st century. As China became the world's second largest economy, with an aggregate gross domestic product of about US\$15 trillion (S\$20.6 trillion) in 2020, its economic impact in all regions of the world has dramatically risen. It is no surprise then that China has become a major commercial partner for the South Asian nations, including India.

As part of its engagement with the subcontinent in the 20th century, China sought to connect its frontier regions with roadways across

¹ See for example S D Muni and Tan Tai Yong, eds., *A Resurgent China: South Asian Perspective* (Routledge, 2012).

the Karakoram mountains and Tibet. In the 21st century, connectivity has become a major theme of China's international engagement, defined by the Belt and Road Initiative (BRI). Three broad corridors – at different stages of development – now radiate south across the Himalayas into Pakistan, Nepal and Myanmar. Complementing them is a Maritime Silk Road that links China's eastern seaboard with the subcontinent's ports. All the South Asian countries, except India, have welcomed the BRI. China, which has long had a security partnership with Pakistan, has become a major supplier of arms to many countries in the region, causing some anxiety in New Delhi. Unlike in the 20th century, when China mostly stayed away from the domestic politics of the South Asian states, it is increasingly seen as an important factor in shaping internal political developments in many South Asian nations. China's economic transformation and the consequent expansion of its comprehensive national power are having strategic consequences everywhere, including in South Asia.

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Historically speaking, the subcontinent is widely viewed as a single civilisational space. Empires rose and fell across time with different degrees of sway over the region. However, the geopolitical unity of the subcontinent seemed to endure. If the British colonial rule constructed the most expansive political entity in the history of the subcontinent, it also ended in breaking it up into two. The great Partition in 1947 and its aftermath continue to hobble the subcontinent. Although the two events are not related, the Partition of India was followed by the unification of China under communist rule in 1949. The creation of a coherent and eventually powerful political structure to the north would have lasting strategic effects, not in the least the slow but certain evolution of an 'all-weather' partnership between China and Pakistan. China's steady rise unsurprisingly opened up significant balancing opportunities for India's other neighbours.

New Delhi had indeed inherited the mantle of the British Raj as the protector of the weaker states in the region. However, as the smaller states developed stronger identities of their own, it was inevitable there would be a tension between India's presumed political primacy

and the nationalist sentiments in the neighbourhood. This, in turn, opened up ever more strategic possibilities for China in South Asia. It would have been reasonable to presume that the binding logic of economic geography would compensate for the political divisions between India and her smaller neighbours. However, India's inward economic turn after independence meant the steady dissipation of natural economic links in the region. To make matters more complicated, most of India's neighbours too turned socialist and created the conditions that made the subcontinent the 'least integrated region' in the world. However, as India and the rest of the region turned towards economic liberalisation and globalisation, the prospects of regional integration brightened. Even as India sought to push South Asian economic cooperation and connectivity, a host of factors severely limited the scale and scope of regional integration under India's leadership. Meanwhile, China's emergence as a powerful economic force with much larger resources than India created a powerful commercial magnet for the region.

Not all countries responded in an identical fashion to the shifting dynamic between India and China over the last seven decades or more.

The papers in this volume bring together perspectives on how the region has manoeuvred between the historically dominant power of the region, India, and a rising power, China, on South Asia's doorstep. Not all countries responded in an identical fashion to the shifting dynamic between India and China over the last seven decades or more. Each of them has a unique history of ties with India and China. The authors in this volume capture the nuances and variations of their approaches to the emerging rivalry between India and China. Seven essays capture the views of Afghanistan (Shanthie Mariet D'Souza), Bangladesh (Iftekhar Ahmed Chowdhury), Bhutan (Suhasini Haidar), the Maldives (Athaula A Rasheed), Nepal (Pramod Jaiswal), Pakistan (Touqir Hussain) and Sri Lanka (Chulanee Attanayake and Archana Atmakuri). These are followed by reflections on the approaches of China (Ren Yuanzhe and Wu Lin) and India (S D Muni) on the changing regional political dynamic. Together, these papers provide important insights into what promises to be a consequential structural change in South Asian geopolitics.

Can the Elephant and Dragon Tango in Afghanistan?

Shanthie Mariet D'Souza

Summary

It remains a considerable challenge to coalesce India's economic, security and political interests in Afghanistan with the predominantly security and strategic concerns of China.

Afghanistan presents a curious case of cooperation and competition for the two Asian giants – India and China. In the aftermath of the stand-off at Doklam in 2017, when India and China were looking to reset their bilateral relations and mitigate the trust deficit, a narrow window of cooperation appeared to have opened with the announcement of the extension of bilateral cooperation to war-torn Afghanistan. Following the informal meeting between India's Prime Minister Narendra Modi and China's President Xi Jinping at Wuhan in 2018, a proposal for joint economic projects in Afghanistan was made by the foreign ministries of both countries. However, the statement did not provide further details on the projects to be unveiled. Among the Afghan watchers in India, this generated significant curiosity, not so much because the conflict situation in the war-torn country would forestall the execution of any such project, but due to the structural limitations posed by the starkly divergent 'end game' both countries envisage in Afghanistan. It remains a considerable challenge to coalesce India's economic, security and political interests in Afghanistan with the predominantly security and strategic concerns of China. Till now, the sceptics have been proven right. Apart from holding a few joint training programmes for Afghan diplomats and police officers, both countries have pursued their Afghan policies independently without much cooperation. Even in the scenario of the withdrawal of the United States (US) forces from Afghanistan and the Taliban in some form returning to power in Kabul, their sharply contrasting strategic objectives and world views would preclude any scope for cooperation. On the contrary, it could emerge as an arena of increased competition.

Convergence of Interests

Peace and stability in Afghanistan have been the stated policy objectives of both India and China. The two countries are concerned about instability and conflict spilling over into their territories and impinging on their security interests. While India foresees an unstable Afghanistan becoming a fountainhead of security challenges for its territory, China is equally apprehensive of the security implications of terrorism in Afghanistan on its restive Xinjiang province. For New Delhi, a peaceful Afghanistan is a potential land bridge connecting India with energy-rich Central Asia and thus an integral part of its 'Connect Central Asia' policy. Beijing is also interested in Afghanistan's natural resources and the energy sector, as well as a link to West Asia for its burgeoning energy requirements. Stability and peace are pre-requisites for such security, economic and strategic objectives to be fulfilled.

However, these broad-range objectives notwithstanding, significant variations exist in the preferred modalities of both countries for such an 'end game' to materialise. Three such variations in the strategic sphere stand out.

First, while New Delhi has maintained a clear stand of not engaging the Taliban and mostly views the present peace process by the US with the Taliban (which had excluded the Afghan government) with caution, China has maintained some curious linkages with the insurgents. Reports from the field indicate that Chinese government officials have met the Taliban leadership secretly on several occasions since 2001. In fact, the Chinese were among the first to reach out to the Taliban when the latter captured power in Kabul in 1996. Such contacts have ensured some control over the spread of Islamic extremism among the Uighurs and prevented Chinese nationals and economic interests coming under attack from the insurgents in Afghanistan. India, on the other hand, has been targeted by the Taliban-linked groups on several occasions.

The two countries are concerned about instability and conflict spilling over into their territories and impinging on their security interests.

Second, unlike India, China does not consider Pakistan to be a destabilising factor in Afghanistan. Owing to its strong and friendly ties with Pakistan, Beijing believes that Pakistan can contain the situation to China's advantage. Pakistan remains a lynchpin for China's Afghan policy.

Third, although both India and China have expanded their footprint under the security umbrella provided by the US-led international forces in Afghanistan to pursue their economic and security objectives, "Beijing instinctively sees American troops in China's 'backyard' as a serious strategic threat."¹

Both India and Beijing are also sceptical of the agreement between the Taliban and the US being a harbinger of peace and stability in Afghanistan.

China is part of a Quadrilateral Cooperation Group, which also includes Afghanistan, Pakistan and the US, which worked unsuccessfully to start peace talks between the Afghan government and the Taliban. New Delhi, on the other hand, is opposed to any hurried withdrawal of American forces from Afghanistan, leaving the door open for the Taliban to subvert the democratic regime in Afghanistan. Both India and Beijing are also sceptical of the agreement between the Taliban and the US being a harbinger of peace and stability in Afghanistan. However, while Beijing is equally sceptical of the prospect of intra-Afghan dialogue, New Delhi supports an Afghan-led, Afghan-owned and Afghan-controlled process as a pre-requisite for peace in the country. Beijing, however, propounds that the power vacuum which would be created by the US withdrawal, as well as the failure of the intra-Afghan dialogue, would have to be filled by a United Nations (UN) peacekeeping force.

Divergent Approaches

Broadly, New Delhi's approach to the security challenges posed by conflict-ridden Afghanistan can be categorised as multi-pronged, spanning across the political, governance, economic, connectivity and security arenas. On the other hand, Beijing has pursued a predominantly security-centric approach that seeks to prevent

¹ Yun Sun, "China's strategic assessment of Afghanistan", *War on the Rocks*, 8 April 2020. <https://warontherocks.com/2020/04/chinas-strategic-assessment-of-afghanistan/>.

Afghanistan from turning into a security nightmare for itself. This fundamental difference, in a way, defines why incongruity is almost an obvious aspect of their respective engagement with Afghanistan.

One of the enduring factors of India's Afghan policy has been to extend its support to the democratic government in Kabul and implement its projects through it. In turn, the government's credibility among the civilian population is enhanced, enabling the government to work as a bulwark against anti-India activities on Afghan soil. With an aid pledge of US\$3 billion (S\$4.2 billion), India is the largest regional donor in Afghanistan. Most of the aid has been provided through the Afghan government based on Afghan needs and priorities. New Delhi would like to believe that its activities in sectors such as healthcare, education, the economy, agriculture, women empowerment, capacity building and infrastructure development have not only accrued the goodwill of ordinary Afghans but also have been directed at extending the reach of the Afghan government. Hundreds of Afghan students have been provided fellowships to study in Indian universities and thousands of Afghans are granted medical visas to access healthcare facilities in India. Around 3,500 Afghan officials are trained in India each year.²

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Given Afghanistan's difficult relationship with Pakistan, New Delhi has also worked to provide a landlocked Afghanistan with an alternate sea route for commerce through Iran's Chabahar port, which is managed by the Indian company, India Ports Global Limited. In turn, this has partially decreased Afghanistan's trade and transit dependence on Pakistan. In 2009, India constructed the 218-kilometre Delaram-Zaranj Highway in the Nimruz Province of Afghanistan, connecting the Delaram District in Afghanistan to the border of Iran, linking Herat and Kandahar, as well as with Mazar-e-Sharif, the capital of the northern Balkh province. India's plan to build a 900-kilometre railway track from Chabahar, through Zahedan, to the resource-rich Bamiyan province, where an Indian consortium had won the contract to mine the Hajigak iron ore deposits, however, ran into trouble as Iran, in

² Ministry of External Affairs, Government of India, 15 October 2018. <https://mea.gov.in/Speeches-Statements.htm?dtl/30500>.

July 2020, decided to drop India from the project, citing funding delay. Interestingly, the development came after media reports suggested that Iran and China were close to signing a 25-year strategic partnership agreement, which would include Beijing's involvement in the duty free zone of Chabahar and an oil refinery in the proximity of the port.

India is the first country with which Afghanistan signed a strategic partnership agreement in 2011, much before it signed a similar agreement with the US.

Despite several attacks targeting its embassy and civilians, which have resulted in fatalities, New Delhi has resisted the temptation of putting 'boots on the ground' in Afghanistan, thus refraining from being a party to the conflict and endangering the 'goodwill' factor. Its indirect role has been limited to training Afghan security force personnel in India and providing a limited amount of equipment, which in recent years has included four Mi-24v helicopter gunships.³ India is the first country with which Afghanistan signed a strategic partnership agreement in 2011, much before it signed a similar agreement with the US. For India, it was the first such strategic partnership in the neighbourhood.

Despite the vast economic potential and interests, Afghanistan figures low in Beijing's economic imagination and involvement.⁴ Beijing is the biggest foreign investor in the country, and Kabul is an official partner of the Belt and Road Initiative (BRI) since May 2016. This is despite the fact that the original version of the BRI excludes Afghanistan while traversing through Central Asia and Pakistan. So far, in the last four years, no specifics of the BRI projects in Afghanistan have been outlined by either country. Beijing has not even specified the funding pattern for the projects. At best, the initiative could only result in small-scale projects, which are hardly sufficient for the mega-investment that Kabul needs to revive its economy. Except for the US\$4.4 billion (S\$6.15 billion) Aynak copper mine project in Logar that started in 2008 and the Amu Darya basin oil exploration project in 2011, Chinese companies have hardly demonstrated any interest in investing in Afghanistan. Even these two projects have failed

3 "India hands over second pair of Mi-24V helicopters to Afghan forces", *The Economic Times*, 15 October 2019. <https://economictimes.indiatimes.com/news/defence/india-hands-over-second-pair-of-mi-24v-helicopters-to-afghan-forces/articleshow/71601616.cms>.

4 Yun Sun, "China's strategic assessment of Afghanistan", op. cit.

to make much progress owing to several reasons, including hitting an archaeological site at Mes Aynak and getting embroiled in local politics. In tune with its long-term geo-economic pursuits, China has connected the city of Nantong with Mazar-e-Sharif through a railway line. Apart from this, Chinese aid and assistance for reconstruction projects in Afghanistan have been modest. Barring relatively small projects such as the building of houses for civilians, the Chinese role in infrastructure development in Afghanistan has largely been absent. Chinese aid to Afghanistan stood at a mere US\$320 million (S\$446 million) between 2002 and 2014. An additional US\$240 million (S\$334.4 million) was pledged between 2014 and 2017.

In comparison, the security sector has witnessed a range of prominent activities by China, ranging from engaging the Taliban to capacity building of the Afghan security forces. In the past few years, several secret meetings were held between the Chinese authorities and the Taliban representatives, including some in China itself.⁵ As part of the joint initiatives with Russia, Iran and Pakistan, China's apparent strategy is to nudge the latter in the direction of a negotiated path of conflict resolution and retain its influence with this group. At the same time, Beijing has also sought to build capacity among the Afghan security forces in non-lethal operations such as crowd and riot control, criminal investigations and internal security duties. Since 2006, several batches of Afghan security forces, including the Afghan police personnel, were provided with such training in China. In March 2016, the Chief of Joint Staff of the People's Liberation Army (PLA) pledged around US\$70 million (S\$97.8 million) in military aid to the Afghan government's counter-terrorism initiatives. The first lot of Chinese military consignment, including logistics equipment, parts of military vehicles, ammunition and weapons for the Afghan National Defense and Security Forces (ANDSF), was delivered to the Afghan government in July 2016.⁶ While sensitivities of the Taliban and Pakistan appeared to have influenced the Chinese decision to limit the training and provision of equipment only to the non-lethal category,

As part of the joint initiatives with Russia, Iran and Pakistan, China's apparent strategy is to nudge the latter in the direction of a negotiated path of conflict resolution and retain its influence with this group.

5 "China courted Afghan Taliban in secret meetings", *Financial Times*, 6 August 2018. <https://www.ft.com/content/66b0906a-993d-11e8-9702-5946bae86e6d>.

6 Ayaz Gul, "China Delivers First Batch of Military Aid to Afghanistan", *Voice of America*, 3 July 2016. <https://www.voanews.com/east-asia/china-delivers-first-batch-military-aid-afghanistan>.

this has somewhat changed late-2017 onwards, possibly to bring more pressure on the Taliban to agree to a path of negotiation. In December 2017, senior officials of both countries sought to enhance bilateral cooperation on counter-terrorism and border control, and in January 2018, the Chinese embassy in Kabul announced additional military aid to help build up the Afghan army's capacity.

Hostage to the State of Bilateral Ties

The prospects for greater cooperation have been held hostage to the state of bilateral ties between India and China and the broader geopolitical competition emerging in the Indo-Pacific.

The prospects for greater cooperation have been held hostage to the state of bilateral ties between India and China and the broader geopolitical competition emerging in the Indo-Pacific. Following the Wuhan informal summit between Modi and Xi in April 2018, India and China organised two joint capacity building programmes for Afghan diplomats in New Delhi and Beijing (October-November 2018 and November 2019) and one community policing programme for Afghan police officers in Ghaziabad (India) in February 2020. The two sides agreed to carry out "China-India plus" cooperation in Afghanistan and speed up the economic cooperation under the BCIM (Bangladesh, China, India, Myanmar) framework.⁷ Although hailed as a new chapter in India-China regional cooperation by diplomats of both countries, these training programmes have remained at best modest, training only a total of 20 diplomats and 10 police officers. Nevertheless, it was a new beginning.

Such cooperation and execution of joint projects indeed reflect the state of play in their bilateral relations and the extent to which both countries have been attempting to deepen their engagement in a variety of sectors. Post-Wuhan, such joint training programmes, albeit small, were among the several mechanisms unveiled to address the trust deficit between India and China by engaging as frequently as possible using multiple forums. This mechanism could have been strengthened and expanded had the momentum to deepen bilateral engagement continued. That, however, has not happened.

⁷ Embassy of the People's Republic of China in the Republic of India, 4 May 2018. <http://in.chineseembassy.org/eng/dsxss/dshdjhh/t1556972.htm>.

The basic differences between the two on a range of issues, such as Pakistan, terrorism, the boundary problem, trade and India's aspirations to become a permanent member of the UN Security Council and the Nuclear Suppliers Group, have persisted. New Delhi is annoyed with China's repeated objections to any political and economic activity in Arunachal Pradesh and its repeated attempts to ferment instability in the northeastern region and Ladakh. Furthermore, China's repeated efforts to increase its influence in India's neighbourhood and the Indian Ocean could push India to put its 'reset China policy' to rest and seek closer relations with the US. The stand-off between the military personnel of both countries at Ladakh, which began in May 2020 and resulted in the deaths of 20 Indian soldiers in June 2020, could mark a severe disruption to the friendly ties both had sought to build in the months following the Wuhan informal summit. Against such a backdrop, relations between the two nations in Afghanistan, in all likelihood, will be marked by a high dose of competition and distrust rather than cooperation.

New Delhi is annoyed with China's repeated objections to any political and economic activity in Arunachal Pradesh and its repeated attempts to ferment instability in the northeastern region and Ladakh.

An example of this trend was the COVID-19 pandemic, which initiated a mini competition of sorts to assist Afghanistan's fight against the virus by both India and China. Between late-February and late-May 2020, Beijing provided four consignments of medical and food assistance to Kabul, including a batch of medical supplies exclusively meant for the ANDSF to fight the pandemic⁸ and another consignment of rice and cooking oil "to help the needy people celebrate Eid".⁹ India too pitched in with a commitment of supplying 75,000 tonnes of wheat, of which 15,000 tonnes were dispatched in two tranches in April and May 2020, using the Chabahar port. The same port facility was used to supply 500,000 pills of anti-malarial drug hydroxychloroquine to fight the infection. In early April 2020, India's Ministry of Defence even planned to deploy naval ships and medical teams in six South Asian countries, including Afghanistan. However, in the absence of any specific request from Kabul, the plan had to be shelved.¹⁰

8 "Chinese military supports Afghan counterpart in fighting COVID-19", *Xinhua*, 13 May 2020. http://www.xinhua.net.com/english/2020-05/13/c_139054387.htm.

9 "Afghan experts commend China's role in COVID-19 fight", *Xinhua*, 22 May 2020. http://www.xinhuanet.com/english/2020-05/22/c_139079981.htm.

10 Suhasini Haidar, "No move to deploy Army medical teams to neighbouring countries sans request: Govt.", *The Hindu*, 24 April 2020. <https://www.thehindu.com/news/national/no-move-to-deploy-army-medical-teams-to-neighbouring-countries-sans-request-govt/article31424008.ece>.

Future Trends

Any precipitous withdrawal of the US forces from Afghanistan following an agreement with the Taliban could be the harbinger of significant geopolitical realignments in the country, which may force both India and China to readjust their policies to suit the ground realities in Afghanistan. At the outset, China, because of its ties with Pakistan and past engagement with the Taliban, has an added strategic advantage to deal with the new realities. On the other hand, New Delhi has been nudged both by the US and Russia to start engaging with the Taliban. Even the Doha office of the Taliban has made a couple of conciliatory statements welcoming India's role in Afghanistan. However, even if India overcomes its past hesitation and does initiate a process of engagement with the Taliban to seek the protection of its interests and uninterrupted presence in Afghanistan, a regime of cooperation with China there is unlikely to be unveiled. Afghanistan may emerge as a new frontier of competition for the two Asian giants with newer regional realignments and intensification of the 'new great game'.

Bangladesh's Balancing of China and India: Navigating between Scylla and Charybdis

Iftekhar Ahmed Chowdhury

Summary

Almost since its inception, Bangladesh, to further its own perceived national self-interests, has sought good relations with both India and China. Furthermore, Bangladesh has had to take recourse to deft diplomacy to keep both countries engaged in its development and progress. This paper will seek to demonstrate how it does this. At the same time, it will argue that unpredictable global developments in the post-COVID era could upset the apple cart for all concerned.

Introduction

In a very broad sense, since its nascence, Bangladesh has had two foreign policy aspirations. The first was its search for security and the preservation of its sovereignty and the second was its quest for development and economic welfare.

Therefore, Bangladesh, for the sake of a modicum of regional harmony, appeared to have always felt the need to live in 'concord' with but 'distinct' from that powerful country, India.

The first required the space for the maintenance of sufficient manoeuvrability in policymaking, particularly as it was a weaker neighbour bordering a far larger state, India. As Professor Hedley Bull had asserted, "the deepest fears of the smaller units in the global system are their larger neighbours."¹ Therefore, Bangladesh, for the sake of a modicum of regional harmony, appeared to have always felt the need to live in 'concord' with but 'distinct' from that powerful country, India. The 'concord' was necessary because of Bangladesh's geography – the nation was virtually 'India-locked', being surrounded by this neighbour except for Myanmar on one side and a coastline on the Bay of Bengal. The need to remain 'distinct' was essential because Bangladesh's own separate identity, as separate from the Indian communities surrounding it, and a *sine qua non* for its claim to sovereignty, could only be defined in those terms.

1 H Bull, *The Anarchical Society: A Study of Order in Global Politics* (London: Macmillan, 1977), p. 310.

The second aspiration – the quest for resources for development and economic welfare – meant having to involve itself with a range of other countries. Initially, it was the West, which provided the new-born nation-state with considerable aid to enable it to support itself. Thereafter, offering itself as a large market for the West, Bangladesh managed to utilise foreign assistance effectively and shift its economic thrust from agriculture to manufacturing, starting with ready-made garments. Eventually, as Bangladesh developed further, steadily but surely, it began to require massive investments into the energy sector that were essential to fuel this growth and necessary infrastructure to facilitate the progress.

One nation, a rapidly rising power, though not a neighbour but located in close enough proximity, was China. Bangladesh sorely needed such assistance and China was ready to help. However, the problem was that China and India viewed each other as more than competitors; but rather, indeed, as rivals on the regional and global plane. To curry favour of one risked the danger of raising the ire of the other. It is also true that the reason China was so keen on Bangladesh was precisely the desire to supplant the influence of India, which had a head-start as India was the only ally in Bangladesh's war of liberation from Pakistan in 1971. China, a close friend of Pakistan, then as now, was slow to relate to Bangladesh. However, when the opportunity arose, China did so in a big way. This put Bangladesh in a problematic spot "between Scylla and Charybdis".

It is also true that the reason China was so keen on Bangladesh was precisely the desire to supplant the influence of India, which had a head-start as India was the only ally in Bangladesh's war of liberation from Pakistan in 1971.

Handling India and China simultaneously called for unusual diplomatic deftness. However, Bangladesh did not seem to be coy about attempting it. Perhaps Bangladesh did not have a choice. It is also true that to be able to follow through on such a strategy, it will require clout and capabilities that Bangladesh, which being the smallest and the weakest of the three actors, may not readily possess. This situation between the three countries, which is still current, had its origin in the assumption of office of the three leaders of Bangladesh, China and India – Sheikh Hasina in 2009, Xi Jinping in 2013 and Narendra Modi in 2014, respectively. It is also true that to be able to adopt the

appropriate tactics, much more than a simple wish is necessary. It would require clout and capabilities.

Bangladesh-India Relations

Bangladesh's dual heritage of its 'Muslimness' and 'Bengaliness' contributes significantly to shaping its external behaviour.² Traditionally, the received wisdom has been these characteristics are represented by the nation's two largest political parties – 'Muslimness' by the Bangladesh Nationalist Party (BNP), of an ideology veering slightly right-of-the centre, led by Begum Khaleda Zia; and the 'Bengaliness' by the Awami League (AL), led by Sheikh Hasina, politically positioned slightly left-of-the-centre. The former is known to favour China more and the latter, India – though exigencies of necessity have sometimes blurred this. However, throughout the period mainly covered by this paper, Hasina and her AL have been in government. The BNP was in power till 2007, following which a caretaker government ran the country for two years and held elections, which were won by Hasina and the AL. Relations with India, fraught till 2007, were eased during the caretaker government, which pleased Indian leaders, who were further contented when the Awami League led the coalition government following the elections. Indeed, Hasina was described by India's Foreign Minister Pranab Mukherjee of the Congress-led government of Prime Minister Manmohan Singh as a "close family friend".³

Bangladesh showed keenness to remove the barriers to transit trade that India wanted so badly.

Relations with India got off to a good start. To India's great relief, Hasina assured that Bangladeshi soil would not be allowed to be used by insurgents of Northeast India. The 'Tin Bigha' dispute, an apple of discord between the two countries for four decades, was resolved in September 2011. Bangladesh showed keenness to remove the barriers to transit trade that India wanted so badly. A senior Bangladeshi policymaker, Masihur Rahman, even stated that it would not be a "civilised act" to charge transit fees from India.⁴

² Iftekhar Ahmed Chowdhury, *Bangladesh: Reflections on an Emergent Nation* (Singapore: MarketAsia Books, 2015), p. 15.

³ Pranab Mukherjee, *The Coalition Years, 1996-2012* (New Delhi: Rupa Publications. 2017), p. 115.

⁴ Ibid.

The bonhomie continued even when the Bharatiya Janata Party (BJP) with Prime Minister Modi came into office in May 2014. In June 2014, Sushma Swaraj, India's Foreign Minister, visited Dhaka. On 7 May 2015, in the presence of Bangladeshi diplomats, the Indian parliament unanimously approved the Land Boundary Agreement with Bangladesh, which was no mean accomplishment, given the complexity of the issue of the 'enclaves'.

The continued, even burgeoning, connections were aided in some measure by the fact that Mukherjee continued in his position as the President of India. However, the titular position was rendered even more so because he was from the Congress and the BJP was in power. However, this difference had no impact on the links with Bangladesh, and the BJP was happy to receive Mukherjee's helping hand in this regard. Then Modi visited Dhaka in June 2015. The red carpet was rolled out. As many as 22 bilateral agreements were signed, including on maritime safety cooperation. India extended a US\$2 billion (S\$2.8 billion) line of credit and pledged US\$5 billion (S\$7 billion) in investments. Hasina was accorded a very warm welcome when she reciprocated with a visit to India in 2017.

However, some issues between the two countries remained, and indeed the delay in their resolution was a matter of growing disaffection in Bangladesh. A major issue was that on water-sharing of the 414-mile long Teesta River that flows through West Bengal, Sikkim and Bangladesh into the Bay of Bengal. Its flood plain covers almost 14 per cent of Bangladesh's crop area and provides livelihood to 73 per cent of its people. At the same time, lifelines in the north of the Indian state of West Bengal and a dozen of its districts are dependent on the Teesta River. Though Article 253 of the Indian Constitution allows the central government to negotiate and conclude transboundary agreements, West Bengal's Chief Minister Mamata Banerjee prevented New Delhi from signing the water-sharing deal.⁵ This went down badly in Dhaka. Another issue was

However, some issues between the two countries remained, and indeed the delay in their resolution was a matter of growing disaffection in Bangladesh.

5 'Bangladesh and Paschim Bangla: 'Why this Kolaveri Di?', ISAS Insight No 157, 5 March 2012. <https://www.isas.nus.edu.sg/papers/157-bangladesh-and-paschim-banga-ocywhy-this-kolaveri-dioco/>.

the killing of Bangladeshi nationals on the Indo-Bangladesh borders. These continued unabated and raised considerable public ire in Bangladesh.⁶

The Bangladesh government seemed keen to avoid outright conflict with India.

Meanwhile, Indian legislations, such as the Citizenship Amendment Act (CAA) and the preparation of the National Register of Citizens (NRC), raised concerns in Bangladesh. This was not only because they were seen as discriminatory against Indian Muslims, co-religionists of an overwhelming majority of Bangladeshis, but also because of the fear that “delisted” Muslims could be subjects of the policy of “push-in” to Bangladesh. The revocation of Article 370 concerning Jammu and Kashmir also had a felt impact on public sentiments. The Bangladesh government seemed keen to avoid outright conflict with India. Bangladesh’s Foreign Minister A K Abdul Momen described the legislations as “India’s internal policy”, in line with New Delhi’s position, but also added in the same breath that because of these, “if [there are] uncertainties in India, it might affect its neighbours.”⁷

Hasina’s visit to India in October 2019 was expected to address some of those issues, but that was not to be. Furthermore, the anticipated signing of the Teesta deal did not happen. There were some unfortunate protocol gaps that some Bangladeshi media even saw as deliberate due to the increasing Chinese links.⁸ However, Hasina was still anxious to have Modi for the centenary celebrations of the birth of her father, the Father of the Nation of Bangladesh, Bangabandhu Sheikh Mujibur Rahman, in Dhaka in March 2020. By then, communal riots had spread in India. In Bangladesh, there were public demonstrations against Modi’s visit, though the government remained keen. Around that time, the COVID-19 virus began to be registered both in Dhaka and New Delhi. The visit was postponed and there was face saving on all sides.

6 C R Abrar, ‘Killings at the Bangladesh -India border’, *Daily Star*, 17 January 2020. <https://www.thedailystar.net/opinion/human-rights/news/killings-the-bangladesh-india-border-1855045>.

7 “Worrisome: Bangladesh on Citizenship Law Protests”, Press Trust of India, 22 December 2019. <https://www.ndtv.com/india-news/caa-protests-citizenship-law-protests-bangladesh-on-citizenship-law-protests-says-worrisome-2152655>.

8 M Serajul Islam, “Prime Minister’s Official visit to Delhi”, *The New Age*, Dhaka, 9 October 2019. <https://www.newagebd.net/article/87024/prime-ministers-official-visit-to-new-delhi>.

Bangladesh-China Relations

China did not endorse the break-up of its close ally Pakistan in 1971 and thus, by implication, the birth of Bangladesh. However, throughout the political history of what was then East Pakistan (which became Bangladesh) the progressive left 'pro-Peking' sentiments always had strong roots not only among the intelligentsia, but also among the masses. Chinese Premier Zhou Enlai was among the first foreign leaders to visit Dhaka (1956) where he received a tumultuous reception. After 1971, China put out the position that it was not opposed to Bangladesh per se, but only to the "singing in a duet of Soviet social imperialism and Indian expansionism" (India and the Soviet Union were the leading champions of Bangladeshi independence). As a young politician, Mujibur Rahman had also been on a delegation to China in the early days. So, as Bangladesh's leader, he intellectually seemed to understand China's position. This position eased with the mutual recognition of Pakistan and Bangladesh in February 1974. In June that year, China expressed satisfaction at Bangladesh's membership of the United Nations (UN), having opposed it earlier. The Bangladesh-China relationship took off in earnest, and though it never reached the level of Pakistan, it appeared as an attractive model worth emulating to many Bangladeshis.⁹

The Bangladesh-China relationship took off in earnest and though it never reached the level of Pakistan, it appeared as an attractive model worth emulating to many Bangladeshis.

The two significant watershed points in recent times have been Hasina's visit to Beijing in 2014 and Xi's visit to Bangladesh in 2016. China, always the primary source of military hardware for Bangladesh, sold two submarines that reportedly raised some eyebrows in New Delhi. However, it satisfied an important aspiration of the Bangladesh navy. During Xi's visit in 2016, bilateral relations were raised to the level of Strategic Partnership of Cooperation, such nomenclatures being exceedingly important in the Chinese diplomatic lexicon. In Xi's presence, China signed 22 projects proposed by the Bangladesh side across sectors such as power and energy, internet connectivity and river management infrastructures, which included the all-important

⁹ For these details, see Iftekhar Ahmed Chowdhury, *South Asia in the Contemporary World: A Scholar-Diplomat's Perspective* (Dhaka; Cosmos Books, 2019), pp. 30-43. <https://www.isas.nus.edu.sg/books/south-asia-in-the-contemporary-world-a-scholar-diplomats-perspective/>.

Padma Bridge.¹⁰ Bangladesh thus became utterly enmeshed in Xi's Belt and Road Initiative (BRI), which incidentally, India opposes, but the credit quantum of US\$32 billion (S\$44.7 billion) was too great to forego. It was useful for Bangladesh that China's 'Kunming Initiative' evolved into the BCIM (Bangladesh, China, India, Myanmar), a sub-regional organisation and one of several supplanting the almost-defunct South Asian Association for Regional Cooperation. In turn, this would enable Bangladesh to involve India in some of the Chinese-funded projects by putting these components formally under the rubric of BCIM, which India favours, as opposed to the BRI that India shuns.

Concluding Extrapolations

With Bangladesh's commendable performance in economic and social indices achieved in the pre-COVID-19 era, it was poised to graduate from the list of Least Developed Countries.

While relations with India and China remain important for Bangladesh, so do those with the United States (US), the United Kingdom and the European Union (EU). With Bangladesh's commendable performance in economic and social indices achieved in the pre COVID-19 era, it was poised to graduate from the list of Least Developed Countries. It was negotiating continued market access of its key manufactures, ready-made garments, into the US and Europe.

However, rapid deteriorating relations between the US and China, and, to a lesser extent, between Europe and China in the wake of the current pandemic, can pose a problem for Bangladesh. Bangladesh will need to keep a watchful eye on whether any kind of sanctions are imposed on China and whether these would have any ramifications for Bangladesh, given its close economic and security links with China. In many ways, navigating between the US and China, should the world confront a new Cold War situation, might become a more significant challenge for Bangladesh than the problem of handling India and China.

The West has been a good ally for Bangladesh on the Rohingya issue. The US and the EU have influenced international institutions to be

¹⁰ See Abu Sufian Shamrat and Md Kashem Ali, 'China's Strategic Partnership with Bangladesh in the 21st Century', *South Asia Journal*, 2 April 2018. <http://southasiajournal.net/chinas-strategic-partnership-with-bangladesh-in-21st-century/>.

actively engaged with Myanmar and put pressure on the country to comply with acceptable global norms. Both China and India have been less forthcoming. However, China does act helpfully behind the scenes at times, as in defusing a potential maritime conflict between Bangladesh and Myanmar in November 2008. India will be in the UN Security Council (UNSC) for the next two years as a non-permanent member from 2021. This would likely also be the time when the UNSC has to deal with issues arising out of the legal ruling on the Rohingya case in the International Court of justice in The Hague. India's role on the Rohingya issue can impact future New Delhi-Dhaka relations.

However, so far, to India's satisfaction, the Bangladesh government has stood firm in ensuring that Bangladeshi soil is not used for insurgency operations in India's troubled Northeast. India has also reciprocated by handing over to the Bangladeshi authorities a convicted assassin of Mujibur Rahman, who was hiding in West Bengal. Bangladesh has also not relented to Chinese wishes to award them the construction of a deep seaport near Chittagong, which the Indians perceived as a potential security threat. Instead, the deep seaport was planned to link Payra to the west of Chittagong in the Patuakhali district. In the project, Bangladesh has interestingly managed to attract both Chinese and Indian investments, billing it as both a BRI and BCIM initiative.¹¹ This is an interesting model of getting India and China to work together; the Chinese consider it as a BRI project while the Indians perceive it as a BCIM project. However, China, with its deep pockets, dominates the investment scene in Bangladesh. Indeed, in quantity, Chinese investments in Bangladesh were reportedly only second to Pakistan. Momen stated that, for Bangladesh, being caught in a 'debt-trap' was not a worry, as the amortisation schedule has been worked out and Bangladesh's record in this respect has been good.¹²

Indeed, in quantity, Chinese investments in Bangladesh were reportedly only second to Pakistan.

So, Bangladesh has, to-date, succeeded in 'managing' both India and China by involving India more in matters pertaining to security

11 'Payra Deep Sea Port (Construction)', *Reconnecting Asia* (Centre for Strategic and International Studies), <https://reconnectingasia.csis.org/database/projects/payra-deep-sea-port-construction/29017d80-6361-42de-80b8-a279982dc4fc/>.

12 Conversation with the author on 11 March 2018.

Of course, it is also noteworthy that Bangladesh's relationship with India is more complicated as they are neighbours.

(as distinct from defence, where China remains the major source of procurement) and letting China rule the roost in infrastructure and other investments. It is noteworthy that this has been facilitated by a tacit understanding on the part of both China and India to acquiesce in this dichotomised and shared role in Bangladesh. Credit for this must be shared by all three capitals – Dhaka, Beijing and New Delhi. Of course, it is also noteworthy that Bangladesh's relationship with India is more complicated as they are neighbours. The unresolved Teesta water sharing issue is a case in point.

However, in the more uncertain future that awaits the post COVID-19 world, there could be unpredictable developments that might shake the harmonious arrangements above. At the time of this writing, the US is involved in diverse problems – race protests and civil-military issues, a hard-hitting pandemic and a chaotic administration – that would preclude its interests in distant crises. These, combined with deeply weakened multilateral institutions, could significantly reduce global oversight of hotspots.

During this time, a rising China, already perceived as a peer of the US, is becoming assertive. It is locked in a serious interface with India along the Line of Actual Control, separating their forces in Ladakh in the Himalayas. An outbreak of conflict could nullify any cooperation between them, as the analysis above demonstrates in Bangladesh. This could mean challenging times ahead for Bangladesh sailing in uncharted seas, as also for many other countries in the comparable milieu. One hopes that this worst-case scenario will not come to pass.

The Egg between Two Rocks: How Bhutan Has Engaged India and China in Very Different Ways

Suhasini Haidar

Summary

Despite China's desire to forge closer relations with Bhutan akin to what it achieved with other South Asian countries, Bhutan remains closely attached to its southern neighbour, India. As such, the historically strong relationship between India and Bhutan remains largely unchanged. This paper looks at the reasons behind their unique relationship by examining its historical antecedents; the three main anchors of their relationship (such as India's assistance in Bhutan's development); Bhutan's response to resolving the boundary situation with China; and how India has adapted to Bhutan's concerns, even when it has been against its own self-interests. The paper also gestures towards shifts in Bhutan's internal and external environment that may affect this status quo in future.

Introduction

In the South Asian battleground between India and China, Bhutan has been an outlier.

In the South Asian battleground between India and China, Bhutan has been an outlier. As the rivalry between India and China sharpens, the two Asian giants have carved out three distinct geographical frontiers between them. The first is on the Line of Actual Control, which runs 3,488 kilometres from Ladakh to Arunachal Pradesh on the Indian side, where bloody clashes and a massive troop mobilisation by Indian and Chinese armies marked the summer of 2020. The second is the maritime sphere – an area of contestation as India strengthens bonds with the United States (US), Australia and Japan for the 'Quadrilateral' in the 'Indo-Pacific' and the Indian navy counters more aggressive forays by the People's Liberation Army Navy ships and submarines in its own area of influence, the Indian Ocean Region (IOR). The third is the South Asian Association for Regional Cooperation region, where both India (with the exception of the case of Pakistan) and China (with the exception of Bhutan) are major players.

While China has made inroads of varying degrees in the fields of trade and investment, infrastructure and military cooperation with every other Indian neighbour, it has made very few with Bhutan.¹ Despite several requests from Beijing, Bhutan has refused to reset diplomatic relations with China, which were snapped in 1959; and dealings with Beijing continue to largely pass through its embassy in Delhi. Bhutan is also the only country in India's neighbourhood that has yet to be a member of China's Belt and Road Initiative. While modern-day Bhutan has not striven for balance between its northern and southern neighbours, it has clearly chosen India as it seeks an equitable peace for itself. If Nepali leaders have described their predicament as that of a "yam between two boulders", Bhutanese commentators have called Bhutan's as an "egg between two rocks",² with an acute sense of the fragility of the Kingdom's situation.

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Historical Ties with the North and South

Historically, Bhutan or Druk-yul (Land of the Thunder Dragon), which is often referred to as the last Shangri-La, was religiously connected to Tibet from the times of Tibetan King Songtsen Gampo's reign (605-620 CE). Bhutan's oldest Buddhist temples, the Kyichu Lhakhang in Paro and Jampa Lhakhang in Bumthang, were part of a series of 12 temples built by Gampo that include Lhasa's Jo-Khang temple. In 1616, the Tibetan monk Zhabdrung Ngawang Namgyel travelled to Bhutan and unified it. He is revered as Bhutan's founder.³ Three and a half centuries later, post the Chinese annexation of Tibet, the flight of the Dalai Lama to India and Chinese claims on Bhutanese territories, Bhutan withdrew its representative to Lhasa while snapping ties with Tibet and China. Since then, it is Bhutan's relationship with India that has been its primary link with the world.

The India-Bhutan relationship has weathered several storms along the way and stands out in contrast to most other bilateral relationships between two neighbouring countries of such disparate size. For

1 Riya Sinha and Niara Sareen, 'India's limited trade connectivity with South Asia', Brookings India, 26 May 2020. <https://www.brookings.edu/research/indias-limited-trade-connectivity-with-south-asia/>.

2 This comment was made by a senior Bhutanese official in an interview with the author.

3 Karma Phuntso, *The History of Bhutan* (Penguin Random House, 2013), p. 206.

Bhutan – which has open borders with India, free movement of people and currency exchange – the relationship with India is unparalleled. For India, the relationship also stands out in contrast to its bilateral relationship with all its other neighbours, which have seen varying degrees of friction and even hostility over the decades.

However, what has driven the India-Bhutan relationship and made it so unique, not just in regional but also in global terms? The answers to this question are important not just for China, which seeks a foot in the door to this remote Himalayan kingdom, but also for India that might seek to replicate this model with other neighbours.

Bhutan and Independent India

Despite the disparity in their sizes, India has always adapted its expectations to Bhutan's decisions, even when its own instincts have favoured a different outcome.

Despite the disparity in their sizes, India has always adapted its expectations to Bhutan's decisions, even when its own instincts have favoured a different outcome. Some of those terms were set during the first meeting between the Indian and Bhutanese leadership some months after India gained its independence. In fact, the first discussions between the Bhutanese delegation, led by Bhutan's Second King Jigme Wangchuck's highest ranking official (subsequently the King's father-in-law) Gongzim Sonam Topgay Dorji (also called Raja Dorji) and Prime Minister Jawaharlal Nehru in Delhi in April 1948, did not go very well.⁴ The meetings, as recorded by Gongzim's daughter, Ashi Tashi Dorji, were tense, especially after Nehru offered the delegation two alternatives, both unacceptable to Bhutan – to join the Indian Union as an autonomous state or to have an alliance in which Bhutan would “hand over” its defence, external relations and communications (this condition was eventually dropped from the agreement) to India. At one point, Nehru referred to both the “liability” of having to shoulder these responsibilities for Bhutan and to pay an annual fee (₹50,000, equivalent to \$925 at today's rate) for area in the Dooars taken by the British. “Relieve yourself of the liability” was the Bhutanese delegation's reply. After what appeared to be a very awkward moment, Nehru burst out laughing and the moment passed.

⁴ Documents contained in *Ashi Tashi Dorji, Her Life and Legacy*, by Bhutan's Royal Grandmother Ashi Kesang Choeden, Pema Wangdi & Tshering Tashi, self-published, 2017.

However, while Nehru's first instinct to treat Bhutan as he had treated the Indian Royal States or a protectorate like Sikkim hit the wrong note, he made up for it afterwards. The India-Bhutan Treaty of Perpetual Friendship signed a year later on 8 August 1949⁵ included articles on defence, and Bhutan agreed "to be guided by the advice of the Government of India in regard to its external relations." India also returned 32 square miles of Dewangiri territory taken by the British and revised the annual fee to ₹500,000 (equivalent to \$9,251 at today's rate).

By 1958, Nehru had shed his initial crustiness over Bhutan's autonomy. He took a perilous and historic journey, some of it by yak and on foot, across the Chumbi Valley and the Doklam area to visit the Himalayan Kingdom. After meeting with the Third King, Jigme Dorji Wangchuck, and his Queen, Ashi Kesang Choeden Wangchuck, at their palace in Paro, Nehru addressed a rousing joint public rally with Bhutan's Prime Minister Jigme Dorji. He said:

By 1958, Nehru had shed his initial crustiness over Bhutan's autonomy.

"Some may think that since India is a great and powerful country and Bhutan a small one, the former might wish to exercise power and pressure on Bhutan. It is essential that I make clear that our wish is that you should remain an independent country, choosing your own way of life and taking the path of progress according to your will. At the same time, we two should live with mutual goodwill as members of the same Himalayan family. The freedom of both Bhutan and India should be safeguarded so that none from outside could do harm to us."⁶

Since then and right until now, modern India and modern Bhutan have strengthened their unique relationship with three distinct anchors. The first is the bond shared by their leadership, regardless of who actually rules in Delhi and Thimphu. The second is India's assistance in Bhutan's development: harnessing Bhutan's richest renewable

5 'India Bhutan Treaty of Perpetual Peace and Friendship', Ministry of External Affairs, Government of India. 1949. <https://mea.gov.in/bilateral-documents.htm?dtl/5242/treaty+or+perpetual+p>.

6 Foreign Policy of India, Text of Documents, 1967-74, (New Delhi: 1964), p. 8. https://shodhganga.inflibnet.ac.in/bitstream/10603/17331/8/08_chapter%203.pdf.

resource of hydropower, the maintenance of roads in Bhutan by India's Border Roads Organisations (BRO) and education for its citizens. The third is Bhutan's decision to adopt the Indian style of democracy, and with India's help, to further it (Bhutan's fourth King once said that Chinese communism was "incompatible" with the Buddhism that is the core of Bhutan).

All three Kings of Bhutan have also been chief guests at the Republic Day parade in India, and Indian Prime Ministers have, with very few exceptions, traditionally made Bhutan the first country of their visit after being sworn in. Prime Minister Narendra Modi, who has visited Bhutan twice in two terms, and each of the Bhutanese Prime Ministers since Bhutan's first election in 2008, have kept this tradition going. Perhaps the greatest example of "leading from the front" on bilateral ties was in 2003 when the fourth King actually led his troops into battle to defeat the anti-Indian United Liberation Front of Assam and Bodo rebels who had infiltrated into Bhutan's south.

Ties have also been cemented by infrastructure development in Bhutan.

Ties have also been cemented by infrastructure development in Bhutan. Over the last six decades, the Indian BRO has built 1,600 kilometres of roads, 120 kilometres of tracks, 5,000 metres of bridges, helipads, Paro airport and the country's telecommunications network along them under its 'Project Dantak'. When requesting help with the construction of their roads, each of Bhutan's proposals was both need-based and strategic.

"All the new roads [they] proposed to construct were being aligned to run southwards towards India from the main centres of Bhutan. Not a single road was planned to be constructed to the Tibetan (Chinese) border," recounted one of independent India's pioneers in forging ties with Bhutan, Nari Rustomji, a bureaucrat who also served as the Dewan, or Prime Minister, of Sikkim from 1954 to 1959, in his book *Dragon Kingdom in Crisis*. When the Chinese presented a fork in the road, Rustomji said, "with feelers to bring Bhutan within the orbit of their influence", Bhutan stood firm in "maintaining an independent stand".⁷

7 Nari Rustomji, *Dragon Kingdom in Crisis* (Oxford University Press, 1958).

Meanwhile, the India-Bhutan collaboration on hydropower, called the “centerpiece” of bilateral relations by former Bhutanese Prime Minister Tshering Tobgay, has been a cause for both bonhomie and discord between the two countries. India’s assistance in constructing and funding Bhutan’s biggest hydropower projects and buying the electricity from it has more recently clashed with environmental concerns over the dams built and increasing worries of mounting debts from the projects in Bhutan due to delays.

Guarding Bhutan’s Seclusion and Sovereignty

The most significant article in the agreement of “perpetual peace and friendship” of 1949 was Article 2, which declared that India would not interfere in Bhutan’s internal affairs and Bhutan would allow itself to be “guided” by India on external affairs (this was amended in 2007).⁸ Article 6 contained Bhutan’s assurance that there would be “no export of arms, ammunition, etc., across the frontier of Bhutan either by the Government of Bhutan or by private individual.” This article had a strange use for Bhutan some years later at the end of the India-China war in 1963. India asked Bhutan if troops returning from the front in the North East Frontier Agency (Arunachal Pradesh) could take a faster route through Bhutan’s eastern border, something the King hesitated to do as it could have given the impression that Bhutan was offering India military support in the war. Eventually, a compromise was reached where the soldiers were given passage but were asked to deposit their rifles and weaponry at the Trashigang Dzong armoury before traveling west through Bhutan to India, unarmed. The weaponry lies there till today.

Article 6 contained Bhutan’s assurance that there would be “no export of arms, ammunition, etc., across the frontier of Bhutan either by the Government of Bhutan or by private individual.”

“The running anxiety during the 1960s for Bhutan was to steer its external relations with China by giving neither provocation nor the impression of getting into a bear hug of dependence with India. Both could jeopardise [Bhutan’s] autonomy,” wrote former Foreign Secretary Jagat S Mehta.⁹

⁸ The treaty was updated in 2007. See ‘India Bhutan Friendship Treaty’, Ministry of External Affairs, Government of India, 2007. <https://mea.gov.in/Images/pdf/india-bhutan-treaty-07.pdf>.

⁹ Jagat Singh Mehta, *Negotiating for India: Resolving Problems Through Diplomacy* (Manohar Publishers, 2006).

At the same time, Bhutan has opened the door to diplomatic autonomy very slowly over the decades, which has sometimes caused misgivings with India.

In his memoirs, former Foreign Secretary, T N Kaul,¹⁰ who handled relations with Bhutan at the time, also details how King Jigme's decision not to start diplomatic missions in more than a few places is a matter of economy and of ensuring a tight control on Bhutan's imprint on the world. As a result, major countries accredited themselves as Ambassadors to Bhutan through their embassies in Delhi but were not "encouraged" to visit very often. That practice continues to date and Ambassadors of powerful permanent members of the United Nations Security Council (UNSC), including the US and China, and even major donors to Bhutan like Australia and Germany, have to request invitations to visit Thimphu. At the same time, Bhutan has opened the door to diplomatic autonomy very slowly over the decades, which has sometimes caused misgivings with India.

In the 1960s, Bhutan's desire to join the United Nations (UN) cropped up as one such issue. According to Kaul, there were worries amongst the leadership that India would one day "absorb" Bhutan, something confided to him by the Queen (Royal Grandmother to the Present Fifth King, Jigme Khesar Namgyel Wangchuck) in 1964. These worries were accentuated when Bhutan failed to get membership of the Universal Postal Union on its first attempt in 1961, and the sense was that India had not helped canvass support. "We believe India is the only country that can help us to achieve our natural aspirations. But, any hesitation on India's part to get us into the United Nations Organisation (UNO) naturally raises suspicions amongst our people. I can assure you that once India gets us into the UNO there will be no suspicions but complete trust between us," Kaul quoted the Queen as saying. India promised its support. Bhutan set up its own Ministry of Foreign Affairs in 1969, was admitted as a member of the UN in 1971 and even joined the Non-Alignment Movement (NAM) in 1973.

Talks with China

Bhutan's diplomatic forays meant that China began to push once again for diplomatic ties, and while the Fourth King, Jigme Singye

¹⁰ Triloki Nath Kaul, *Diplomacy in Peace and War: Reflections and Recollections* (Gyan Publishers, 2016), p. 93. The book was published posthumously after Kaul's death in 2000. Originally published by Vikas Publishing House, 1979.

Wangchuck (the present King's father), rebuffed that idea, he became increasingly open to boundary talks with China despite India's clear resistance to it. In 1979, ties between India and Bhutan received a jolt at the NAM summit in Havana. Bhutan decided to vote in favour of admitting the Pol Pot-led Cambodian Khmer Rouge regime into the NAM, something India had opposed while China supported it.

During a visit to Mumbai in September 1979, the Bhutanese King sought to dispel the idea that Bhutan wanted closer ties with China but insisted that boundary talks were required. "Recent intrusions by Tibetan graziers deep into Bhutanese territory have underlined the need for direct talks between Thimphu and Beijing with the explicit purpose of demarcating and delineating the boundary between the two countries," King Wangchuck said, and "no definite decision" had been taken by the Bhutanese National Assembly's (BNA) assent for the talks.¹¹

Just a month later, however, the BNA did give its assent, according to official records, after the Chief of Survey said that India had promised cooperation in providing documentary evidence for Bhutan's claim. "The National Assembly unanimously resolved that the Royal Government must demarcate the northern boundary of Bhutan as soon as possible. The Ministry of Foreign Affairs and the Office of the Chief of Survey must make all necessary preparations to hold negotiations with the Chinese government in this regard," said the Assembly's resolution.¹²

Then, in 1981, Bhutan's Foreign Minister Lyonpo Dawa Tsering formally informed New Delhi that his country was going ahead with the talks, and after one preparatory round in 1983 between Lyonpo Dawa and Chinese Foreign Minister Wu Xueqian in New York, the first round of talks on the boundary issue was held in Beijing in April 1984.

During a visit to Mumbai in September 1979, the Bhutanese King sought to dispel the idea that Bhutan wanted closer ties with China but insisted that boundary talks were required.

11 Saeed Naqvi, 'Bhutan and China: Clues to crisis from 1979', *The Asian Age*, 4 August 2017. <https://www.asianage.com/opinion/oped/040817/bhutan-and-china-clues-to-crisis-from-1979.html>.

12 Translated Resolutions Adopted By The 51st Session Of The National Assembly Held From 18th To 29th November 1979. https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/51st_Session.pdf.

At India's request, Bhutan has held off making the deal, but the pressure from China to resolve the boundary situation continues.

The talks between Bhutan and China, held over 24 rounds since 1984 but suspended after the Doklam standoff in 2017, have always centred around three disputed areas: Jakarlung; Pasamlung (a combined area of around 495 square kilometres) in northern Bhutan; and Doklam, along with pasturelands nearby of Sinchulung, Dramana and Shakhatoe (269 square kilometres) at the western trijunction with India and China. Much to India's chagrin, China pushed for a swap in a proposal made public by the Fourth King after the 11th round of talks in 1996,¹³ offering Bhutan the northern areas in exchange for the more strategically important western one at Doklam, an offer it repeated over the years. At India's request, Bhutan has held off making the deal, but the pressure from China to resolve the boundary situation continues. Sometime in the past two decades, the People's Liberation Army (PLA) of China began to build the dirt track at Doklam that became the centre of the three-month long standoff between Indian and Chinese troops in June 2017. Despite a *détente* between Delhi and Beijing, the PLA continued to build up its military installations, roads and trenches around the Doklam plateau, indicating it is consolidating its positions in the area with the hope it will negotiate successfully for the last part of the land with Bhutan, on its terms and as per its earlier proposal.

Stick and Carrot Policy

One reason for Bhutan's wariness of China is the 'stick and carrot' policy of the government in Beijing: making territorial claims and then demanding talks on them as a way of pushing for full diplomatic relations. This is also the reason Bhutan most wants a demarcated and settled boundary with China.

After Tibet's takeover in 1959, for example, the PLA occupied eight Bhutanese enclaves, with Chinese Premier Chou En-Lai making a demand for bilateral talks to discuss their return. Later, in 1979, the Fourth King's push for talks came after a border incursion by the PLA. In 1996, after Bhutan raised Chinese "logging and road construction activities" in the disputed territories during the 11th round of talks,

¹³ Proceedings and Resolutions of 75th Session of the National Assembly held from 20th June to 16th July 1997. https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/75th_Session.pdf.

China proposed an interim agreement for the maintenance of peace and tranquility along the borders, the only such formal bilateral document between them (signed in 1998).¹⁴ It could be argued that the Doklam crisis was triggered by a similar push for bilateral talks and was followed by the highest-ranking visit by Chinese Vice Minister of Foreign Affairs Kong Xuanyou to Bhutan in 2018. A recent move by China at the United Nations Development Programme-led Global Environment Facility meeting in June 2020¹⁵ to claim the Sakteng Wildlife Sanctuary in Bhutan's eastern territory is disputed, and may well be another attempt to ensure Bhutan's acquiescence to more boundary talks with China and to the proposed swap.

Mother-Daughter Relationship?

Through all of these moves, New Delhi has remained very interested, even concerned. However, it has largely maintained public silence as it does not wish to disturb its ties with Bhutan. There have, however, been some exceptions.

During the first-elected Prime Minister Jigmi Y Thinley's tenure (2008-2013), Bhutan went into diplomatic overdrive with the world, increasing the number of countries with which it had diplomatic relations from 22 to 53 and reaching out for support for a campaign for a non-permanent seat at the UNSC in 2012, which failed. The shocker for New Delhi, however, was a meeting between Thinley and Chinese Premier Wen Jiaobao in June 2012 on the sidelines of the 'Rio+20' Summit in Brazil. A year later, the Manmohan Singh government's decision to withdraw energy subsidies to Bhutan on the eve of its general elections that summer contributed to Thinley's shock defeat. When the new government under Prime Minister Tshering Tobgay prepared his first round of boundary talks with Beijing a few months later, New Delhi took no chances. It dispatched both National Security

The shocker for New Delhi, however, was a meeting between Thinley and Chinese Premier Wen Jiaobao in June 2012 on the sidelines of the 'Rio+20' Summit in Brazil.

14 Medha Bisht, 'Bhutan: Internal Developments And External Engagements', Manohar Parrikar Institute for Defence Studies and Analyses, January 2010. http://www.idsa.in/sites/default/files/countrybrief_Bhutan.pdf.

15 Suhasini Haidar, 'China Doubles down on claims on Eastern Bhutan Boundary', *The Hindu*, 5 July 2020. <https://www.thehindu.com/news/international/days-after-demarche-china-doubles-down-on-claims-on-eastern-bhutan-boundary/article31993470.ece>.

Adviser Shivshankar Menon and Foreign Secretary Sujatha Singh to Thimphu to brief him.

“Bhutan’s relationship to India today is like that of a successful daughter to a possessive mother,” writes Karma Phuntsho in his comprehensive book, *The History of Bhutan*, with a somewhat unseemly analogy that suggests that India controls Bhutan with ‘purse-strings’. “While China is keen on diplomatic overtures, Bhutan remains cautious, like a shy daughter influenced by her mother to keep away from an unworthy suitor,” he adds.¹⁶

China’s Charms

As a new generation in Bhutan spreads its wings worldwide, the question that endures is also whether the Kingdom will remain as impervious to its northern neighbour and as close to its southern neighbour.

Many in Bhutan would cringe at such a thought, given the country’s own independent history. As a new generation in Bhutan spreads its wings worldwide, the question that endures is also whether the Kingdom will remain as impervious to its northern neighbour and as close to its southern neighbour. Bhutanese students have been increasingly looking away from Indian colleges to those in Thailand, Singapore and Australia. Hindi movie songs are heard much less in Thimphu clubs today than Korean K-pop or Western beats. Whether it is for economic growth opportunities, skilling or funding, Bhutanese entrepreneurs are looking further afield than what India offers. Meanwhile, Chinese goods and tourists are making their presence felt in the Kingdom. In an interview about China’s “charm offensive” in 2017, author Bertil Lintner described the acrobat performances and university scholarships that Beijing now sends to Bhutan. “It’s only a matter of time before they put a Panda on a plane and send it to Thimphu,” he added, only half-joking.¹⁷

“Today, Bhutan’s relation with China remains frozen like Himalayan ice itself while Bhutan-India relation burns like heat of Indian tropics. But the global shift in the regional and international relations mostly

¹⁶ Karma Phuntso, op. cit., p. 575.

¹⁷ Bertie Lintner, ‘China Turns on Charm Offensive for Bhutan’, *YaleGlobal Online*, 22 September 2016. <https://yaleglobal.yale.edu/content/china-turns-charm-offensive-bhutan>.

brought about by forces of globalization is changing this status quo,” wrote author Dorji Penjore reflecting on the issue in 2004.¹⁸

The status quo has not moved as yet in India-Bhutan ties, partly due to some deft manoeuvring by the leadership and diplomats on both sides. When Bhutan dropped out of the New Delhi-driven initiative for a Motor Vehicle Agreement among Bangladesh, Bhutan, India and Nepal in 2017¹⁹, or in 2020 when Bhutan approved the first-ever tourist fee for Indian travellers, the Indian government accepted the decision. When Bhutanese officials protested low Indian tariffs or the 2015 cross-border trade in electricity regulations that put Bhutanese power at a disadvantage to Indian power, New Delhi accommodated those concerns and revised its policy.²⁰ On other counts, India’s decision to demonetise currency notes, bringing in the goods and services tax in one stroke and the sudden announcement of the lockdown due to the COVID-19 pandemic have hit Bhutan’s economy badly, although the Bhutanese government has chosen not to protest publicly.

The Egg between Two Rocks

Through it all, the promises made between Bhutan and India 70 years ago still hold even as China’s desire for closer relations with Bhutan remains strong. While Bhutan’s leadership has managed to keep the two giants to its north and its south from impinging on its sovereignty and preserved its culture, it must also be acknowledged that both India and China have maintained a sense of restraint in their ties with Thimphu in a way they have not in other parts of the region. It would seem that under the fragility lies a determined resilience in the face of change which has protected the “egg between the two rocks” through the ages.

Through it all, the promises made between Bhutan and India 70 years ago still hold even as China’s desire for closer relations with Bhutan remains strong.

18 Dorji Penjore, ‘Security of Bhutan: Walking Between the Giants’, *Journal of Bhutan Studies*, 2004. http://himalaya.socanth.cam.ac.uk/collections/journals/jbs/pdf/JBS_10_09.pdf.

19 Decision of the Joint Sitting on Motor Vehicles Agreement for the Regulation of Passenger, Personnel and Cargo Vehicular Traffic Between BBIN, Proceedings And Resolution Of The National Assembly Of Bhutan (May 3 - June 20, 2017). <https://www.nab.gov.bt/assets/uploads/ocs/resolution/2017/9thSessionEng.pdf>.

20 ‘Indian amends regulations on cross-border electricity trade’, *Kuensel*, 25 December 2018. <https://kuenselonline.com/india-amends-regulations-on-cross-border-electricity-trade/>.

Drivers of the Maldives' Foreign Policy on India and China

Athaulla A Rasheed

Summary

Following the 2018 election, Maldivian President Ibrahim Mohamed Solih's government sought to revitalise its 'India First' policy. This heralded an end to the former government's pro-China stance. The Maldives' relationship with India is influenced by their physical closeness and a history for friendly ties. China does not have such benefits in its relations with the island state. This paper identifies political ideas as key drivers of foreign policy purposes. Using a social constructivist policy lens, it discusses how political ideas of different Maldivian governments have shaped the country's changing political and developmental partnerships with India and China since 2013. It also argues that recent changes in the relationship between India and China are best understood in terms of how the current Maldivian government would interpret national circumstances to determine development partners.

Introduction

China's continued engagement, however, will test the Maldives' recent foreign policy shift towards India.

It was not unexpected to see China donating a supply of pandemic prevention materials to the Maldives during the COVID-19 crisis. India, its other regional neighbours and international development partners, are doing the same.¹ China's continued engagement, however, will test the Maldives' recent foreign policy shift towards India. After his election victory in 2018, President Solih focused on revitalising the country's 'India First' policy, a change from the pro-China stance adopted by former President Yameen Abdul Gayoom. In their joint statement during President Solih's visit to India in December 2018, Indian Prime Minister Narendra Modi and President Solih renewed their shared ideas of neighbourly relations and friendship for

¹ For more information on foreign aid support related to COVID-19, see Ministry of Foreign Affairs of the Maldives, "Media", 2020. <https://www.foreign.gov.mv/index.php/en/mediacentre/news?start=25>.

regional stability.² The Maldives invariably lies within India's sphere of influence, and its regional foreign policy has been shaped by its "geographical proximity as well as traditional bonds of friendship".³ However, such regional traditions may not have necessarily shaped Maldives-China relations.

Historically, national interests for political stability and developmental gains had been at the core of the Maldives' foreign policy discourse, even when it negotiated the 1887 protectorate agreement with the British Governor of Ceylon (now Sri Lanka) to guarantee protection against regional pirates in return for tribute payments to the British. Subsequent terms of independence from the British rule drawn up in 1965 were shaped by ideas of national sovereignty and self-proclamation. Post-independence institutions further created an authoritarian republic that sought political independence by promoting international tourism and national development based on environmental identity.⁴ Ideas of economic rent-seeking have shaped the Maldives' governance of a tourism-based economy since the 1970s. Ideas of climate change have shaped the political leaders' interpretation of national circumstances since the 1980s to successfully gain international cooperation to address its development challenges. The 2008 democratic change further paved the way for divided political ideas between conventional elites and democratic reformers in subsequent years. Such changes in political ideologies have shaped the Maldives' foreign policy interests between India and China, particularly since 2013 when China launched the Belt and Road Initiative (BRI).

This paper identifies political ideas as key drivers of foreign policy purposes. Social constructivists have framed foreign policy in terms

The Maldives invariably lies within India's sphere of influence and its regional foreign policy has been shaped by its "geographical proximity as well as traditional bonds of friendship".

2 Ministry of External Affairs India, "India-Maldives Joint Statement during the State Visit of Prime Minister to Maldives", 2019. <https://www.mea.gov.in/bilateral-documents.htm?dtl/31418/India-Maldives+Joint+Statement+during+the+State+Visit+of+Prime+Minister+to+Maldives>.

3 Vinay Kaura, "A New Chapter in India-Maldives Relations", *The Diplomat*, 22 December 2018. <https://thediplomat.com/2018/12/a-new-chapter-in-india-maldives-relations/>.

4 Athaulla A Rasheed, "Historical Institutionalism in the Maldives: A Case of Governance Failure", *The Maldives National University Journal of Research* 2(1), June 2014. <https://mnu.edu.mv/wp-content/uploads/2016/12/Article-1.pdf>.

of how ideas shared by leaders can cultivate foreign policy purposes.⁵ Political ideologies can drive the interests of leaders to seek regional cooperation that best promote their national circumstances.⁶ This paper discusses how political ideas of different Maldivian governments have shaped the country's changing political and developmental partnerships with India and China since 2013. It also argues that recent changes in the relationship between India and China are best understood in terms of how the current Maldivian government would interpret national circumstances to determine development partners.

Regional Traditions and Political Independence

India has been its most important strategic ally and development partner since the establishment of diplomatic ties in 1965.

The Maldives is a small island state in the South Asia region that maintains friendly relations with its neighbours, including India. India has been its most important strategic ally and development partner since the establishment of diplomatic ties in 1965. India shows its leadership in both political and strategic fronts as far as South Asia's regional interests are concerned. Traditionally, South Asia has been a strategic region in international relations because its security structures have been shaped by ideas of nuclear deterrence between India and Pakistan. In the region's security, India leads a political discourse of good governance and democratic institutionalism for regional stability. Moreover, cooperation between regional neighbours has been shaped by ideas of regional solidarity as promoted in their regional organisation, the South Asian Association for Regional Cooperation (SAARC). The Maldives, like its regional neighbours, has always sought alliances within these regional boundaries and promoted an 'India First' policy in regional security and development cooperation.⁷

5 See Athaulla A Rasheed, "Ideas, Maldives-China Relations and Balance of Power Dynamics in South Asia", *Journal of South Asian Studies*. 6(2), 2018, pp. 123-139; Alexander Wendt, "Anarchy Is What States Make of It", *International Organization* Vol 46, Issue No 2, 1992, pp. 394-419; Trine Flockhart, "Constructivism and Foreign Policy", in S Smith, A Hadfield and T Dunne (eds), *Foreign Policy: Theories, Actors, Cases*, Oxford University Press, UK, 2016; and Sarina Theys, "Introducing Constructivism in International Relations Theory", *E-International Relations*, 2018. <https://www.e-ir.info/2018/02/23/introducing-constructivism-in-international-relations-theory/>.

6 Wesley W Widnaier, "Constructing Foreign Policy Crisis: Interpretive Leadership in the Cold War and War on Terrorism", *International Studies Quarterly*, Volume 51, 2007, pp. 779-794.

7 Athaulla A Rasheed, "Can the Maldives Steer Regional Politics?", *E-International Relations*. 30 January 2019. <https://www.e-ir.info/2019/01/30/can-maldives-steer-regional-power-politics/>.

Despite the 'India First' policy in regional politics, the Maldives' partnership with China has strengthened, particularly during President Yameen's term in office. During his visit to China to attend the opening ceremony of the Second Summer Youth Olympics in August 2014, President Yameen confirmed his interest in expanding the BRI in the Maldives. This foreign policy decision increased China's presence in the South Asian region and raised strategic concerns for India. Similarly, domestic concerns of the Maldives slipping into a Chinese debt trap and China accruing a naval presence in the country heightened as the Maldivian parliament enacted a law in 2015 to allow foreigners to own land in the Maldives.⁸ The parliament repealed this law in 2019 after President Yameen lost power. Despite India's regional security concerns, the Maldives' investments with China soared from 2015 to 2018, leading to significant investments and a free trade agreement (FTA) allowing unlimited exchange between the two governments. This growth of the Maldives-China relationship has invariably been indicative of the political ideas of Yameen's government to embrace the BRI for development benefits.

President Yameen, the brother of former President Maumoon Abdul Gayoom, who had a 30-year political stronghold, was regarded as a power-oriented leader who also sought political stability through development planning. Ideas of self-determination, political independence and development cooperation for mutual gain informed his government's foreign policy. During his inauguration speech, President Yameen stated, "the Maldives is in a deep economic pit... [and] when you lose be courageous and in victory, be magnanimous. We will decide our affairs."⁹ Ideas of political independence have influenced foreign policy on both regional and international issues, including his decision to exit the Commonwealth in 2016.¹⁰ The Maldives rejoined it in 2020. On the issue of sovereign rights to self-determination, President Yameen stressed, "we have moved our

Despite the 'India First' policy in regional politics, the Maldives' partnership with China has strengthened, particularly during President Yameen's term in office.

8 Sanjay Kumar, "This Will Make the Country a Chinese Colony", *The Diplomat*, 25 July 2015. <https://thediplomat.com/2015/07/this-will-make-the-country-a-chinese-colony/>.

9 J J Robinson, "New Maldives leader vows stability after crisis, protests", *Reuters*, 18 November 2013. <https://www.reuters.com/article/us-maldiveselection/new-maldives-leader-vows-stabilityafter-crisis-protests-idUSBRE9AG09L20131117>.

10 Michael Safi, "Maldives quits Commonwealth over alleged rights abuses", *The Guardian*, 14 October 2017. <https://www.theguardian.com/world/2016/oct/13/maldives-quits-commonwealth-over-alleged-rights-abuses>.

Such political ideas have shaped the Maldives' foreign policy and driven it closer to China through opportunities under the BRI platform.

national strive beyond our boundaries, into the international arena to compete with professionals and experts of international stature" and "the national debate should be about whether we, as a nation, have what it takes to strive and win the international race".¹¹ He went as far as to reaffirm the constitutional grounds for the supremacy of the state to promote political independence and opportunities for development gains. Internationally, the Maldives' Minister of Foreign Affairs Dunya Maumoon confirmed, "After fifty years of being a UN [United Nations] member, I say to those sceptics,...we are not only willing but also able!... We are not only viable but also valuable! And as Maldivians, we are proud of what we have achieved."¹² In recognising the failures of international partners to protect island nations like the Maldives from larger nations' interference in their internal affairs, Yameen also stated "empowering its people economically would be a great stride for Maldivian domestic affairs" and that "we are trying to find easier ways for us to have access to aid by bringing in big investments".¹³ Such political ideas have shaped the Maldives' foreign policy and driven it closer to China through opportunities under the BRI platform.

Drive towards the BRI and Mutual Respect

The roots of the Maldives-China relations have predominantly been linked to political and economic ideas behind the BRI. The BRI was built on foreign policy principles of mutual gain, economic cooperation and diplomacy that do not impose political conditions on the internal affairs of its partnering states.¹⁴ While it seeks to achieve economic

11 The President's Office, "Unofficial Translation of the Independence Day Remarks by His Excellency Abdulla Yameen Abdul Gayoom, President of the Republic of Maldives", 2017. <https://presidency.gov.mv/Press/Article/18056>.

12 For the full speech, see Permanent Mission of the Maldives to the United Nations, "Statement by HE Ms Dunya Maumoon, Minister of Foreign Affairs at the General Debate of the Seventieth Session of the UN General Assembly - 3 October 2015", 15 October 2015. http://maldivesmission.com/index.php/statements/statement_by_he_ms_dunya_maumoon_minister_of_foreign_affairs_at_the_general_debate_of_the_seventieth_session_of_the_un_general_assembly_3_october_2015.

13 Athaulla A Rasheed, "Historical Institutionalism", *Journal of South Asian Studies*. 6(2), 2018, p. 129, n. 5.

14 State Council of PRC, "China's foreign aid", 2014. http://english.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm; "Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road: Speech by H.E. Xi Jinping President of the People's Republic of China At the Opening Ceremony of the Belt and Road Forum for International Cooperation", *Xinhuanet*, 14 May 2017. http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm; and Zhang Yanbing and Huang Yin, "Foreign Aid: The Ideological Differences between China and the West", *CIR* 22(2), 2012.

supremacy for China, the BRI has also re-created the international architecture for development cooperation. China believes that the world should be a multi-polar system and that states should engage in collaboration through a “new type of state-to-state relations – non-alliance, non-confrontation and not directed against any third party.”¹⁵ It has pursued development cooperation for more inclusive and balanced engagements between states that aim to “complement the development strategies of countries involved by leveraging their comparative strengths.”

In this policy framework, the expansion of the BRI in South Asia brought opportunities for the Maldives to enhance its ties with China. Even before President Yameen, China was regarded as a close friend. His predecessor, President Mohamed Nasheed, who embraced an ‘India First’ foreign policy culture, had also adopted cordial relations with China and a willingness to support China on issues of mutual concern.¹⁶ However, the core principles of China’s foreign policy, including respect for territorial integrity and sovereignty, non-interference in domestic affairs, equality and mutual benefit, non-aggression and peaceful co-existence, were more appealing to the Yameen government. In agreeing with the Chinese President Xi Jinping that what China had to offer would expand the Maldives’ development trajectories, President Yameen confirmed that the alliance had been built on “excellent bilateral relations and development cooperation, based on mutual trust and understanding.”¹⁷ Such shared ideas shaped both countries’ foreign policies on development cooperation and regional security fronts.

In this policy framework, the expansion of the BRI in South Asia brought opportunities for the Maldives to enhance its ties with China.

The expansion of investments in the Maldives also brought China closer to India’s sphere of influence. In 2018, the alleged presence

15 See Avery Goldstein, *Rising to the Challenge: China’s Grand Strategy and International Security*, Stanford University Press, Stanford, CA, 2005.

16 Ministry of Foreign Affairs of China, “President of Maldives Nasheed Meets with Vice Foreign Minister Zhang Zhijun”, 10 November 2011. https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2737_663478/2739_663482/t876708.shtml.

17 For the full statement, see Ministry of Foreign Affairs of the Maldives, “Press statement by His Excellency Abdulla Yameen Abdul Gayoom, President of the Republic of Maldives, on the state visit by His Excellency Xi Jinping, President of the People’s Republic of China”, 2017. <https://www.foreign.gov.mv/index.php/en/media%20centre/news/2716-press-statement-by-hisexcellency-abdulla-yameen-abdul-gayoom-president-of-the-republic-of-maldives-on-the-state-visit-by-his-excellency-xi-jinping-president-of-the-people-s-republic-of-china>.

of China's naval fleet in the territorial waters of the Maldives raised political and security concerns in India, which was critical about the Yameen government's handling of the situation. Intervention from India was sought by opposition leaders. However, India was more concerned about the Chinese naval fleet, which created a buffer against any such intervention. The irony was that China's position on this situation aligned with President Yameen's idea on political independence. China provided the assurance that "[w]hat is happening inside the Maldives is the internal affairs of the country. The international community shall play a constructive role on the basis of respecting the sovereignty of the Maldives, instead of further complicating the situation."¹⁸ China's support of President Yameen's government built further confidence in the relationship between the two countries. This, however, has not been able to shape its policy on regional security or on India because the Maldives also has a vested interest in regional solidarity. It would not have promoted any engagement with China that could have prompted any regional conflicts or competition.

Competing Ideas between India and China

China's growing engagement in the Maldives created regional power vacuums, inviting competition between India and China.

Regional alliances are built on political, economic and cultural cooperation. China's growing engagement in the Maldives created regional power vacuums, inviting competition between India and China. This type of power competition has existed since early 2012 when President Nasheed was overthrown in an alleged coup executed by his political opposition. Since his election in 2008, President Nasheed's pro-democracy government endorsed the 'India First' policy based on building regional alliance and development cooperation. A US\$511 million (S\$711 million) project to develop the international airport was one of India's high-end investments, representing close bilateral ties through economic cooperation between the two states.¹⁹ In addition, to support the security, health and education sectors, India extended a US\$100 million (S\$139.1

18 Shannon Tiezzi, "China to India: Respect Maldives' Sovereignty", *The Diplomat*, 8 February 2018. <https://thediplomat.com/2018/02/china-to-india-respect-maldives-sovereignty/>.

19 Rajeev Sharma, "India, Maldives Row over Airport Contract", *The Diplomat*, 5 December 2012. <https://thediplomat.com/2012/12/india-maldives-row-over-airport-contract/>.

million) 'standby credit facility' to the Maldives in 2011.²⁰ The airport development project also highlighted the emergence of political competition between India and China in the Maldivian territory. With the fall of President Nasheed, the new government was quick to re-contract this airport development project to China under the BRI. Such behaviour attracted political discourse from the opposition, such as on China's 'land-grabbing' practices that would harm the Maldivian economy. Similar foreign policy discourses were welcomed from India's strategic policy circles, which raised concerns about the regional power vacuum created by the political uncertainty associated with the Maldives' foreign policy towards China.

However, such interpretations of national circumstances have changed with President Solih's government, which has now delegitimised most policies of the Yameen government. Instead, the new national purposes are to consolidate democratic practices in domestic and foreign policies. Rejoining the Commonwealth in 2020 was part of such policy initiatives. The renewal of the policies for cooperation with India has been at the core of the Solih government's agenda. Today, India is the Maldives' closest political and development partner. However, despite the focus on the 'India First' policy, how President Solih's government positions itself against China today could have implications on its relationship with India. For example, just as the BRI has drawn political attention towards China, what India can offer to support the Maldives' political stability and development could determine the shape of its present and future relations with the island state. The Maldives reportedly owes China US\$1.5 billion (S\$2.1 billion) to US\$3 billion (S\$4.2 billion) in loans.²¹ The idea of China's 'debt-diplomacy' only evolved after the Maldives turned its attention back to India. This shift of policy towards India has been reciprocated by enhanced development cooperation, including the Indian government's announcement of US\$1.4 billion (S\$1.9 billion) to support the Maldives to overcome existing economic challenges.²²

The renewal of the policies for cooperation with India has been at the core of the Solih government's agenda.

20 N Manoharan, "An Agenda for the New Government: Policy Options for India and Maldives", Institute of Peace and Conflict Studies, 2014. http://www.ipcs.org/issue_select.php?recNo=557.

21 Viraj Solanki, "A Watershed for Indian Ocean Security Cooperation", International Institute for Strategic Studies (IISS), 21 December 2018. <https://www.iiss.org/blogs/analysis/2018/12/maldives-indian-ocean>.

22 Vinay Kaura, op. cit., n. 4.

This ideational shift to a stronger alliance with India could politically drive the Maldives away from China.

The Maldives' behaviour towards China influences India's regional policy. This represents a similar behaviour as Australia's 'step-up' policy towards its Pacific neighbours. The recent growth of Chinese investments in the Pacific Islands has enhanced Australia's strategic interests in its neighbours.²³ Such behaviour of larger states in regional constellations is not uncommon in the history of international relations. Traditionally, smaller states in regional constellations have acted within the benevolence of their larger neighbours for security and development reasons. However, both in the South Asian and Pacific Island regions, small island states' alliances with China have primarily been driven by their national interests – shaped by the ideas of their political leaders that their national circumstances are better addressed through Chinese investments. However, unlike his predecessor, President Solih aims to review investment commitments under the BRI, including the FTA.²⁴ This ideational shift to a stronger alliance with India could politically drive the Maldives away from China. However, despite the 'India First' policy, China has continued to provide aid and development support to the Maldives. Recently, while receiving Chinese aid, the Maldives' Foreign Minister Abdulla Shahid acknowledged their united efforts to fight COVID-19.²⁵ The Maldivian government's aid and development cooperation agenda has been influenced by the current global health crisis. Chinese aid has the potential of generating material benefits which would shape the government's interest to cooperate rather than distance itself from China in a time of crisis. However, COVID-19 is a circumstantial change that may not create ideational shifts in the current government's stance on Maldives-India relations.

Conclusion

The Maldives' foreign policy imperatives relating to India and China have predominantly been shaped by political ideas and ideologies

²³ Christina Zhou and Michael Walsh, "Australia pledged to 'step up' in the Pacific amid growing Chinese influence, but are we on track?", *ABC News*, 18 January 2020. <https://www.abc.net.au/news/2020-01-18/australia-pacific-step-up-in-review/11863150>.

²⁴ Anbarasan Ethirajan, "Maldives-China deal 'one-sided', says ex-president Nasheed", *BBC*, 2018. <https://www.bbc.com/news/world-asia-46269504>.

²⁵ "Maldives receives aid from China to combat COVID-19 pandemic", *Global Times*, 31 March 2020. <https://www.globaltimes.cn/content/1184285.shtml>.

of the present and past governments. South Asian policy experts have discussed the growing concerns in India of China's economic expansionism in its regional sphere of influence. This includes the growth of China's diplomatic and economic engagements in the Maldives. Traditionally, India has been the closest ally of the Maldives and has, over the years, protected and promoted the territorial integrity of the Maldives. The Maldives continues to reciprocate this neighbourly relationship by embracing an 'India First' policy in regional alliance building.

Traditionally, India has been the closest ally of the Maldives and has, over the years, protected and promoted the territorial integrity of the Maldives.

However, the growth of China's engagements in the island state has created political competition for India which needs to ensure that the Maldives remains its traditional partner. President Yameen's government drew the Maldives away from India in terms of development cooperation by establishing stronger ties with China. While President Solih's government has now re-emphasised the neighbourly bonds with India, the Maldives remains open to foreign investment opportunities that will bring stability and development benefits. If India wants to proactively influence the Maldives-China relationship, it must aim to address the national circumstances that shape the Maldivian government's desire to seek development cooperation from China.

India-China Rivalry in Nepal

Pramod Jaiswal

Summary

Nepal is located strategically between India and China, which is a paramount concern for both countries' security and stability. The slightest stir in Nepal will have a spillover effect on these two rapidly growing economies. Both countries are determined to be global powers and are competing for influence in the region. As their security interests overlap, both Indian and Chinese military forces compete with each other in Nepal. This competition has intensified after Nepal became a republic and China increased its engagement in South Asia, including Nepal, through its ambitious Belt and Road Initiative (BRI).

Introduction

In such a world, small states lying on the periphery of regional powers are subject to intense pressures, leading to limitations on their sovereignty.

International politics is the realm wherein great powers are continually looking for opportunities to expand their hegemony whenever and wherever possible.¹ In such a world, small states lying on the periphery of regional powers are subject to intense pressures, leading to limitations on their sovereignty. Nepal, a small landlocked country, is a classic case of a small state striving to preserve its independence against challenges from China and India, its two neighbouring great powers, which have been locked in an intense security competition to expand their hegemony over the Himalayan state.²

Sandwiched between China and India, Nepal occupies a unique position in the strategic calculations of both these countries. Due to their geographical proximity, India and China have had a significant influence on the decision-making process of Nepal.³ An unstable or hostile Nepal can skew geopolitical equations in the region and

1 Kenneth N Waltz (1979), *Theory of International Politics*, Reading Mass: Addison-Wesley Publication Co., pp. 72-73.

2 M Dabhade and H Pant (2004), "Coping with challenges to sovereignty: Sino-Indian rivalry and Nepal's foreign policy", *Contemporary South Asia*, 13 (2). <https://www.tandfonline.com/doi/abs/10.1080/0958493042000242945>.

3 Jawaharlal Nehru (1961), *India's Foreign Policy*, New Delhi: Government of India, pp. 42-43.

divert the attention of the Asian powers away from accelerating their economic growth as well as impacts their security considerations. Thus, while both India and China need to keep Nepal in their sphere of influence, they can only do it gently, lest the delicate balance of power should change. Here lies Nepal's opportunity to play one neighbour against the other to maintain its independence and ensure its progress.

Factoring China and India in Nepal

The ruling regimes of Nepal have always tilted towards China for its survival whenever it has perceived any threat from India. During the monarchy, India supported the democratic movement in Nepal led by Bishweshwar Prasad Koirala and Girija Prasad Koirala, which forced King Mahendra and King Birendra to develop closer ties with China. After Nepal became a republic in 2008, Prime Minister Pushpa Kamal Dahal (Prachanda) and current Prime Minister K P Sharma Oli also warmed up in their relations with Beijing during their first tenures as India antagonised them by supporting the opposition parties in the country. However, the duration of each tilt towards China was short-lived as India either mended its relations with them (for example, in the case with King Mahendra) or succeeded in overthrowing them with the support of an alternative political force (for example, in the case of King Gyanendra during Dahal's term in office and during Oli's first term in office). Most of the democratic governments in Nepal were realistic and favoured stronger relations with India without sidelining ties with China.

Most of the democratic governments in Nepal were realistic and favoured stronger relations with India without sidelining ties with China.

Though Nepal tilted towards China occasionally, it was careful in its response. China always considered the Nepali King as a credible and stable partner as (being the Commander-in-Chief of Nepal's Army) he served their security interests emanating from Tibet. Even though Dahal and Oli sought stronger ties with and a deeper role for China in Nepal, the Chinese advice was for Nepal to maintain closer relations with India because of its geopolitical realities.

After Nepal became a democratic republic, China lost its most credible partner – the monarchy – and it started to engage with the political parties, mostly the Communists, due to their ideological affinities. China strengthened its relations with Nepal during Dahal's first term in power, as there were increasing anti-China (read pro-Tibetan) activities in Nepal in 2008 because the Tibetans wanted to internationalise their issue around the time of the Beijing Olympics. Similarly, during Oli's first term, both countries signed a series of agreements aimed at ending India's monopoly in Nepal. The most notable was the Treaty on Trade and Transit and a feasibility study of railway connectivity between China and Nepal.

India has played a significant and determining role in much of Nepal's political transition.

India has played a significant and determining role in much of Nepal's political transition. However, the Chinese too have been active in this respect, having supported the unification of the communist parties leading to the formation of the Nepal Communist Party (NCP) in 2018 and in resolving differences between the senior leaders of the NCP.⁴ It has also intensified its relations with the NCP through party-to-party contact.

Competition and Confrontation

There has been intense competition between China and India in Nepal. When King Mahendra agreed to the Chinese proposal on the construction of the Kathmandu-Kodari road (the first opening between the two countries in the 1960s) India was disappointed as the road would prove of strategic importance to China. India argued that the road would facilitate the movement of the Chinese armed forces right up to the Nepalese border.⁵ During the Indian Lok Sabha session on 25 November 1961, Indian Prime Minister Jawaharlal Nehru stated that India's security concerns would be adversely affected by the road and that it violated the 1950 Indo-Nepal Treaty of Peace and Friendship, as Nepal did not consult India regarding the issue. Nepal criticised India, arguing that the matter was an internal affair.

4 "In a series of meetings, Chinese envoy calls for unity among ruling party members", *The Kathmandu Post*, 2 May 2020. <https://kathmandupost.com/politics/2020/05/02/in-a-series-of-meetings-chinese-envoy-calls-for-unity-among-ruling-party-members>.

5 B C Upreti (2001), *Uneasy Friends: Readings on Indo-Nepal Relations*, New Delhi: Kalyan Publications, p. 3.

Similarly, during the construction of the East-West Highway in 1983, China proposed to take up the construction of the segment of the highway between Kohalpur to Banbasa, as India had withdrawn from an earlier commitment to build this road. This segment was strategically susceptible for India as it was just across the Mahakali River, which was the border between Nepal and India. Nepal had to negotiate a loan from the World Bank and the Arab Fund and declined China's investments to address Indian sensitivities. Later, India sanctioned ₹500 million (\$9.2 million) as grant assistance to Nepal for the project, but Nepal had to pay US\$2 million (\$2.8 million) as compensation to China for breaching the contract.⁶

The competition for influence along the Nepal-China border has continued over the years till today. In 2010, India provided development assistance of ₹100 million (\$1.8 million) for the remote hill region of Mustang. Soon after, China responded with financial assistance, worth ₹10 million (US\$184,000) for the construction of a library, science laboratory and school building with computers in Chhoser village (adjoining Jhongwasen district of Tibet) in the same region to counter Indian influence. The ambassadors of both countries visited the area. In response to several Indian and western-funded non-governmental organisations (NGOs), there has also been an increasing number of Chinese-funded NGOs being formed in Nepal.

The competition for influence along the Nepal-China border has continued over the years till today.

China plans to connect Nepal with its Qinghai Railway, which the Chinese government hails as one of modern China's greatest feats. The railway, which connects Beijing to Lhasa, Tibet, has completed its construction till Xigaze. It is expected to be extended to the Nepalese border, Keyrong, and further to Kathmandu, Pokhara and Lumbini. In response to the railway, India has proposed to extend its rail links to Nepal at six points along the border. These are from Raxaul, Jogbani and Jayanagar in Bihar to Birgunj, Biratnagar and Bardibas in Nepal. In Uttar Pradesh, the line will connect Nautanwa and Nepalgunj, and in West Bengal, it will connect New Jalpaiguri with Kakarbhitta. India has announced assistance worth ₹10.88 billion (\$200.2 million) for the expansion of the railway service in five places along the India-

⁶ Ibid, p. 105.

Nepal border.⁷ The first phase of the railway line was inaugurated in December 2018 by the Chief Minister of Uttar Pradesh, Yogi Adityanath. Furthermore, in May 2018, India again proposed to connect Raxual of India (Birgunj in Nepal) to Kathmandu with the railway line.

Similarly, there is intense competition between India and China on providing development projects to Nepal. China ranked as Nepal's fourth largest bilateral development partner by disbursement in FY2017/18, after the United Kingdom, the United States (US) and Japan, while India occupied fifth place. In FY2011/12, India disbursed US\$50.6 million (S\$70.4 million) to Nepal, while China disbursed a mere US\$28.3 million (S\$39.4 million). However, by FY2017/18, China had overtaken India. It provided US\$58.7 million (S\$81.7 million) to Nepal while India provided US\$56.7 million (S\$78.9 million). Out of China's total funding, almost two-thirds was in the form of grants, while the remainder was a loan. In contrast, India's funding comprised 70 per cent grants and 30 per cent loans. Hence, in terms of grants, India is still ahead of China.⁸

China and India are also competing for influence in the security sector in Nepal.

China and India are also competing for influence in the security sector in Nepal. Military ties between Nepal and India have been deep-rooted and historic. Nepalese Gurkhas have participated in all operations undertaken by the Indian army since its independence. India has been providing weapons to Nepal's army, with 70 per cent of the aid in the form of grants, since 1962. Following the conclusion of the peace process and with the integration of the former Maoist combatants into the Nepal army, Nepal sought US\$18.33 million (S\$25.5 million) worth of military supplies from India.⁹ It constructed the National Police Academy as well as several other military infrastructure and training systems.

7 Pramod Jaiswal (2010), "IDSA Comment: India-China Power Game in Nepal and the Consequences", Manohar Parrikar Institute for Defence Studies and Analyses, 16 September 2010. <http://www.idsa.in/node/5970/1703>.

8 Economic Survey 2017/18, Ministry of Finance, Government of Nepal. https://mof.gov.np/uploads/document/file/for%20web_Economic%20Survey%202075%20Full%20Final%20for%20WEB%20_20180914091500.pdf.

9 Pramod Raj Sedhain (2014), "India-Nepal Military: Relation and Aid". <http://thedailyjournalist.com/the-strategist/india-nepal-military-relation-and-aid/>.

Similarly, a major portion of Chinese assistance is channelled to the security sector as it wants Nepal to curb anti-China (pro-Tibetan) activities within its borders. Since former Chinese Defence Minister Chi Haotian's visit to Kathmandu in February 2001, there has been a rapid increase in Chinese assistance in the security sector. In response to the regular joint military exercise between India and Nepal, China has also been organising a joint military exercise since April 2017. Called Sagarmatha Friendship Joint Training, the second such exercise was conducted in September 2018.¹⁰ Until April 2017, the Nepalese army only held military exercises with India and the US. Furthermore, China had supported the construction of the United Nations Regional Peace Keeping Centre at Panchkhal. It has also increased the number of places for the training of senior Nepalese army officers in its military academy. In 2018, China doubled its military aid to Nepal, amounting to over US\$22 million (S\$30.7 million). Besides, China also provides equipment and training to the Nepalese army.

In response to the regular joint military exercise between India and Nepal, China has also been organising a joint military exercise since April 2017.

Similarly, with the growing Chinese interest in Nepal in recent years, the volume of Nepal-China trade has shown positive growth. Nepal's trade with China largely flows through Tibet and Hong Kong. The two countries have opened six points along the Nepal-China border for overland trade. These are Kodari-Nyalam; Rasuwa-Kerung; Yari (Humla)-Purang; Olangchunggola-Riyo; Kimathanka-Riwo; and Nechung (Mustang)-Legze. Similarly, during the visit of Nepal's President Bidhya Bhandari to Beijing in April 2019, both countries signed the protocol on implementing the Agreement on Transit and Transport. As per the agreement, Nepal can use four Chinese seaports – in Tianjin, Shenzhen, Lianyungang and Zhanjiang – and three land ports – in Lanzhou, Lhasa and Shigatse – for third-country imports. It will also allow Nepal to carry out exports through six dedicated transit points between Nepal and China.¹¹ The agreement is likely to further boost Nepal-China trade. According to the Economic Survey of 2017/18 of the Nepal Ministry of Finance, while Nepal's merchandise

10 "Nepal, China military drill to be held in September", *Business Standard*, 21 July 2018. https://www.business-standard.com/article/news-ians/nepal-china-military-drill-to-be-held-in-september-118072100288_1.html.

11 "Nepal signs deal with China to access seven Chinese sea and land ports", *The Kathmandu Post*, 30 April 2019. <https://kathmandupost.com/national/2019/04/30/nepal-signs-deal-with-china-to-access-seven-chinese-sea-and-land-ports>.

Chinese and Indian investments overlap in Nepal, especially in sectors like tourism, hydropower and cement.

exports to India increased by 9.8 per cent during the first eight months of the fiscal year 2017/18, exports to China grew by a massive 62 per cent. Exports to the other countries grew by 9.1 per cent in the same period. According to Nepal's Department of Industry, since 2013, China has also overtaken India in several projects. In FY2012-13, 575 Chinese companies acquired approval for investments from the Department of Industry, compared to 566 from India.¹² Chinese and Indian investments overlap in Nepal, especially in sectors like tourism, hydropower and cement. Apart from these, Chinese investment interest also lies in hotels, restaurants, electronics, cell phone service, radio paging services, ready-made garments (pashmina), nursing homes, hydropower and civil construction; while Indian investors are interested in paint, steel industries, banks and education.¹³ Moving forward, China is likely to further expand its footprints in the economic sector in Nepal.

In recent times, Chinese companies have also been taking over major construction contracts in Nepal. According to Raman Mahato, Executive Director at Raman Construction Pvt Ltd, Chinese construction companies are about to control almost all the contracting business of Nepal.¹⁴ Similarly, Indian banks have limited presence in Nepal, the most notable being the joint venture of the State Bank of India and Punjab National Bank in July 2019. Nepal's Rastra Bank has now granted a license for the payment system operation to Chinese financial services corporation, UnionPay International, to roll out its financial services in Nepal.¹⁵

The Path Ahead

As a result of the political instability in Nepal, there has been increasing interest from India and China. While India resumed its

12 "China overtakes India in project numbers", *Sharesansar*, 1 November 2013. <https://www.sharesansar.com/newsdetail/china-overtakes-india-in-project-numbers>.

13 A Survey Report on Foreign Direct Investment in Nepal, *Nepal Rastra Bank*, June 2018. https://www.nrb.org.np/contents/uploads/2020/04/Study_Reports-A_Survey_Report_on_Foreign_Dir.

14 "Chinese contractors have captured almost all the contracting business of Nepal: Raman Mahato", *Reporters Nepal*, 22 February 2019. <https://en.reportersnepal.com/2019/02/253459>.

15 "Chinese UnionPay International gets license of payment system operator in Nepal", *Republica*, 24 July 2019. <https://myrepublica.nagariknetwork.com/news/chinese-unionpay-international-gets-license-of-payment-system-operator-in-nepal/?categoryId=blog>.

top-level visits to Nepal after 17 years, with Prime Minister Narendra Modi making three visits in four years after coming to office, Chinese President Xi Jinping visited Kathmandu in 2019 after a hiatus of 23 years. During their respective visits, both leaders pledged to provide railway connectivity to Kathmandu, increase development assistance, enhance trade and cooperate on matters relating to security and border management.

In May 2017, China and Nepal signed a memorandum of understanding on the BRI.¹⁶ However, despite its signing, both the countries have failed to agree on any major BRI projects in Nepal in the last three years. Similarly, the railway connectivity project, which was highly publicised, has not made headway due to India's displeasure towards such projects. However, having said that, as highlighted in this paper, the economic engagement between Nepal and China is growing and will further deepen in the coming years.

In May 2017, China and Nepal signed a memorandum of understanding on the BRI.

On the other hand, India's leverages in Nepal have become limited due to the emergence of the NCP. The 'economic blockade' of Nepal by India in 2015 did not help its cause, as many Nepalese saw it as India's high-handedness against its small neighbour. More recently, the border row between India and Nepal, with strong comments on Chinese involvement by the incumbent Indian Chief of Army Staff, General M M Naravane, and Indian media, have further fueled anti-India feelings in Nepal.¹⁷

New Delhi needs to make some serious and important policy reorientations in its relationship with Nepal. Otherwise, their bilateral ties will face some challenging times ahead. The increasing presence of the Chinese in Nepal and the South Asian region will certainly not help India's position – not with Beijing being keen to further enhance its presence in the Himalayan state.

16 "Nepal signs MoU on OBOR with China", *The Himalayan Times*, 12 May 2017. <https://thehimalayantimes.com/kathmandu/nepal-signs-mou-related-obor-china/>.

17 In May 2020, India and Nepal were drawn into a diplomatic standoff over their border. In November 2019, India had published an updated map that included Kalapani as a part of Pithoragarh district of the Indian state of Uttarakhand. This led to the ire of the Nepalese who consider Kalapani as part of their territory. See Amit Ranjan, "India-Nepal Tensions: The Issue of Lipulekh", Working Paper 325, Institute of South Asian Studies, National University of Singapore, 5 June 2020. <https://www.isas.nus.edu.sg/wp-content/uploads/2020/06/325-1.pdf>.

China and Pakistan: From Tactical Alliance to Strategic and Economic Interdependence

Touqir Hussain

Summary

What began as a tentative tactical alliance between China and Pakistan 70 years ago has matured into an extraordinary relationship of mutual strategic and economic dependence. Its core stimulus still remains the China-India rivalry and India-Pakistan conflict. But as India has risen and China has resurged, these rivalries are beating to the rhythm of new historical changes, with South Asia becoming an arena for shifting and overlapping coalitions among regional and global players, at the centre of which lies the emerging new Cold War between China and the United States (US). This paper looks at this developing political and security landscape and its implications for peace in South Asia, especially with India and Pakistan respectively having found common purposes in American and Chinese strategic objectives in the region and beyond.

Remote Origins

China and Pakistan recognised each other's challenges and constraints and thus began their tentative relationship, which has come a long way from its modest origins.

The China-Pakistan “all-weather” friendship began in 1951. Both countries were isolated. They felt insecure and faced common challenges. Pakistan saw India as a primal threat while China viewed India as a potential rival. Pakistan faced enormous economic and security challenges and struggled for its survival. China and Pakistan recognised each other's challenges and constraints and thus began their tentative relationship, which has come a long way from its modest origins.

In nearly seven decades of friendship, China and Pakistan have responded consistently well to the evolving regional, global and geopolitical context. In a culmination of this sustained process, their partnership “has gone beyond bilateral dimensions and acquired

broader regional and international ramifications...and matured from a tactical alliance to strategic partnership.”¹

Tactical Alliance

The first time China and Pakistan saw the exceptional value in their relationship was following the 1962 Sino-Indian war. The US support for India shocked Pakistan, which was Washington’s ally. Beijing and Islamabad anticipated the future implications of these developments in nearly identical terms. This led to their boundary agreement of 1963. The 1965 India-Pakistan war further gave China an opportunity to demonstrate its support for Pakistan, and it took advantage of the situation masterfully. China skillfully went through the motions of acting as Pakistan’s natural ally without risking a military conflict with India. In the process, it earned great public acclaim and gratitude in Pakistan.

The 1965 India-Pakistan war further gave China an opportunity to demonstrate its support for Pakistan and it took advantage of the situation masterfully.

After the US suspended arms transfers to both India and Pakistan following the 1965 war (which affected Pakistan more than India), it retreated from the region while leaving behind contradictions in US-Pakistan relations.

Pakistan’s need for a new benefactor following the ‘betrayal’ by Washington, and China’s search for an ally triggered by the Sino-Indian conflict and emerging tensions with Moscow (which was backing India) were a perfect fit. Thus, Pakistan’s relations with China took off. For China, it was an investment in the future; for Pakistan, it was the fulfillment of an immediate need, providing as it did a big power support to help it cope with its security and foreign policy challenges and economic development needs. Thus, an important feature of the future relationship was set up – in its hour of need, Pakistan could always look up to China.

Although China could not offer much economic assistance, it began meeting Pakistan’s defence requirements and started a major highway project, the Karakoram Highway, to lay the foundation of

¹ Khalid Mahmood, “Pakistan-China Strategic Relations”, Institute of Strategic Studies Islamabad, 4 August 2011. <http://issi.org.pk/pakistan-china-strategic-relations/>.

a future role in Pakistan's economic development. In time, Beijing went on to help Pakistan with such landmark projects as the Heavy Mechanical Complex, Chashma Nuclear Power Plants, Heavy Rebuild Factory and Guddu Power Project, among others. Half a century later, China became a commanding force of change for Pakistan's economic future with the China-Pakistan Economic Corridor (CPEC) project.

Over the years, China also became a reliable defender of Pakistan in the United Nations (UN) and other regional and global forums where Pakistan was challenged by India,² and it has been helping Pakistan diplomatically on the Kashmir dispute.

From Alliance to Reliance

India's rivalry with China was constant as was China's response to it, alongside China's need for Pakistan.

India continued to provide a core stimulus in bringing China and Pakistan closer to each other in more ways and for more reasons than one, as did the US, which kept weaving in and out of the relationship with Pakistan, thereby injecting an element of uncertainty that Islamabad could not live with. India's rivalry with China was constant as was China's response to it, alongside China's need for Pakistan. So when Pakistan and China described their relations as "an all-weather friendship", it was more than a cliché.

As bilateral relations progressed, the all-weather friend, China, took advantage of Pakistani public perceptions of a hostile India and unreliable America to build a romanticised image of China-Pakistan relations. It guided the terms of engagement but shrewdly gave Pakistan an illusion of being an equal partner. In the midst of growing anti-Americanism in Pakistan that further made China look by contrast an unselfish and eternal ally, this lowered the threshold of disappointment on both sides. Ever mindful not to cross the threshold, the two countries have gone overboard with soaring rhetoric to illustrate the relationship. It served many purposes, especially of submerging any differences of policy perceptions in the flood of rhetoric.

2 Munir Akram, "A Strategic Challenge", *Dawn*, 29 April 2018. <https://www.dawn.com/news/1404556>.

Over the years, China has enabled Pakistan to develop a credible deterrence against India that became the bedrock of China's gleaming image in Pakistan. China's contribution to Pakistan's defense capability began in the late 1960s with the supply of modest quality Chinese defense equipment that finally led to its presumed help in Pakistan's nuclear weapons and ballistic missiles programmes.³ China is today the most reliable source of modern military hardware and technology to Pakistan.

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From 2009 to 2018, Pakistan imported US\$6.17 billion (S\$8.6 billion) worth of arms (58.42 per cent of its total arms imports) from China.⁴ Pakistan is also in negotiations to buy the longer range Chinese HQ-9 system, a Chinese analog to the Russian S-300 long-range surface-to-air missiles.⁵ The two countries jointly manufacture military aircraft and other weapons systems, notably JF-17 multirole combat aircraft, Al-Khalid or MBT-2000; and A-100 multiple rocket launcher.

Rivalries, Insecurities and Mistrust

Responding to China's military and economic rise, India and the US have reached out to each other since the late 1990s to build a relationship that incorporates strategic consultation, military collaboration and arms transfers.⁶ India, along with Japan and Australia, is also part of the American-led four nation group, 'Quad', which is a linchpin of Washington's Indo-Pacific strategy.

With China's resurgence and India's rise, the China-India rivalry too has been escalating, manifesting itself at both the political-strategic and military-strategic levels. The ideational competitiveness arising from high levels of nationalism in both has resulted in its intensification.⁷

3 Arif Rafiq, "Corona Virus Fall out will test the China Pakistan relationship more than ever before", *The National Interest*, 9 May 2020. <https://nationalinterest.org/feature/coronavirus-fallout-will-test-china-pakistan-relationship-more-ever-152736>.

4 Rajesh Basrur, "Friction with a Rising China India and China: A Managed Nuclear Rivalry?", *The Washington Quarterly*, October 2019. <https://www.tandfonline.com/doi/abs/10.1080/01636660X.2019.1666354>.

5 Charlie Gao, "Pakistan has China to thank for these powerful weapons", *The National Interest*, 5 May 2020. <https://nationalinterest.org/blog/buzz/pakistan-has-china-thank-these-powerful-military-weapons-151276>.

6 Rajesh Basrur, "Friction with a Rising China. India and China: A Managed Nuclear Rivalry?", op cit.

7 Ibid.

There is today an arms competition “chain” in which Beijing responds to Washington and, in turn, New Delhi to Beijing (and then Islamabad to New Delhi).⁸

The US’ policies in South Asia that once hampered India’s regional goals are now advancing them.

India’s strong relationship with Washington and adversarial relationship with Pakistan (China’s ally) serves not only India’s own interest to stand up to China but also advances the US policy of balancing China by strengthening India and containing Pakistan. Indian Prime Minister Narendra Modi’s Pakistan policy has found common purpose in the US’ strategic objectives in the region. India’s hard-line stand against Pakistan used to be restricted by US-Pakistan relations. Now, the two run parallel as American and Indian interests have both come to focus negatively on Pakistan on many issues. The US’ policies in South Asia that once hampered India’s regional goals are now advancing them.

The US and India’s opposition to the CPEC has knitted their South Asia strategies together, serving varying objectives towards Pakistan. While New Delhi aims to weaken it, Washington wants Pakistan to be a weak ally of China but capable enough to serve American purposes. It is not in the US’ interest to destabilise Pakistan, as US-India relations cannot address all of Washington’s challenges in the region.

Yet, with the India-Afghanistan relationship pivoting on close cooperation with Pakistan on one side, and the US-India strategic partnership on the other (from which Pakistan faces both collateral and intended damage), it understandably feels under siege. And, as India and the US rely on each other, it also creates insecurities in China.⁹ “The China-Pakistan partnership serves the interests of both by presenting India with a potential two-front theatre in the event of war with either country distracting New Delhi from the task of reaching its potential as a major regional and global player.”¹⁰

8 Robert Einhorn and W P S Sidhu, “The Strategic Chain: Linking Pakistan, India, China and the United States”, Brookings Institution, March 2017. <https://www.brookings.edu/research/the-strategic-chain-linking-pakistan-india-china-and-the-united-states/>.

9 Marvin Weinbaum and Syed Mohammad Ali, “Seizing the moment: New pathways to US Pakistan relationship”, Middle East Institute, Washington, 3 March 2020. <https://www.mei.edu/publications/seizing-moment-change-pathways-sustainable-us-pakistan-relationship>.

10 Harsh Pant, “The Pakistan Thorn in China-India-U.S. Relations”, *The Washington Quarterly* Volume 35, Issue 1, 16 December 2011. <https://www.tandfonline.com/doi/abs/10.1080/0163660X.2012.642294>.

China's Lengthening Strategic Shadow

With the BRI project, for which the CPEC represents a critical platform, China has found a new meaning in its relations with Pakistan.¹¹ China's fast growing demand for energy sources and markets for its Western regions and investment opportunities for its companies have augmented Pakistan's importance by virtue of its geo-strategic location. Above all, Pakistan helps advance China's surging global economic and strategic ambitions. It has made China and Pakistan greatly interdependent, further raising Beijing's stakes in Pakistan.

China cannot afford the failure of the CPEC as this would spell the failure of the BRI. China now has a vested interest not just in defense, but also in the economy of Pakistan and its international standing. No wonder it has managed to shield Pakistan from being blacklisted by the Financial Action Task Force. And it has also blocked India's entry into the Nuclear Suppliers Group without Pakistan.

To Pakistan, the CPEC is designed to help strengthen its economic foundation by addressing its development deficit while putting Pakistan on the path to sustainable economic growth. It is also perceived to be able to improve Pakistan's image as a business-friendly country, while allowing China, already Pakistan's largest trading and foreign direct investment partner, to invest more in Pakistan. Overall, it will boost Pakistan's capacity to serve China's economic and strategic purposes.

The CPEC is also expected to raise Pakistan's own stake in its economic prosperity and political stability, strengthening its resolve to fight against militant organisations. Pakistan will also have a vested interest in the security of north-western China, the stability of which is critical to the success of the CPEC. This, in turn, may bring strategic clarity to Pakistan's Afghanistan policy for its own sake and for the sake of the success of China's BRI project.

China now has a vested interest not just in defense but also in the economy of Pakistan and its international standing.

¹¹ Khalid Mahmood, "Pakistan-China Strategic Relations", Institute of Strategic Studies, Islamabad, Pakistan, 4 August 2011. <http://issi.org.pk/pakistan-china-strategic-relations/>.

A New Partnership

China realises that it has few allies in the current US-China Cold War. The US, with its traditional alliances in Asia to which has been appended its Indo-Pacific strategy and an extraordinary relationship with India, is the predominant power in Asia. China has to meet this challenge through a well-calculated and clever strategy. Not only does China have to avoid a two-front war with the US and India and focus on the US by lowering tensions with India, it also has to prioritise the Asia-Pacific region over South Asia.¹²

As China expands its relations with Pakistan and enhances its role as an accessory to its strategic reach in the region and beyond, it gives China flexibility to use the relationship in dealing with India.

China is cognisant of the trouble India can incite in Tibet, Xinjiang and Pakistan's Northern Areas of Gilgit Baltistan. This will encircle China in its periphery. China wants to tread carefully with India. As China expands its relations with Pakistan and enhances its role as an accessory to its strategic reach in the region and beyond, it gives China flexibility to use the relationship in dealing with India. It enables Beijing to up the ante or compromise on some aspects of the relationship, for example, calling for a peaceful resolution of the Jammu and Kashmir dispute and counselling Pakistan to put the Kashmir dispute on the back burner.¹³

Yet, China's own border dispute with India, involving Kashmir, can harden its stance against India if required. Following the Indian action of 5 August 2019 to abrogate Kashmir's special status, China has twice raised the matter in the UN Security Council and has taken a hard stance in the latest border tensions with India. The Chinese have been clearly provoked¹⁴ by the Indian decision to turn Ladakh into a Union territory, which C Raja Mohan refers to as Modi's "discarding of India's political defensiveness on the Kashmir dispute".¹⁵ Pakistan

¹² Yun Sun, "China's Strategic Assessment of India", *War on the Rocks*, 25 March 2020. <https://warontherocks.com/2020/03/chinas-strategic-assessment-of-india/>.

¹³ Jiang Zemin, "Speech to the Joint session of the Pakistan Parliament in 1996", *China Report*, Volume 33, Issue 2, May 1997. <https://journals.sagepub.com/doi/abs/10.1177/000944559703300213>.

¹⁴ Ashley Tellis, "Hustling in the Himalayas: The Sino-Indian Border Confrontation", Brookings Institution, 4 June 2020. <https://carnegieendowment.org/2020/06/04/hustling-in-himalayas-sino-indian-border-confrontation-pub-81979>.

¹⁵ C Raja Mohan, "Modi's World: Changing the terms of India's Global Engagement", *The Strait Times*, 30 May 2020. <https://www.straitstimes.com/opinion/modis-world-changing-the-terms-of-indias-global-engagement>.

too feels aggravated. The Kashmir dispute gives China and Pakistan a shared interest and opportunity, but for their own reasons: to put coordinated pressure on India.

In sum, Pakistan has literally become the sole strategic partner of China in Asia, serving the latter's interests not only in South Asia but also indirectly in the Indo-Pacific context. Across the larger BRI and, more specifically, the CPEC and Gwadar, China will be able to side step the US and its 'allied' naval dominance across the Indo-Pacific using Chinese leader Mao Zedong's strategy: "where the enemy retreats, we pursue; where the enemy advances, we withdraw." The view that the US has been withdrawing from Central Asia, the Middle East and Afghanistan makes the Chinese believe that it opens doors for China.¹⁶

Conclusion

The relations between Pakistan and India are no longer just about Pakistan and India. Pakistan's policy on India has become a subset of China's strategic ambitions, while India's policy on Pakistan is an adjunct to its China policy and a footnote in its relationship with Washington. These configurations have only hardened the differences between India and Pakistan.¹⁷ This is likely to increase with the intensification of US-China rivalry as one could see from the high-level interventions by Washington in the recent India-China spat.¹⁸ On the other hand, Dan Marky suggests in a new book that China-Pakistan relations promote brinkmanship by Pakistan.¹⁹

Rivalries are being reinforced from all sides and have become indivisible. This is a recipe for recurring tensions, raising the potential of one crisis ricocheting into another, as in the case of the recent

Pakistan's policy on India has become a subset of China's strategic ambitions, while India's policy on Pakistan is an adjunct to its China policy and a footnote in its relationship with Washington.

16 The author's conversation with Ms Yun Sun, Senior Fellow and Co-Director of the East Asia Program and Director of the China Program at the Stimson Center, United States, on 13 June 2020.

17 Touqir Hussain, "South Asia: a Region Divided Center on Asia and Globalization", China India Brief No 77, Lee Kuan Yew School of Public Policy (National University of Singapore), June 2016. <https://lkyspp.nus.edu.sg/cag/publications/details/china-india-brief-77>.

18 Michael Kugelman, "The Pakistan Factor in the China India Stand Off", *The National Interest*, 6 June 2020. <https://nationalinterest.org/feature/pakistan-factor-india-china-standoff-161021>.

19 Dan Markey, "China's Western Horizon: Beijing and the New Geopolitics of Eurasia", Oxford University Press, March 2020. <https://global.oup.com/academic/product/chinas-western-horizon-9780190680190?cc=us&lang=en&>.

China-India border clashes spilling over to an India-Pakistan conflict in Kashmir, which stoked Pakistan's anxiety about a possible false flag incident by India.

Pakistan's apprehensions have been heightened by its suspicion that Washington has burnt its bridges with Islamabad and thrown its lot in with India.

Pakistan's apprehensions have been heightened by its suspicion that Washington has burnt its bridges with Islamabad and thrown its lot in with India. In turn, this would only push Pakistan into the Chinese lap, much to Washington's chagrin. Ironically, this is a choice neither Pakistan nor China would be comfortable with.

Meanwhile, US-China geopolitical competition and China-India rivalry will continue to have benefits for India and Pakistan, outweighing any peace dividend in South Asia. India's strategic autonomy and Pakistan's need for both China and the US may compel or encourage the two countries in the end to search for a new relationship in the larger interests of peace and prosperity of their peoples. However, for that, a lot else will have to change.

The shadow of history has darkened India and Pakistan's views of each other. Their foreign policies, resting on conflicting identities and national purposes, move in colliding orbits. And each has remained an indelible fixture of the other's domestic politics, thereby compromising the will to change. Ultimately, it will be a different India and a different Pakistan that will have peace between them.

Sri Lanka: Navigating Sino-Indian Rivalry

Chulanee Attanayake and Archana Atmakuri

Summary

China's investments in port developments in Sri Lanka have led to India boosting its own investments in infrastructure development, particularly in maritime and port development, not far from Chinese projects. Using investments in infrastructure as a point of competition, this paper evaluates how Sri Lanka is navigating the rivalry between India and China to make the most of their competition in South Asia.

Introduction

Sri Lanka's strategic location makes it an important country in the Indian Ocean amidst growing maritime trade and geopolitics.

Sri Lanka's strategic location makes it an important country in the Indian Ocean amidst growing maritime trade and geopolitics. As the Indo-Pacific region grew as the centre of attention in the 21st century, major powers, including the United States, India, Australia, Japan and China came together to secure the sea lines. Their competition for control and prominence in the Indo-Pacific region soon intensified. Consequently, Sri Lanka's strategic location resulted in it being surrounded by great power rivalry.

During the last decade, Sri Lanka experienced competition among various countries for investments in infrastructure development as a way of exerting their influence in the region. When China began making investments in mega development projects in Sri Lanka, thereby earning structural control of specific industries, India felt that Sri Lanka was being used to encircle it. The concerns were further fuelled when Sri Lanka was seen as part of China's so-called 'string of pearls'. As a result, Sri Lanka became a battleground for Sino-Indian rivalry in the Indian Ocean.

Sino-Indian Rivalry in Sri Lanka

China is a newcomer in Sri Lanka. Until the early 2000s, despite having a hassle-free bilateral relationship with Colombo, Beijing was absent from the Sri Lankan landscape. Beijing first granted aid to Sri Lanka after the tsunami in 2004.¹ Thereafter, it provided military and development aid to the island nation in its war against the Liberation Tigers of Tamil Eelam (LTTE). Beijing continued its assistance post-civil war when Sri Lanka's traditional donors – like the Asian Development Bank, International Monetary Fund, Japan and the western countries – isolated Colombo on allegations of human rights violations.

In contrast, Sri Lanka's relations with India have always been a roller-coaster ride. Both Sri Lanka and India share geographical proximity and history, a common heritage and similar linguistic, cultural and ethnic ties. However, India's perceived 'big brotherly' attitude, interference in Sri Lanka's domestic affairs² and not coming to Colombo's need at critical junctures³ have had an impact on their bilateral relations. This gave space to China to establish itself as an unwavering friend. Its foreign aid, investments and trade to the country grew significantly.

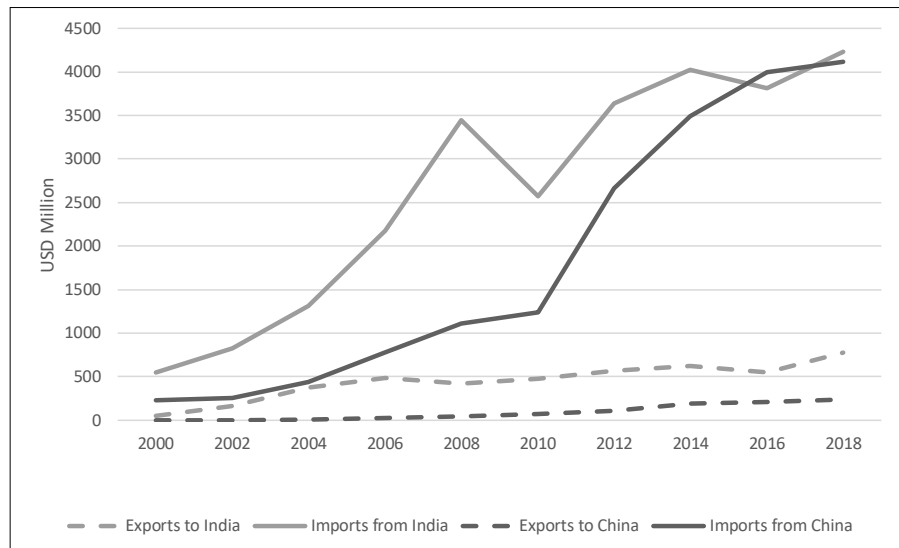
It is evident that China and India are competing in Sri Lanka, be it in trade, investment or foreign aid. India is Sri Lanka's largest trading partner since bilateral trade grew exponentially since the India-Sri Lanka Free Trade Agreement in 2000 came into force. Similarly, China's trade relations with Sri Lanka have also grown significantly since 2004. It emerged as the island state's second largest trading partner behind India in 2018. It was, in fact, Sri Lanka's largest trading partner in 2016.

Both Sri Lanka and India share geographical proximity and history, a common heritage and similar linguistic, cultural and ethnic ties.

1 Chulanee Attanayake, *China in Sri Lanka* (2013), Lambert Academic Publishing.

2 See Bryan Pfaffenberger, "Sri Lanka in 1987: Indian Intervention and Resurgence of the JVP", *Asian Survey* 28, no. 2 (1988): 137-147; and Syed Muthahar Saqaf, "The largest LTTE training camp was located at Kolathur", *The Hindu*, 28 August 2014. <https://www.thehindu.com/news/national/tamil-nadu/the-largest-ltte-training-camp-was-located-at-kolathur/article6357629.ece>.

3 See Sinharaja Tammita-Delgoda, "Review Essay Ashok Mehta, *Sri Lanka's Ethnic Conflict. How Eelam War IV was Won*", Manekshaw Paper No. 22 A (CLAWS, 2010); and Sutirtho Patranobis, "China finishes port project India rejected", *Hindustan Times*, 17 August 2010. <https://www.hindustantimes.com/world/china-finishes-port-project-india-rejected/story-0xP7Fg9ia8ROOX0Hyrlsfl.html>.

Figure 1: India and China's trade with Sri Lanka

Source: Author's computation using data from the Central Bank of Sri Lanka

Sri Lanka was not a preferred destination for foreign direct investments (FDI) for a prolonged period, as the country was embroiled in a civil war with the LTTE.

The situation of India and China's investment relationship with Sri Lanka is no different. Sri Lanka was not a preferred destination for foreign direct investments (FDI) for a prolonged period, as the country was embroiled in a civil war with the LTTE. Long-term FDI partners from Europe and Japan pulled out when Sri Lanka began a military offensive against the LTTE in 2006. On the other hand, China was quick to realise the untapped investment opportunities in the island state. Since 2008, it has increased its investments in Sri Lanka. Not wanting to lose out, India has also intensified its investments in Sri Lanka over the years. As such, the FDI inflows from the two Asian powers have grown until 2019 (Table 1).⁴

4 The reason for the decline in FDI in 2019 could be the result of the Easter Sunday attacks in April 2019. Following the attacks, Sri Lanka was downgraded as an investment destination by the international credit agencies, and many investors pulled their investments out of or decided not to invest in the country.

Table 1: FDI from China and India to Sri Lanka (2001-2019) [US\$ Million]

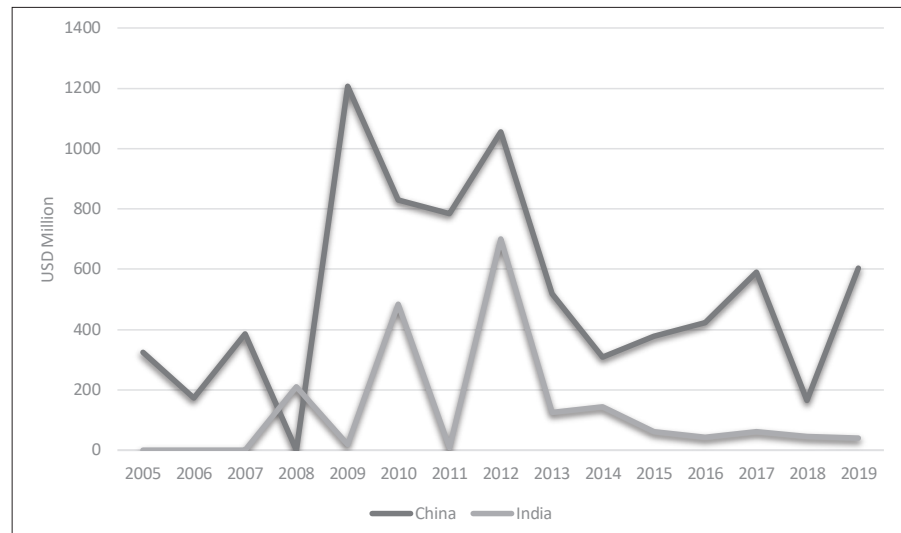
Year	China	India
2001	0	0
2002	0	0
2003	0	0
2004	0	0
2005	0	0
2006	0	0
2007	-1.52	0
2008	9.04	0
2009	-1.4	0
2010	28.21	1,261.88
2011	81.23	259.75
2012	16.75	156.74
2013	45	52
2014	21	60
2015	147	72
2016	103	126
2017	456	181
2018	872	177
2019	59	121

Source: UNCTAD

Competition for Investment Infrastructure Development

It is a common strategy for any powerful country to provide development aid to smaller states to gain influence vis-à-vis other competing powers. Both India and China are competing with each other to assist in Sri Lanka's economic and social infrastructure development. However, this competition only began after China became a regular donor to Sri Lanka in 2005. Prior to this, both China and India's foreign aid contribution to Sri Lanka was inconsequential. In 2003, China and India contributed only 2.3 per cent and three per cent respectively to the total external financial commitments made by all donors to Sri Lanka. However, this share changed when Sri Lanka began receiving more loans and grants from Beijing. As shown in Figure 2, India's foreign aid commitment grew in parallel to that of China. However, China continues to remain the largest bilateral investor in Sri Lanka.

Both India and China are competing with each other to assist in Sri Lanka's economic and social infrastructure development.

Figure 2: China versus India: Foreign aid commitments

Source: Author's computation using the data from the External Resource Department of Ministry of Finance, Sri Lanka

Simultaneously, India is engaged in housing development as well as road and railway projects in Sri Lanka.

Over the last two decades, China has invested heavily in connectivity projects under the broader Belt and Road Initiative and developed ports, roads and special economic zones in the island nation. Among others, it has been active in building ports and airports, roads and railway, besides energy infrastructure in various parts of the country. Simultaneously, India is engaged in housing development as well as road and railway projects in Sri Lanka. It has also shown interest in developing port infrastructure in the country (Table 2).

Table 2: China versus India: Selected infrastructure projects in Sri Lanka

Year	Country	Project	Type	Sector	Province
2009	China	Bunkering Facility and Tank Farm Project in Hambantota Port	Loan	Port	South
		Colombo-Katunayake Expressway Project	Loan	Road and Expressways	Western
		Puttalam Coal Power Project – Phase II	Loan	Energy	Northwestern
2010	China	Mattala Hambantota International Airport	Loan	Airport	South
		Power Sector Development Programme (Uthuru Wasanthaya)	Loan	Energy	North
		Rehabilitation of Kandy-Jaffna Road (A009)	Loan	Road and Expressway	North
		Rehabilitation of Jaffna-Point Pedro Road (AB020), Puttur-Meesalai Road (AB032), Jaffna-Kankasanthurai Road (AB016), Jaffna-Palali Road (AB018)	Loan	Road and Expressway	North
		Rehabilitation of Mulaithivu-Kokavil-Pulmodai Road (B297), Oddusudan Nadunkerny Road (B334), Mulaithivu-Puliyankulam Road (B296)	Loan	Road and Expressway	North
		Southern Expressway from Pinnaduwa to Matara	Loan	Road and Expressway	South
		Rehabilitation of Puttalam – Marichikade Mannar Road (B379, B403)	Loan	Road and Expressway	Northwestern /Northern
		Rehabilitation of Navatkuli-Kerativu-Mannar Road (A032)	Loan	Road and Expressway	Northwestern
	India	Limb Refitment Project, Rail Bus service Trincomalee to Baticaloa	Grant	Road	Eastern
		1,000 Pilot Housing Units Project	Grant	Housing	North
		Rehabilitation of the Harbour at Kankasanthurai	Grant	Port	Northern
		1,000 housing units in Northern Province	Grant	Housing	Northern
2012	China	Hambantota Port Development Stage II	Loan	Port	South
	India	49,000 Housing Units in Northern, Eastern, Central and Uva Provinces	Grant	Housing	Northern
2013	China	Matara Beliatta Section of Matara Kataragama Railway Extension	Loan	Road and Expressway	South
		Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment	Loan	Port	South
		Construction of Outer Circular Highway Project – Phase III	Loan	Road and Expressway	Western
		Southern Expressway Extension-Section 4 from Mattala to Hambantota	Loan	Road and Expressway	South
		Southern Expressway Extension-Section I from Matara- Beliatta	Loan	Road and Expressway	Western
2014	India	Kawanthissapura Industrial Zone, Hambantota	Grant	Port	South
		4,000 housing units in Uva and Central Provinces	Grant	Housing	Uva and Central
2018	India	Credit Line for Development of Kankasanthurei Harbour.	Loan	Port	Northern
2019	India	Development of East Coast Terminal at Colombo port	Loan	Port	Central

Source: Compiled by the author using information from the External Resource Department of Ministry of Finance, Sri Lanka

One of the most significant competitions in infrastructure between India and China is seen in the Sri Lankan port sector.

One of the most significant competitions in infrastructure between India and China is seen in the Sri Lankan port sector. In 2005, China began constructing a deep-water seaport in Hambantota, a project which was earlier offered to India for construction. The Hambantota Port development had been in discussion within Sri Lanka's policy circles since the 1980s. When Mahinda Rajapaksa came to power as president in 2005, he put the plan into motion for two reasons: first, the location was strategic; and second, Hambantota was his political constituency, and he felt a responsibility to develop the port. However, India did not see any economic potential in the Hambantota Port. China later seized the opportunity to develop the port. This was a triggering point for both New Delhi and Beijing, as China's involvement in infrastructure development in Sri Lanka grew exponentially following its foray into the Hambantota Port project.

As the project gained international attention and association with China's 'string of pearls' around India, New Delhi's concern over the growing Chinese presence subsequently increased. India has been closely observing the developments so much so that a consulate was opened in Hambantota in 2010, despite there being no significant Indian community or Sri Lankan Tamil community that would require its service there. The Indian concern also led to growing competition between China and India to invest in Sri Lanka's infrastructure.

So far, China has invested over US\$1 trillion (S\$1.39 trillion) in the development of Hambantota Port. In 2017, Sri Lanka signed an agreement to lease the port for a 99-year period to Hambantota International Port Group, jointly established by Sri Lanka Ports Authority (SLPA) and China Merchants Port Holdings Company Limited (CM Port). The agreement further raised India's security concerns, as New Delhi believes that the port may be potentially used for a Chinese military base in the future. India's concern was the result of a Chinese submarine docking at the Colombo Port in 2014.⁵ The event created diplomatic tension between India and the Rajapaksa government,

⁵ Shihar Aneez and Ranga Sirilal, "Chinese submarine docks in Sri Lanka despite Indian concerns", *Reuters*, 3 November 2014. <https://www.reuters.com/article/sri-lanka-china-submarine/chinese-submarine-docks-in-sri-lanka-despite-indian-concerns-idINKBN0IM0LU20141102>.

with speculations that India played a significant role in his presidential election defeat in 2015.⁶

It is interesting to note that India has also begun to show interest in port development in Sri Lanka to compete with the Chinese project. Recently, India expressed its interest to develop the Trincomalee Port, situated at the Bay of Bengal, and the East Terminal of the Colombo Port.⁷ While India has always shown an interest in the Trincomalee area, its interest in developing a terminal in the Colombo port appears to be a response to China's presence.

It is interesting to note that India has also begun to show interest in port development in Sri Lanka to compete with the Chinese project.

Since 2010, CM Port has been operating the southern terminal, known as the Colombo International Container Terminal (CICT), of the Colombo Port under a 35-year Build Operate and Transfer Agreement with the SLPA. According to recent reports, 40 per cent of volumes at the Colombo Port in 2019 were handled by the CICT.⁸ Even though the majority of Colombo Port's transshipment serves the Indian market, New Delhi was not keen on investing in Sri Lanka's port industry until China came in.

Together with Japan, India has expressed an interest to invest in developing the East Container Terminal (ECT) of the Colombo Port.⁹ The three countries will jointly own the terminal operations, with Sri Lanka retaining a 51 per cent stake, and India and Japan the remaining 49 per cent stake. The proposal is to build the ECT in a similar manner as the CICT. Coincidentally, the terminal is only three kilometres away from the Colombo Port City project, another mega infrastructure project developed by China. The US\$1.4 billion (\$\$1.95

6 John Chalmers and Sanjeev Miglani, "Indian spy's role alleged in Sri Lankan president's election defeat", *Reuters*, 18 January 2015. <https://www.reuters.com/article/us-sri-lanka-election-india-insight/indian-spys-role-alleged-in-sri-lankan-presidents-election-defeat-idUSKBN0KR03020150118>; Neha Singh, "Sri Lanka Elections: Was India's RAW Behind Rajapaksa's Defeat?", *International Business Times*, 18 January 2015. <https://www.ibtimes.co.in/sri-lanka-elections-was-indias-raw-behind-rajapaksas-defeat-620739>.

7 Dipanjan Roy Chaudhury, "India to help develop Colombo, Trincomalee Ports: Foreign secretary S Jaishankar", *The Economic Times*, 13 July 2018. <https://economictimes.indiatimes.com/news/defence/india-to-help-develop-colombo-trincomalee-ports-foreign-secretary-s-jaishankar/articleshow/61251807.cms?from=mdr>.

8 "CICT handles 40 pct of volumes at Colombo Port in 2019", *Xinhua*, 17 January 2020. http://www.xinhua.net.com/english/2020-01/01/c_138671409.htm.

9 Meera Srinivasan, "Sri Lanka, Japan, India sign deal to develop East Container Terminal at Colombo Port", *The Hindu*, 28 May 2019. <https://www.thehindu.com/news/international/sri-lanka-japan-india-sign-deal-to-develop-east-container-terminal-at-colombo-port/article27273794.ece>.

billion) Colombo Port City project is an attempt to create high-end real estate through land reclamation. For India, this is yet another Chinese attempt to gain influence in Sri Lanka. As such, the Indian motives for the ECT cannot be ignored.

Sino-Indian competition is also visible in the development of roads and expressways in Sri Lanka.

Sino-Indian competition is also visible in the development of roads and expressways in Sri Lanka. Since the end of the civil war, the Sri Lankan government has adopted ambitious plans to develop road infrastructure to facilitate connectivity within the country. This is viewed as key to economic development and investment attraction. Apart from rehabilitating roads destroyed in the war-torn North and East, Sri Lanka has also focused on constructing expressways. While India has not been actively involved in building expressways in Sri Lanka, it is competing with China to build and rehabilitate roads in the North and East (Table 2).

Similarly, competition between China and India has been brewing in housing infrastructure development in Sri Lanka. India began housing projects as early as 2012, despite it taking over six years to build 40,000 houses.¹⁰ The Indian effort has been seen as an attempt to support the local Tamils. These projects have, in turn, resulted in China expressing its interest in building housing infrastructure. In 2018, China proposed building 40,000 houses in Jaffna. However, the project was halted due to the residents demanding brick houses instead of concrete.¹¹ This provided the opportunity for India to step in to build a further 15,000 houses in the region. India has a cultural advantage in the northern region of Sri Lanka, given the strong Tamil linkages, and it seems to be using this affiliation to gain leverage in the development initiative.

India is also developing the Jaffna International Airport (JIA), formerly known as Palali Airport, in the northern region to boost connectivity between South India and Jaffna. This project too can be viewed as a

10 "Indian housing project in Sri Lanka makes good progress", *The Economic Times*, 13 April 2013. <https://economictimes.indiatimes.com/wealth/personal-finance-news/indian-housing-project-in-sri-lanka-makes-good-progress/articleshow/19711479.cms?from=mdr>.

11 "Sri Lanka reverses \$300m China housing deal", *Nikkei Asian Review*, 19 October 2019. <https://asia.nikkei.com/Politics/International-relations/Sri-Lanka-reverses-300m-China-housing-deal>.

response to China's involvement in building the Mattala International Airport (MIA). However, the MIA has not been able to live up to its potential due to the absence of a proper business model to utilise the airport.¹² The same issues, including the lack of adequate connectivity to the rest of the country (which affected the MIA), can be applied to the JIA. However, having said that, the project can help India realise its strategic interests. The first is its consideration of the interest of Sri Lankan Tamils. The second is to compete with China's investments with the view to protecting India's security concerns in the Indian Ocean.

Navigating the Sino-Indian Rivalry

Being a small state situated in a strategic location and caught in the middle of a power competition, Sri Lanka is expected to ally itself decisively with one power or another. On the one hand, given Sri Lanka's small size, and its military and economic weakness, one would expect it to go into an alliance with its immediate power, India. However, on the other hand, given their historical relationship and geographical proximity, it is also expected that Sri Lanka would worry about India threatening its sovereignty and thereby expect it to bandwagon with Beijing to balance Indian influence. However, it is interesting to note how Sri Lanka has done neither. It has instead seized upon an alliance strategy described as 'hedging'.¹³ In this regard, Sri Lanka has hedged its bets with both and has turned their rivalry into its advantage.

Being a small state situated in a strategic location and caught in the middle of a power competition, Sri Lanka is expected to ally itself decisively with one power or another.

Sri Lanka is upfront about its interest in accepting financial aid and investment from both India and China. Successive Sri Lankan governments have affirmed that it is in no position to choose its partners but is instead ready to work with all countries, including India and China, to achieve its development targets. While Sri Lanka pays attention to India's sensitivities vis-à-vis China, it is open about accepting investments from Beijing.

12 Chulanee Attanayake, "Mattala: Attracting Business into a Lonely Airport", ISAS Working Paper, No. 314, 20 December 2018. <https://www.isas.nus.edu.sg/papers/314-mattala-attracting-business-into-a-lonely-airport/>.

13 Polly Diven, "Superpowers and small states: US, China, and India vie for influence in Sri Lanka", In *Annual Meeting of the European Consortium on Political Research*, Prague, September, pp. 7-10.

During a state visit to India on 29 and 30 November 2019, President Gotabaya Rajapaksa re-affirmed the idea of an equidistant foreign policy as the way forward for his government. He promised that his government would be sensitive to India's concerns and would be upfront in order to avoid any misunderstanding. However, he noted that India and the other countries in the region must invest more in Sri Lanka if they want to provide an alternative to Chinese investment.¹⁴

For Sri Lanka under the former Rajapaksa government, rapid infrastructure development was a key for its economic policy. Given Sri Lanka's limited options – due to the financial crisis internationally and issues of alleged human rights violations domestically – China was the only available option that could provide the much-needed financial aid. Moreover, the process of Chinese funding and the implementation of the projects appeared much faster than those with India. Hence, the government moved forward with Chinese-funded projects, which have transformed the socio-economic condition of the island nation.

The competing projects between China and India have been geographically distributed across Sri Lanka.

The competing projects between China and India have been geographically distributed across Sri Lanka. China dominates the projects in the Sinhalese majority south while India features predominantly in the Tamil majority north and east. The Sri Lankan government is trying to keep that balance. Revoking the housing project offered to China in 2018 is a good example.

Conclusion

As a small country, Sri Lanka experiences both advantages and disadvantages of Sino-Indian rivalry. While it has benefitted economically, it is at times dragged into their rivalry. However, to Sri Lanka's credit, it has learned how to turn that rivalry into an opportunity to realise its own vested interests. Sri Lanka's relationship with India

¹⁴ Suhasini Haider, "Will be frank with New Delhi to avoid misunderstandings: Gotabaya Rajapaksa", *The Hindu*, 30 November 2019, <https://www.thehindu.com/news/international/need-more-coordination-between-delhi-colombo-says-gotabaya-rajapaksa/article30125809.ece>.

and China highlights that small states can play a role in determining the nature of their alliances, despite being at a disadvantage relative to the larger powers.

Implications of India's Indo-Pacific Strategy on China-India Relations: A Chinese Perspective

Ren Yuanzhe and Wu Lin

Summary

As a country with global influence, a representative of the developing world and an important neighbour of China, India has been playing a pivotal role in the international arena. It has always been a relevant country for China in terms of cooperation. However, in recent years, with the changes in the international strategic situation and the intensification of China-United States (US) strategic competition, China-Indian relations have entered a period of uncertainty, with the competitive dimension becoming more visible. One driver behind this is India's strategy on the Indo-Pacific. The outbreak of the COVID-19 pandemic has further accelerated the strategic transformation. This paper provides a Chinese perspective on India's Indo-Pacific strategy and its implications for China-India relations at present and in the near future.

India's Indo-Pacific Vision

For a long time, Indian officials did not make it clear whether India had an Indo-Pacific strategy.

For a long time, Indian officials did not make it clear whether India had an Indo-Pacific strategy. Although Prime Minister Narendra Modi's keynote speech during the 2018 Shangri-La Dialogue in Singapore was considered by many as both a comprehensive explanation and an explicit declaration of India's Indo-Pacific proposition, the word 'strategy' was not mentioned during his speech. At that point, India's Indo-Pacific proposition also did not have a clear strategic orientation. On the contrary, it was more political than strategic. Initially, the basic judgement from Chinese scholars was that India's foreign policy in the Indo-Pacific region would adhere to the principle of strategic autonomy and might not deviate too far from its preceding foreign policy orientations. However, in the last two years, India's policies and

practices in the Indo-Pacific region have exceeded the predictions and expectations of many Chinese scholars. India's Indo-Pacific diplomacy has become increasingly strategic, incrementally targeting China. This strategic turn will inevitably have a significant impact on China-India relations.

The fundamental points of Prime Minister Modi's speech at the Shangri-La Dialogue included that of India seeing the Indo-Pacific as a geographical rather than strategic concept, and that India accepted the concept of the Indo-Pacific. The speech also stressed strategic autonomy. It did not view the quadrilateral dialogue among the US, Japan, India and Australia as an exclusive group and did not target any specific country. India supported the central role of the Association of Southeast Asian Nations in the Indo-Pacific regional framework.¹ The aforementioned points briefly outlined India's 'Indo-Pacific vision', which is of far-reaching significance. It fully shows that India's diplomacy has transited from the 'Look East' to 'Act East' policy and then the 'Indo-Pacific vision'. The Indo-Pacific has now entered into India's diplomatic discourse and has become an important aspect of its foreign policy.

The Indo-Pacific has now entered into India's diplomatic discourse and has become an important aspect of its foreign policy.

The traditional strategic layout of Indian foreign policy has been based on three circles divided by geographical distances. The first is its immediate neighbours, namely, the South Asian countries. The second is its extended neighbourhood, which includes the other Asian countries while the outermost circle is the other regions of great relevance to India. The emergence of the Indo-Pacific provides an opportunity for India to move out of South Asia and transcend the traditional definition of New Delhi's interests and strategies in terms of geographical distance. The Indo-Pacific literally means the Indo-Pacific region; but once it enters into India's diplomatic discourse, it has robust political implications. Based on the latest definition by India's External Affairs Minister, Subrahmanyam Jaishankar, the Indo-Pacific consists of a wide area covering "the Gulf, the Arabian Sea island nations, the Indian subcontinent, South-east Asia, Australia, New

¹ Ministry of External Affairs, Government of India, "Prime Minister's Keynote Address at Shangri-La Dialogue", 1 June 2018. <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

Zealand and the Pacific islands”, as well as the “eastern and southern shores of Africa”.² Apparently, India’s perception of the Indo-Pacific and its relevant policy are not only considered from the perspective of a geographic space; it is also based on the reassessment of its national interest. In comparison to his predecessors, Jaishankar places more emphasis on the conception of “India First” and advocates a nationalist and pragmatic style of foreign policy, holding an aggressive attitude towards China. He said recently, “This is a government with a very strong determination to protect national interest.”³

From Vision to Strategy

In the Chinese view, India’s Indo-Pacific vision has been significantly upgraded in the last two years, particularly in the following five aspects.

However, now, under pressure from a rising China, India has begun to collaborate with the US under the Indo-Pacific framework, jointly balancing the ever increasing Chinese influence.

First, India has strengthened cooperation with the US in the Indian Ocean. It used to be extremely worried about the US being opportunistic in intervening in Indian Ocean affairs. However, now, under pressure from a rising China, India has begun to collaborate with the US under the Indo-Pacific framework, jointly balancing the ever increasing Chinese influence. Following the quadrilateral dialogue in 2017, India officially accepted the concept of the Indo-Pacific but expressed it vaguely, deliberately keeping a distance from the US Indo-Pacific position. However, a series of recent movements shows that India’s objective in the Indo-Pacific is to strengthen its cooperation with the US in the Indian Ocean and actively shape the Indo-Pacific geostrategic landscape.

Second, the institutionalisation of the ‘Quad’ is being accelerated. On 27 September 2019, the foreign ministers of the US, Japan, India and Australia held a quadrilateral dialogue during the United Nations (UN) General Assembly – the first foreign ministers’ meeting that was

2 Ministry of External Affairs, Government of India, “Valedictory Address by External Affairs Minister at 11th Delhi Dialogue”, 14 December 2019. https://mea.gov.in/Speeches-Statements.htm?dtl/32212/Valedictory_Address_by_External_Affairs_Minister_at_11th_Delhi_Dialogue_December_14_2019.

3 Raj Chengappa, “This is a government with a very strong determination to protect national interest: Jaishankar”, *India Today*, 28 February 2020. <https://www.indiatoday.in/magazine/interview/story/20200309-this-is-a-government-with-a-very-strong-determination-to-protect-national-interest-jaishankar-1650478-2020-02-28>.

held since the US officially unveiled the Indo-Pacific strategy at the end of 2017. The earlier dialogue was at the joint-secretary level, but this was officially elevated to the ministerial level. The US, Japan and Australia had intended to raise the level of dialogue in 2017 itself but India was hesitant. However, by then, India had changed its policy and had agreed to the institutionalisation of the Quad.

Third, the priority of the grouping – ‘Quad Plus’ – has become increasingly prominent. COVID-19 has promoted Quad Plus and has elevated its priority in India’s diplomatic strategy. India has strengthened its cooperation and coordination with the US, Australia and other countries with the aim of countering China. Through social media, think tanks and other public diplomacy channels, India has stigmatised the virus and shaped anti-China sentiment at home and abroad. In terms of restructuring the global industrial chain, India has agreed to join the “economic prosperity network” led by the US, urging American enterprises to increase investment in India so as to gain from the restructured global industrial chain and to overshadow China’s role as “world factory”.⁴

Through social media, think tanks and other public diplomacy channels, India has stigmatised the virus and shaped anti-China sentiment at home and abroad.

Bilaterally, India also carried out a closer, all-round cooperation with Japan and Australia. In April 2020, Prime Minister Modi held “fruitful discussions”⁵ with Japanese Prime Minister Shinzo Abe. In June 2020, Prime Minister Modi and Australian Prime Minister Scott Morrison held a video summit. India and Australia announced the establishment of a Comprehensive Strategic Partnership and declared a ‘Shared Vision for Maritime Cooperation in the Indo-Pacific’. India has also been conducting regular consultations with the Republic of Korea, Vietnam and New Zealand under the framework of the Quad Plus. Under this initiative, US Deputy Secretary of State, Stephen Biegun, alongside the foreign secretaries from India, Japan, Australia, the Republic of Korea, New Zealand and Vietnam, held weekly telephone consultations between March and May 2020 to exchange best practices in dealing with COVID-19.

4 C Raja Mohan, “With global institutions in turmoil, India needs to be pragmatic and fleet-footed”, *The Indian Express*, 11 April 2020. <https://indianexpress.com/article/opinion/columns/world-health-organisation-coronavirus-crisis-india-delhi-china-un6356921/>.

5 “Had ‘fruitful discussion’ with Japanese PM Abe on COVID-19: Modi”, *Business Standard*, 10 April 2020. https://www.business-standard.com/article/news-ani/had-fruitful-discussion-with-japanese-pm-abe-on-covid-19-modi-120041000556_1.html.

Fourth, the trend of partial decoupling from China is even more apparent. Although the Indian government prefers to use 'vision' rather than 'strategy', this does not rule out that its 'Indo-Pacific vision' or related policy practices carry no strategic influence. According to Indian scholars, India's primary objective in the Indo-Pacific is to prevent China from dominating the region. The country's leaders have not stated this explicitly, but that is the underlying logic of its policy.⁶ After the outbreak of the COVID-19 pandemic, India has gone further in partially decoupling from China. It has stepped up its inspection of economic contacts with China, introduced several protectionist policies in trade and investment and has sought to "de-sinicise" its economy. Another aspect of the partial decoupling from China is that India has been vigorously developing economic cooperation with other Indo-Pacific countries to reduce its economic dependence on China.

In recent years, India's involvement in the South China Sea issue has also intensified and its ways of engagement have become more sophisticated.

Fifth, India actively guides the setting of the agenda for maritime cooperation. In November 2019, Prime Minister Modi proposed to establish the Indo-Pacific Ocean Initiative at the 14th East Asia Summit, considered to be an action plan based on India's Indo-Pacific vision. He also proposed cooperation in various fields such as plastic littering; enhancing maritime security; preserving marine resources; building capacity and fairly sharing resources; reducing disaster risk; enhancing science, technology and academic cooperation; and promoting free, fair and mutually beneficial trade and maritime transport.⁷ In recent years, India's involvement in the South China Sea issue has also intensified, and its ways of engagement have become more sophisticated. From a Chinese perspective, such actions further foster the internationalisation of the South China Sea dispute that can make the situation more complicated.

Thus, in regard to these five aspects, the development of India's Indo-Pacific strategy casts more shadows on China-India relations. As the

6 Rajesh Rajagopalan, "Evasive Balancing: India's Unviable Indo-Pacific Strategy", *International Affairs*, No.1, 2020, p. 76.

7 Dipanjan Roy Chaudhury, "India's Indo-Pacific Ocean's initiative aims maritime security pillar for inclusive region", *The Economic Times*, 21 November 2019. <https://economictimes.indiatimes.com/news/defence/indias-indo-pacific-oceans-initiative-aims-maritime-security-pillar-for-inclusive-region/articleshow/72153070.cms>.

former Indian Ambassador to China, Vijay Gokhale, argued, "China sees Indo-Pacific idea in terms of balance of power, not for advancing common interests."⁸

Risky Time for China-India Relations

Generally speaking, Chinese scholars' perception of India's Indo-Pacific strategy has changed dramatically in recent years. In the first half of 2018, Chinese scholars commonly believed that India's Indo-Pacific vision was different from that of the US, Japan and Australia, due to factors such as India's economic priorities, pursuing strategic autonomy and economic power limitations. Although the four countries resumed the quadrilateral dialogue, their interests and demands differed from one another. Although the Indo-Pacific has become India's leading strategic narrative, its actual implementation will be cautious and slow.⁹ However, these judgements have not been borne out clearly in the second term of the Modi government. In the past two years, the Modi government has been implementing a series of "de-sinicisation" measures and has drawn closer to the West. Coordinating with the US's "decoupling" policy, the Modi government has an obvious intention to check and balance China. Such actions go against the judgement of some Chinese scholars who believe that India will "avoid being involved in the vortex of China-US contention and become a pawn of the US to contain China."¹⁰ The Chinese academic community has long hoped to see cooperation between India's Indo-Pacific strategy and China's Belt and Road Initiative under the existing regional cooperation framework. However, the current India's Indo-Pacific strategy orientation has gone beyond that envisaged by Prime Minister Modi at the Shangri-La Dialogue in 2018. As a result, China-India relations have been severely impacted and the prospects for cooperation are not bright.

Although the Indo-Pacific has become India's leading strategic narrative, its actual implementation will be cautious and slow.

8 Vijay Gokhale, "China sees Indo-Pacific idea in terms of balance of power, not for advancing common interests", *The Indian Express*, 7 July 2020.

9 Wang Lina, "An Assessment of the Modi Administration's Indo-Pacific Strategy", *Journal of Contemporary Asia-Pacific Studies*, No. 3, 2018, pp. 90-114.

10 Xie Chao, "Taking Sides or Keeping Balance: Evolving China Policy of Modi Administration", *Indian Ocean Economic and Political Review*, No. 5, 2019, pp. 53-71.

The direction of India's non-alignment policy and, hence, its relations with China will depend more on China-US relations.

In relation to the rise of China, India has more strategic concerns about China than strategic differences with the US. Therefore, India is expected to continue to strengthen maritime security cooperation with the US and promote strategic cooperation with Japan, Australia and other allies of the US while intensifying pressure on China in the Indo-Pacific region. In the Chinese view, India still regards China as its biggest potential rival. The direction of India's non-alignment policy and, hence, its relations with China will depend more on China-US relations. Cooperation between China and the US will make it easier for India to pursue strategic autonomy. In contrast, heightened confrontation between the two countries is more likely to ally India with the US.¹¹

The Wuhan and Mamallapuram informal summits between Prime Minister Modi and President Xi Jinping in 2018 and 2019, respectively, were positive in stabilising bilateral relations, strengthening mutual understanding and concerns, enhancing mutual political trust and injecting strong impetus into the institutionalised cooperation between the two countries. If this mechanism aims to produce long-term positive effects, it needs to be maintained and strengthened by the two sides through joint efforts. However, the upgrading of India's Indo-Pacific strategy has weakened the basic consensus and cooperation between China and India, and has consequently led to the diminishing effectiveness of the mechanism and a declined impetus to cooperate. These are not conducive to the long-term and stable development of China-India relations.

China and India had previously decided to jointly build a 'Partnership for Development', the essence of which is to strengthen coordination and cooperation in common economic and social development. However, India's recent "de-sinicisation" measures seem to have undermined this effort. In the past, India focused on economic engagement and expanded economic cooperation with China, while, at the same time, intimately cooperating with the US and its other

¹¹ Li Li, "India's deviation from non-alignment and its causes", *Quarterly Journal of International Politics*, Vol. 2, No. 1, 2017, pp. 1-35.

Western allies on security issues. Now India seems to rely on the US and its allies on all aspects to restrict China in the geopolitical space, in its economic restructuring and in opportunities to develop. Regardless of the success of this strategy, it is unwise to decouple from China at the expense of the large Chinese market.

In the Chinese view, the Indo-Pacific vision also has its limitations. It is a big challenge for India to balance security cooperation with the US and its economic cooperation with China.¹² While India is open to the idea of containing China, it remains worried about the unpredictability of US President Donald Trump's policies, including whether he is serious about the Indo-Pacific strategy. Some scholars posit that the US will need to take concrete actions to prove that it is truly India's partner.

The real constraints to India's Indo-Pacific strategy are domestic. The country is facing considerable challenges in its economic development. From 2018 to 2019, India's gross domestic product (GDP) growth rate decreased to 6.8 per cent, which is the lowest in five years. In the fourth quarter of 2019, India's economic growth rate was 4.7 per cent, reaching a new low in six years.

The *World Economic Outlook*, released by the World Bank in April 2020, has projected a GDP growth rate of 1.9 per cent for India for 2020-21, which is 3.9 per cent lower than the January 2020 outlook. However, the GDP growth rate is estimated to jump to 7.4 per cent in 2021-22; this is almost one percentage point higher than the January 2020 estimate.¹³ According to the information released by India's National Statistical Office, although India achieved a relatively high growth rate of 3.1 per cent in the first quarter of 2020, it expects the growth rate to slow down due to the impact of COVID-19.¹⁴ By July 2020, the number of infections in India reached around 1,000,000, causing a far-reaching impact on the country.

While India is open to the idea of containing China, it remains worried about the unpredictability of US President Donald Trump's policies, including whether he is serious about the Indo-Pacific strategy.

12 Wang Ruiling, "India's Foreign Policy Adjustments in the Modi Era: A Political Development Perspective", *South Asian Studies*, No. 4, 2019, pp. 24-39.

13 "World Economic Outlook: The Great Lockdown", April 2020. <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

14 "GDP Growth Slows to a 11-year Low of 4.2%, Q4 Slumps to 3.1%", *The Hindu*, 29 May 2020. <https://www.thehindu.com/business/Economy/gdp-growth-dips-to-31-in-january-march-42-in-2019-20/article 31703885.ece>.

Besides, Hindu nationalism has influenced India's diplomacy in a subtle way, with continued impact on its surrounding and international environment, leading to tenuous India-Pakistan relations and a more turbulent regional situation. Such scenarios run counter to the values of the US concept of a "free and open Indo-Pacific". The Modi government faces the serious challenge of trying to effectively control Hindu nationalism in the country.¹⁵

Competitive Cooperation and Cooperative Competition

Considering the intensifying border disputes between China and India, Chinese-Indian contention is likely to last and further escalate.

India has recently been getting closer to the US, Japan and Australia. This trend is expected to continue. Considering the intensifying border disputes between China and India, Chinese-Indian contention is likely to last and further escalate. However, based on its strategic culture and national interest, India will not completely become "anti-China". Rather, it will continue to strive to maintain strategic autonomy and hedge its bets. It is evident that India may increase its involvement on issues like the disputes in the South China Sea to exert pressure on China. Coordination with the US, Japan, Australia and other countries on the multilateral platform will also be strengthened. For example, India has recently decided to invite Australia to join the annual Malabar naval exercises – the first time all members of the Quad will be engaged at a military level. In this regard, China will need to firmly safeguard its sovereignty, security and development interests while, at the same time, be ready to actively seek cooperation with India.

It is likely that China-India relations will encompass both competitive cooperation and cooperative competition in the future. In different periods, competition and cooperation may prevail alternatively. Of course, there is still great potential for cooperation. They could support the World Health Organization in playing its due role in fighting COVID-19 and strengthen cooperation in the post-pandemic economic recovery. At the same time, they could further cooperate on issues of global governance and multilateralism, and seek common ground while reserving differences and building consensus.

¹⁵ Lou Chunhao, "India's Foreign Policy under Modi's Second Term", *Contemporary International Relations*, No. 7, 2019, pp. 26-27; Wang Shida, "Hindu Nationalism's Rise and Impacts", *Contemporary International Relations*, No. 2, 2020, pp. 31-38.

China should also offer support to India's preparations for the 2022 G20 Summit by jointly enhancing the voice of developing countries in global governance reform. It should also deepen cooperation between the two countries on the World Trade Organization reforms, thereby safeguarding multilateralism and building an open world economy. On security issues, including border disputes, the two sides should properly manage their differences, maintain diplomatic communications and prevent disputes from escalating into conflicts. In this regard, both countries should adequately manage extreme domestic nationalism and avoid hostility. In short, India and China have much to gain from working together and much to lose from being antagonistic towards each other.

India Meets China in its Periphery

S D Muni

Summary

Henry Kissinger, the scholar-turned-statesman, in his book, 'On China' (2011), describes the United States' (US) relationship with China as that of a "combative co-existence". This might equally apply to Sino-Indian contemporary engagement. Explaining this complexity, India's former National Security Adviser and an acknowledged expert on dealing with China in diplomatic circles, Shivshankar Menon, wrote that "India-China relations do not fall into a simple binary opposition but exhibit a complex interplay in political, economic, security and other realms. The pattern of competition side by side with cooperation will likely continue to mark the relationship..."¹ This complex interplay is evident at the global, regional and bilateral levels.

China in South Asia

In India's immediate neighbourhood, China's strategic approach has evolved gradually in the context of its broader engagement with India.

At the regional level, intense competition is unfolding in the India-China relationship in the Indo-Pacific region, which includes India's immediate neighbourhood, that is, South Asia, Southeast Asia and the Indian Ocean.² In India's immediate neighbourhood, China's strategic approach has evolved gradually in the context of its broader engagement with India. During the happy years of '*Hindi-Chini Bhai Bhai*' (India and China are brothers) of the 1950s, China recognised and accepted India's supremacy in its immediate neighbourhood. There have been instances of China alerting India on the outreach of its immediate neighbours like Nepal toward the US, since the Cold War had constrained both Indian and Chinese moves in Asia.³ India, too, on its part, was quite understanding and responsive to China in the region, as could be seen in its support for China's Rice Rubber

1 Shivshankar Menon, *Choices: Inside the Making of India's Foreign Policy*, Penguin Random House, India, Gurgaon, 2016, pp. 38-39.

2 Xiangming Chen, Pallavi Banerjee, Gaurav Toor and Ned Downie, "China and South Asia: Contention and Cooperation between Giant Neighbours", *European Financial Review*, 22 April 2014. <https://www.europeanfinancialreview.com/china-south-asia-contention-cooperation-giant-neighbours/>.

3 For details of a letter written by Indian Prime Minister Jawaharlal Nehru to the Indian Ambassador in Nepal about Zhou Enlai informing him about Nepal-United States relations, see A S Bhasin, *Nepal-India, Nepal-China Relations, Documents 1947-2005*, Vol. I, Geetika Press New Delhi, 2009, p. 190.

Deal with Sri Lanka in 1952. China then had no support for Pakistan and its military treaty relations with the US. China's moves towards Pakistan during the 1950s were like those of India, primarily to wean Pakistan away from the US.

The '*Hindi-Chini Bhai Bhai*' atmosphere evaporated in the heat of developments in Tibet in 1959 and the establishment of the Dalai Lama's government-in-exile in India. Apparently, that led to the Chinese aggression on India in 1962. However, there were numerous other factors behind this conflict, including the growing isolation of China from the global power equations and its fears that India may facilitate the superpowers' pressures on China. In the changed regional context, China was now willing and forthcoming to offer itself in its relations with India's smaller neighbours as a counterbalance to India. It stood by King Mahendra Bir Bikram Shah Dev of Nepal in 1960 in his termination of the democratic system and prosecution of democratic forces that were supported by India. It approved of Myanmar's (then Burma) economic nationalism under General Ne Win that pushed thousands of persons of Indian origin in Burma out of the country. It started cultivating Pakistan vigorously after the Indo-Pak conflict of 1965 and stood solidly with it in opposing the emergence of Bangladesh. China was one of the last countries to recognise Bangladesh, doing so only within the days of the anti-Mujib coup in August 1975, which established a pro-Pakistani military order. In 1975, China also strongly opposed Sikkim's integration into the Indian Union. A commentator in *Beijing Review* in July 1974 described India's action in Sikkim as nothing short of "colonial expansion".⁴

In the changed regional context, China was now willing and forthcoming to offer itself in its relations with India's smaller neighbours as a counterbalance to India.

As China's economic capabilities and political clout grew, its desire to expand its economic and strategic footprint into South Asia also grew. This could be seen in pushing ideas like the Bangladesh, China, India and Myanmar (BCIM) Economic Corridor during the late 1990s to build infrastructure to connect its peripheral areas like Yunnan to South Asia for an economic outlet. However, China still did not directly challenge India's strategic stakes in the region. It positively responded to conclude several confidence-building measures with

4 *Beijing Review*, 12 July 1974, p. 16. <http://www.massline.org/PekingReview/PR1974/PR1974-28.pdf>.

China's push into India's immediate neighbourhood under President Xi Jinping has received a significant spurt within the overall complex 'competition and cooperation' framework of Sino-India relations.

India like maintaining peace and tranquillity on the disputed border. (Sino-Indian agreements on this subject were signed on 7 September 1993 and 29 November 1996.) This positive trend in Sino-Indian relations continued until the early years of the 21st century, when China recognised Sikkim as a part of India in 2003 and agreed in 2005 on political guidelines to resolve the border dispute.

Relations, however, started changing after that. Programmes of China's massive economic growth and military modernisation added assertiveness in pursuance of China's foreign policy in Asia in general. In South Asia, China was even encouraged to seek entry into the South Asian Association for Regional Cooperation (SAARC) through its friendly countries like Pakistan, Nepal and Bangladesh. It became an Observer of the SAARC in 2005 and attended the 14th SAARC Summit in 2007. Some of these countries have continued to support China's full membership of the SAARC. China emerged as a strong supporter of Sri Lanka in its elimination of the Tamil insurgency in 2009. It started pressing India to actively join the BCIM and secured Indian Prime Minister Manmohan Singh's endorsement in 2013.⁵ China's push into India's immediate neighbourhood under President Xi Jinping has received a significant spurt within the overall complex 'competition and cooperation' framework of Sino-India relations.⁶

Now China is not waiting to be called by India's neighbours for a counterbalancing role. It has its drivers to push its strategic and economic interests in South Asia as a whole. These drivers include stabilising its Tibetan and Xinjiang periphery, entering the potentially large South Asian market, expanding its outreach in the Indian Ocean to resolve the 'Malacca Dilemma' and countering the adversarial influence of the US and India in these countries.⁷ All of India's smaller

5 In the Joint Statement issued during Chinese Premier Li Keqiang's to India in May 2013, it was agreed to constitute a "Joint Study Group on strengthening connectivity in the BCIM region...", paragraph 18. <https://mea.gov.in/bilateral-documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India>.

6 Zhan Yunling, "China and its Neighbourhood: Transformation, Challenges and Grand Strategy", *International Affairs*, Vol. 92, No. 4, July 2016, pp. 835-848. Also see Prashant Kumar Singh, "Deepening the Engagement" in J P Panda (Edited), *China's Transition Under Xi Jinping*, Pentagon Press New Delhi, 2016, pp. 277-313.

7 These drivers have been briefly discussed in my unpublished paper, "Drivers of China's South Asia Push: A South Asian Perspective", presented at an international conference on China and South Asia at the Shanghai University on 24-25 November 2018. Also see Sanjeev Kumar, "China's South Asia Policy in a 'New Era'", *India Quarterly*, Vol. 75, No.2, June 2019, pp. 137-154.

neighbours have been lured into supporting China's Belt and Road Initiative (BRI) to build infrastructure connectivity, despite India's strong opposition. Significant projects have been launched across Pakistan, the Bay of Bengal and the Indian Ocean countries (Sri Lanka, Maldives, Bangladesh and Myanmar). Through Nepal, China is also building a strategic Himalayan corridor for development. The total investments in all the BRI projects, mostly in the form of loans of different varieties, in South Asia are nearing US\$100 billion (S\$139.5 billion). Besides the BRI, China has, in this push, entered the South Asian stock markets in a big way and has also started engaging with the domestic politics of India's neighbours. China's support to the Mahinda Rajapaksa regime in Sri Lanka, the United Communist Party in Nepal and the military establishment's role in politics in Pakistan and Myanmar is well known. China has not hesitated to use the ports developed by it in Pakistan and Sri Lanka for military purposes by docking submarines, giving a clear indication that its infrastructure projects are not without strategic design. China has also not left the cultural front untouched by projects promoting Buddhism, Chinese language, Confucius institutions and technical (engineering and medical) education.

India's Response

The Chinese South Asia push is viewed in India as an encroachment on its own vital strategic space in the neighbourhood. China's strong presence in India's periphery will keep the latter constrained in its role in Asia and the world and also – given unsettled border and areas of competition and rivalry with China in Asia – dangle a Damocles sword on its internal stability and territorial security. This has even been articulated officially in different ways at different times.⁸

It may, however, be argued that the initial indications of the Chinese push were not taken very seriously by India as its foreign policy was preoccupied with major power equations and the Pakistani threat.

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⁸ The most blatant expressions in this respect may be recalled during the first National Democratic Alliance government led by Atal Bihari Vajpayee. Prime Minister Vajpayee, in his letter to the United States president on India's nuclear explosion in May 1998, justified it on the basis of threats from China. Prime Minister Vajpayee's Defence Minister George Fernandes called China the biggest source of threat to India.

India's discomfort with Sri Lanka's military dependence on China to fight the Tamil insurgency was strongly voiced to Colombo.

The first National Democratic Alliance government (1999-2004) and the two-term United Progressive Alliance regime (2004-2013) were busy pushing for greater strategic proximity with the US while balancing Chinese concerns through confidence-building measures and cooperative interaction. Prime Minister Singh's government claimed an understanding with Pakistan on Kashmir, which could not be finalised and sealed due to Pakistani President General Pervez Musharraf's fall from power in 2008. Some attention was paid to contain the Chinese push in smaller neighbouring states as they were asked to become partners in India's growth story. The Nepalese monarchy (which was heavily dependent upon China to fight the Maoist insurgency, ignoring India's advice of making up with the democratic forces) was abandoned in 2005-06 in favour of mainstreaming the Maoists.⁹ India's discomfort with Sri Lanka's military dependence on China to fight the Tamil insurgency was strongly voiced to Colombo.¹⁰ After the insurgency, however, India undertook massive reconstruction programmes in Sri Lanka. India also strongly supported the Awami League government headed by Sheikh Hasina in Bangladesh to resolve several bilateral disputes and enhance areas of developmental cooperation, which markedly improved the relations between the two countries. All this was done even before President Xi initiated his signature charm offensive of the BRI.

Indian Prime Minister Narendra Modi's rise to power in May 2014 came with a new policy initiative of 'Neighbourhood First'. It came on the heels of President Xi's announcement of his One Belt One Road, which later became the BRI, in 2013. Many analysts took the 'Neighbourhood First' as a move to meet the Chinese challenge in the South Asian region, but this is an issue for debate. There is no persuasive evidence that the 'Neighbourhood First' policy was driven by the China factor. It was more to bridge the attention gap in India's

⁹ For details, see S D Muni, "Bringing the Maoists down from the Hills: India's Role", in Sebastian von Einsiedel, David M Malone and Suman Pradhan (Ed); *Nepal in Transition: From Peoples' War to Fragile Peace*; (Cambridge University Press, 2012), pp.313-331. Also see Sudheer Sharma, *"Nepal Nexus: An Inside Account of the Maoists, the Durbar and New Delhi"* (Penguin Random House India, 2019).

¹⁰ India's Foreign secretary Shivshankar Menon and National Security Adviser M K Narayanan visited Colombo in April 2009 to convey disapproval of killing Tamil civilians and depending on China and other countries militarily.

policy towards its neighbours during the previous regimes, as India had not taken high political level visits for years and its neighbours were feeling somewhat neglected and alienated. Claims have been made to prompt Prime Minister Modi in this respect.¹¹ The initial moves on 'Neighbourhood First' also do not suggest that it was a well-planned strategy, as the policy soon fell out in Pakistan and Nepal.

In Pakistan, within months of the 'Neighbourhood First' announcement, trade talks broke down and the SAARC process was derailed on account of Pakistan's refusal to endorse regional connectivity projects, which would have allowed India direct access to Afghanistan and the Central Asian markets. Pakistan has also relentlessly pursued its cross-border terrorist attacks on India. President Modi tried to revive relations with Pakistan by paying a surprise visit to Prime Minister Nawaz Sharif on a social pretext in December 2015, perhaps in the distant hope that the latter would cooperate positively. These hopes were dashed when Prime Minister Sharif was charged with corruption and removed in 2017. India-Pakistan relations have remained trapped in mutual hostility and confrontation on terrorism and the Kashmir issue.

India-Pakistan relations have remained trapped in mutual hostility and confrontation on terrorism and the Kashmir issue.

In the case of Nepal, India's crude diplomatic intervention in its constitutional process in September 2015, followed by five months' partial economic blockade, gave a huge spurt to anti-Indian nationalism, which continues to vitiate bilateral relations.¹²

In Sri Lanka, India looked forward to the victory of a new coalition in January 2015 as an opportunity to advance the 'Neighbourhood First' policy. However, the coalition failed to revise its promised terms of engagement with China. Halfway through the journey, the coalition government developed serious internal contradictions, leading

11 K Natwar Singh, *One Life Is Not Enough: An Autobiography* (New Delhi: Rupa Publications India, 2014), p. 374. Former Foreign Secretary M K Rasgotra has also made such claims in his public lectures.

12 Considerable writings are available on India's contemporary relations with Nepal and Pakistan. See, for instance, S D Muni on (1) "Modi's Neighbourhood Initiative", *Economic and Political Weekly*, Vol. 49, Issue No. 38, 20 September 2014; (2) "The Ufa Fiasco", *Economic and Political Weekly*, Vol. 50, Issue No.36, 5 September 2015; and (3) "Nepal's New Constitution", *Economic and Political Weekly*, Vol. 50, Issue No. 40, 3 October 2015.

to its eventual collapse.¹³ The Rajapaksa family rule re-emerged in November 2019, this time under the presidency of Gotabaya Rajapaksa. India is adjusting its relations with the new regime.

In the Maldives, President Abdulla Yameen's regime had built close strategic equations with China, which did not allow Prime Minister Modi to visit under the 'Neighbourhood First' approach until 2018. India is looking forward to regaining some of its lost strategic space under the new regime headed by Mohamed Solih, who came to power in September 2018.

India's 'Neighbourhood First' approach has also suffered on account of the domestic political agenda of the ruling Bharatiya Janata Party under which a Citizenship (Amendment) Act was enacted in 2019, and minorities stressed. Prime Minister Hasina raised objections to the act that threatens to de-nationalise Bengali Muslims of Assam.

The gains of the 'Neighbourhood First' policy, despite its failures listed earlier, have been no less significant.

Though the 'Neighbourhood First' approach could not meet the Chinese challenge effectively in Prime Minister Modi's first term, the credibility of the approach as a viable instrument of regional policy has been accepted by policymakers in India and course corrections have been applied to the overall approach. The gains of the 'Neighbourhood First' policy, despite its failures listed earlier, have been no less significant. Attention may be drawn to the following aspects of the 'Neighbourhood First' initiative:¹⁴

1. Through frequent high-level visits and telephone contacts, the Indian leadership has tried to maintain personal connections with the ruling as well as opposition leaderships in the neighbouring countries.

13 Some details of the new coalition and its collapse have been discussed elsewhere. See S D Muni, "ISAS Insights No. 274 – Sri Lanka's Transformational Elections", Institute of South Asian Studies (National University of Singapore), 13 January 2015; and S D Muni, "ISAS Insights No. 523 – Sri Lanka's Crisis: Conflict of Class and Power", Institute of South Asian Studies (National University of Singapore), 26 November 2018.

14 The following summary has been drawn on the basis of Country Briefs prepared by the Ministry of External Affairs regularly. These briefs can be accessed on the ministry's website. The space and time constraints do not allow for a discussion of the details here. For a discussion of India's connectivity efforts towards neighbours, see Constantino Xavier, "Sambandh as Strategy: India's Approach to Regional Connectivity", Policy Brief, January 2020, Brookings India, New Delhi.

2. Prime Minister Modi has tried to reach out to the people at large during his official visits to the neighbouring countries.
3. India has tried to improve its delivery performance concerning its neighbours. Pending connectivity and other projects have been expedited. The opening of the oil pipeline with Nepal, completion of the housing project in Sri Lanka and access to Indian power generation to Bangladesh stand out as some of the critical aspects in this respect. New allocations have been made to enhance developmental cooperation. In some cases, like Bangladesh, the Line of Credit, even for defence purchases, has been extended liberally. Foreign exchange through currency swap to the tune of US\$1.1 billion (S\$1.53 billion) has been offered in April 2020 to countries like Sri Lanka.
4. India has extended prompt and massive support of humanitarian assistance and disaster relief during the 2015 earthquake in Nepal, floods in Sri Lanka (2017 and 2019), the drinking water crisis in the Maldives (2014) and Rohingya refugees in Bangladesh (2018-19). The COVID-19 pandemic led to an attempt by India to revive the SAARC. However, this may not succeed due to the continuing hiatus with Pakistan. Medical support, in the form of medicines, safety wears and health volunteers, has been extended to all the other neighbours.
5. Under the 'Neighbourhood First' policy, India has strengthened civilisational bonds with its neighbours by promoting Hindu and Buddhist ties.
6. India has also challenged and competed with China's regime change moves in South Asia. India's enthusiastic support for the Awami League regime in Bangladesh (2019), President Solih's regime in the Maldives (2018), President Maithripala Sirisena's regime in Sri Lanka (2015) and the Lotay Tshering government in Bhutan (2018) have been widely acknowledged in the media of the respective neighbouring countries.

The COVID-19 pandemic led to an attempt by India to revive the SAARC. However, this may not succeed due to the continuing hiatus with Pakistan.

Beyond the 'Neighbourhood First' Policy

China has also utilised its deep pockets in shaping power equations and regime characters in India's neighbourhood.

Despite these gains, India is conscious that it cannot raise resources under the 'Neighbourhood First' policy to match Chinese investments made under the BRI. China has also utilised its deep pockets in shaping power equations and regime characters in India's neighbourhood.¹⁵ It has, therefore, been necessary for India to mobilise other policy options to meet the Chinese challenge. One of these has been the close collaboration with countries that are equally determined to resist the Chinese strategic expansion in Asia, namely, the US and Japan. Japan has been coordinating with India in undertaking infrastructure projects in India's neighbouring countries like Sri Lanka, Myanmar, the Maldives, Nepal and Bangladesh.¹⁶ The US has created two new instruments for active participation in Asian development and security programmes under its Indo-Pacific strategy, namely, the Millennium Challenge Compact and the Asia Reassurance Initiative Act (ARIA). Under the ARIA, the US will spend \$1.5 billion (\$2.1 billion) in the Indo-Pacific region every year between 2019 and 2023. The unwritten thrust of these instruments is to counter the Chinese influence. Both these instruments are actively employed in India's immediate neighbourhood as well.¹⁷ There seems to be an unstated acceptance by India of the US's role under these instruments.

India's second option beyond the 'Neighbourhood First' policy has been to keep China engaged constructively. An innovative approach of the informal summits, besides general state visits and contacts in multilateral/trilateral (like Russia-India-China) forums, has been a unique mechanism of engagement. Prime Minister Modi and President Xi have had two informal summits in Wuhan, China (2018),

15 Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port", *The New York Times*, 25 June 2018. <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>; and Kamal Dev Bhattarai, "China's Growing Political Clout in Nepal", *The Diplomat*, 22 May 2020. <https://thediplomat.com/2020/05/chinas-growing-political-clout-in-nepal/>.

16 Gazi Hasan, "China factor in India-Japan Relations", in *India and Japan: Growing Partnership and Opportunities for Cooperation*, Centre for Public Policy Research, Kochi, Kerala, India, July 2019, pp. 15-19.

17 Aparna Pandey, "US wants India to stand up to China. It can do that only with American aid and tech support", *The Print*, 18 May 2020. <https://theprint.in/opinion/us-wants-india-to-stand-up-to-china-it-can-do-that-only-with-american-aid-and-tech-support/422444/>; and Kripendra Amatya, "The MCC and Nepal's Strategic Ties with the US", *The Diplomat*, 19 February 2020. <https://thediplomat.com/2020/02/the-mcc-and-nepals-strategic-ties-with-the-us/>.

and Mamallapuram, India (2019). These summits had a broader canvas of issues before the two leaders, but regional issues in South Asia would surely have been a part of the discussions. This was evident when India and China decided to carry forward the “Wuhan Spirit” to work together for peace in Afghanistan, and took the practical step of training Afghan diplomats.¹⁸ There were also reports of discussions on the status of Kashmir at the Mamallapuram summit. There is, however, no indication if these summits have moderated the competition between the two in India’s immediate neighbourhood. Perhaps they will not, but these summits are an attempt to keep balance and moderation in India-China relations and discourage third countries, including India’s neighbours, from unduly exploiting the rivalry of Asian giants by playing one against the other. It was comforting for India when China avoided endorsing Nepal’s new map to claim disputed border territory (in the Kalapani area) with India. China advised Nepal to resolve the issue through dialogue peacefully with India. It reiterated its decision to have commercial and cultural contacts with India through the traditional route at Lipu Lekh.¹⁹

Summing Up

The competition between India and China in South Asia has come to stay. The smaller South Asian states will take advantage of this competition to carve some strategic space for their autonomy in foreign policy as well as to use it as a window of opportunity to advance their respective economic goals. India is unable to meet the Chinese challenge in this region due to its economic constraints as well as its complacent and, at times, politically insensitive diplomacy. While third countries like the US and Japan may support India, and creative engagement with China may offer some help, the real answer for India lies in improving its economic capabilities and political clout in the region. A serious effort to evolve a credible strategy to cope with the consequences of China’s rise in Asia and its assertive push in the neighbourhood was never more urgent than now.

India is unable to meet the Chinese challenge in this region due to its economic constraints and complacent and, at times, politically insensitive diplomacy.

18 Elizabeth Roche, “India, China to work closely to bring peace in Afghanistan”, *LiveMint*, 10 May 2019. <https://www.livemint.com/news/india/india-china-to-work-closely-to-bring-peace-in-afghanistan-1557508717143.html>.

19 “Kalapani Issue is between Nepal and India, Says Chinese foreign ministry”, *The Kathmandu Post*, 19 May 2020. <https://kathmandupost.com/national/2020/05/19/kalapani-issue-is-between-nepal-and-india-says-chinese-foreign-ministry>.

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