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India-China: Forging 'Development Partnership'?

By P. S. Suryanarayana

Synopsis

China will be happy to have partners as it faces the United States in the emerging global trade war. With India seeking to break out of its geopolitical trap, there seems to be some room for a new 'sense' of Sino-Indian neighbourliness.

Commentary

BUOYED BY the 'Wuhan Spirit' and 'Shanghai Spirit', China and India are "willing" to "consolidate" their "closer development partnership". In the near-term, their willingness, expressed on 26 July 2018, is likely to be tested at the Group of Twenty (G20) summit in Buenos Aires beginning on 30 November 2018.

But even as the two Asian giants attempt to reach out to each other, the geopolitical context is changing as emerging trade tensions between the United States and China are threatening to worsen into a trade war that could suck in almost all other countries, including India.

The G20 Opportunity

'Wuhan Spirit' is named after the city in China where Chinese President Xi Jinping hosted Indian Prime Minister Narendra Modi for a candid "informal summit" on 27 and 28 April 2018, a positive step in the often-chequered Sino-Indian relations.

'Shanghai Spirit' reflects the target of economic and security partnership among members of Shanghai Cooperation Organisation (SCO) founded by China and Russia. India joined SCO as a full-fledged member at the organisation's summit in Qingdao (China) on 9 June 2018.

Almost coincidentally, the United States raised tariffs on some of its key imports, triggering alarm about a 'trade war'.

Global economic tensions, sparked mainly by the ongoing trade conflict between the US and China, may cloud the upcoming G20 summit among established and emerging economies. Relevant to this G20 summit will be the role of India, which seeks geostrategic partnership with the US and normal state-to-state equation with China.

Ahead of the G20 summit, China and India have made common cause in their *public diplomacy* against US' 'trade protectionism'.

The two Asian neighbours are also on the same side at the World Trade Organisation over US' tariff hikes on steel imports. However, geopolitics often casts shadows over Sino-Indian ties.

Geopolitical Drag

A telling reality is that it was only on 28 August last year that China and India disengaged in their nearly two-and-a-half-month-long military confrontation on the Doklam plateau (Dong Lang in Chinese) in the harsh Himalayan terrain. As in several decades, not a shot was fired by either side at Doklam too.

Sovereignty over Doklam is in dispute between China and neighbouring Bhutan; they do not yet have diplomatic relations. Considerably small in size, Bhutan nestles between China in the north and India in the south.

Significantly, the genesis of the Doklam crisis can be traced to India's *special relationship* with Bhutan under Indo-Bhutanese treaties of 1949 and 2007. By invoking those treaties, Indian troops confronted their Chinese counterparts at Doklam, although India has no sovereignty claim over that area.

Now, with the geopolitical dust over the Doklam crisis of 2017 settling down, Chinese Assistant Foreign Minister Kong Xuanyou and Chinese Ambassador to India Luo Zhaohui held talks with all the top Bhutanese leaders in Thimphu, from 22 to 24 July 2018. Kong invited Bhutan to "share China's development dividend".

Xi is keen to draw Bhutan firmly into the network of his Belt and Road Initiative (BRI). Modi has so far opposed BRI, arguing that it 'lacks' globally-acceptable transparency and also privileges Pakistan in its sovereignty dispute with neighbouring India over a strategic area.

'Tactical' Progress

Xi will also be watching the India-Pakistan interactions under the SCO canopy. Pakistan was admitted as a full-fledged member of SCO at the same time as India.

Significantly, India announced on 10 August 2018 that its defence personnel would participate in the "SCO Peace Mission Exercise" to be held in Russia from 22 to 29

August. This will be a “tactical” exercise to finesse the “international counter-insurgency or counter-terrorism environment”.

Given Indo-Pakistani contestation over terror issues and India’s perception of China’s softness towards Pakistan, the upcoming SCO exercise will be a micro-level challenge for these three Asian neighbours.

Focus on ‘Strategic Trade’

At the macro-level, Sino-Indian strategic competition is acquiring a sharper edge. At a meeting of an India-Afghanistan Joint Working Group, in Kabul on 9 August 2018, the importance of Chabahar port in Iran, land-locked Afghanistan’s neighbour, was highlighted.

The first phase of this Iranian port, developed with India’s participation, has been demonstrably used to supply Indian wheat to Afghanistan through Iran, bypassing Pakistan. For India, this success represents strategic trade in the economic sense. Afghanistan and Iran figure prominently in China’s BRI calculus as well.

India’s need to procure Iranian oil without falling foul of Washington in this situation is getting compounded. On 30 July 2018, Washington, wooing India, placed it in “Tier 1” under “US Strategic Trade Authorisation license exception”.

Henceforth India will be entitled to import high-tech commercial and military products from the US – a matter of dual-purpose strategic trade.

All-round Energy Security

This new aspect of India’s military profile need not necessarily alarm powerful China. On the other hand, Beijing may even prove pivotal to India’s energy security. Should India want continued oil supplies from nearby Iran, instead of the distant US as an alternative source, Modi will need China’s support.

India could *creatively* seek a broader-based Joint Comprehensive Plan of Action (JCPOA) and join such a revised Plan in the wake of the recent US withdrawal from the original scheme.

The other original parties to the 2015 JCPOA, including China, continue to uphold this nuclear deal in an effort to keep procuring Iranian oil. However, any unconventional Indian move outlined here, if made at all, will be fraught with uncertainties, given the current heightened US antagonism towards Iran.

Connectivity Diplomacy Picks Up

Elsewhere in Asia, having pursued connectivity diplomacy, Xi watches whether Sri Lanka will sign an accord with India regarding Mattala airport. India is currently “exploring the opportunity to operate and manage” this airport under Modi’s own regional connectivity diplomacy.

Mattala airport is close to the Hambantota seaport which a Chinese company controls

under a 99-year lease agreement, through a 70 per cent stake in two joint ventures. Xi will, therefore, take note of India's dual-purpose strategic interest in this airport.

These complex cross-currents in Sino-Indian engagement will challenge the ingenuity of statesmen. Going forward, therefore, China and India can seek to cooperate in the emerging global economic polarisation. This might create a congenial climate for their bilateral development relationship.

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