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## Modi's spluttering China policies

BY M.K. BHADRAKUMAR

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The long-awaited ceremonial opening of the Asian Infrastructure Investment Bank (AIIB) to business took place in Beijing on Jan. 16. The first batch of loans is expected to be approved by the middle of the year.



*Hopes on stronger Sino-Indian ties raised during the Modi-Xi meeting on the banks of Sabarmati began to fade when they met in New Delhi the next day*

With Asian countries needing an estimated \$800 billion annually to build infrastructure every year, AIIB with a capital of \$100 billion is sure to have a busy time.

India's shareholding in the AIIB is reported to be around 8%, which bestows on it voting rights next only to China's. Yet, AIIB is small print in the Indian policy brief.

*People's Daily* wrote in a commentary on Friday, "Along with the One Belt, One Road Initiative, the AIIB will have a far-reaching impact on the economic development of involved countries". The newspaper highlighted that AIIB "will contribute heavily to new construction and stimulate the economic potential of many countries in this region".

It mentioned the Central Asian countries, ASEAN countries and the Russian Far East and Siberia as potential recipients. But, not a word on India.

The prognosis used to be that under Prime Minister Narendra Modi, geo-economics will play a central part in driving the Sino-Indian relationship. China needs the big Indian market, while India desperately seeks large Chinese investments to build transit and other infrastructure critical to economic revival.

The *Time* magazine had featured Modi as cover story in a March 2012 issue, who was at that time the chief minister of the western state of Gujarat. The story was titled 'Modi Means Business'. Time lauded Modi as a "firm, no-nonsense leader who will set the nation on a course of development that might finally put it on par with China".

It was a carefully-cultivated impression by Modi himself who propagated through his 2014 election campaign that he'd turn around the focus of India's foreign policies to trade and economic diplomacy. However, as he completes 20 months in office as prime minister (one-third of his 60-month mandate), a very different story is emerging.

Modi began brilliantly. Beijing already had favorable notions about him since he had visited China thrice as chief minister and was a promoter of Chinese business in Gujarat. In an extraordinary gesture, Foreign Minister Wang Yi arrived in Delhi in June 2014 within a week of the new government, hoping to be the early bird to catch the worm.

This phase of camaraderie lasted for the next three months until the sun set on the Sabarmati river banks in the city of Ahmedabad on September 17, 2014, drawing to a close the first day of President Xi Jinping's visit to India, which also, interestingly, happened to be Modi's birthday.

By the time Xi arrived in New Delhi the next day, the effusive warmth of the balmy evening at Ahmedabad began wearing a surreal look. The formidable headwinds from the Indian establishment and right-wing Hindu nationalist forces who seek revenge for the 1962 border conflict, simply took over. Who exactly sabotaged Xi's visit still remains debatable.

Things were never really the same again. To cut a long story short, the \$100 billion dollar investments that China reportedly had planned "in setting up of industrial parks, modernization of railways, highways, ports, power generation, distribution and transmission, automobiles, manufacturing, food processing and textile industries" (according to the Chinese consul-general in Mumbai) disappeared into thin air.

The Sino-Indian economic ties are languishing today. Trade has shrunk and there is no big Chinese investment plan talked about. This is despite Chinese investment still holding major

attractions for India to develop its infrastructure and manufacturing sector leading to large-scale job creation. China cannot be matched by any other country in this partnership – neither in the scale of investment India needs nor in the relevant developmental experience.

Suffice it to say, economic diplomacy has disappeared from Modi government's priorities towards China. Of course, China remains manifestly eager to accelerate economic cooperation, but it takes two to tango.

The Modi government has instead chosen to identify with the US' rebalance strategy in Asia whose *raison d'être* is the containment of China. In provocative moves, India barged into the South China Sea dispute as if it is an aggrieved party. Modi courted Japan in a big way, with a barely-disguised bias against China.

These strange gyrations in strategy – flaunted as 'Act East' policies – are predicated on the assumption that Washington and Tokyo visualise India as 'counterweight' to China. Paradoxically, however, both the US and Japan themselves have hugely consequential relationships with China and practise robust economic diplomacy, never taking the eye off the Chinese market.

Arguably, the Trans-Pacific Partnership itself can be seen as a far-sighted US project to integrate China as market economy. The Sino-American inter-dependency has reached a high level and confrontation between the two big powers can only be self-destructive for both. Their cautious mutual adjustments bear this out.

China has no intentions to undermine the existing order and America understands this. The IMF's acceptance of Yuan as reserve currency implies that China has risen and the rules of the game are changing.

So, why would Washington have use of India as 'counterweight' to China? Modi's China policies should have moved on the same track as during the previous government led by Prime Minister Manmohan Singh by giving primacy to constructive engagement of China that helped India address its specific concerns while cooperating to advance common interests as emerging powers. The previous Indian government maintained that the two countries would have more shared interests than differences.

The Modi government has not cared to connect the dots to evolve an integrated strategy, taking advantage of its privileged status as the second biggest shareholder in the AIIB. To be sure, infrastructure development in India dovetails ideally with China's Belt and Road Initiative, thanks to the funding available from AIIB and Silk Road Fund, which have capital of \$100 billion and \$40 billion respectively.

But then, India needs the 'big picture', which is sadly lacking. Admittedly, a settlement of the border dispute with China remains a long-term project. What is involved is much more than the drawing of a line on the map. It becomes a historic 'political act' that can fructify only on the basis of a strategic understanding, which will take time, where domestic opinion also forms a template.

Meanwhile, economic diplomacy comes handy; it helps to stabilize the relationship and create a web of mutual interests that can provide the critical mass for reaching a strategic understanding as time passes.

Economic diplomacy involves ‘public diplomacy’, which also helps to form the domestic opinion in favor of normalization of relations with China and greater acceptance of border settlement in a spirit of give-and-take.

A fresh start is needed in India’s China policies. It is best done by recapturing the equilibrium under the previous government and jettisoning the fanciful notion that the US or Japan is in the business of propping up India as counterweight to China in the Asian region.