

South Asia and India

This special Fokus series on the Strategic Review of Global Hotspots consists of seven parts and is based on the AIES online discussion on the same topic. The online lectures of the authors are available at: aies.at/global-hotspots

Six strategic trends in India and South East Asia will be discussed in this article:

- 1) The State of the Indian Economy in light of the COVID-19 pandemic;
- 2) The domination of China and India in South Asian politics;
- 3) Indo-Chinese Border Disputes;
- 4) The South Asian Political Neighbourhood;
- 5) Pakistani-Indian Relations;
- 6) The Global Interest in the Indian Ocean.

The State of the Indian Economy in light of the COVID-19 pandemic

In India, Prime Minister Modi has firm control and enjoys the trust of Indians for the most part. However, political movements, especially early last year, resulted in demonstrations against the Citizens' Bill. It has now been nearly two months since the mass farmers' demonstrations took place as well.

The Indian economy is not in good shape. Even before the onset of the COVID pandemic, there had been a slow-down of economic growth for two consecutive years. Growing unemployment and the COVID situation with the sudden and harsh lockdown end of March 2020 meant that economic activities came to a virtual standstill. As a consequence, the economy shrank in the second quarter of 2020 by 24%; and for the current financial year of 2020-21 the expectations are a minus growth of 7.7% – predictions that were made before the new devastating wave of COVID infections in India.

The UN-World Economic Situation and Prospects 2021 by the UN Department of Economic and Social Affairs recorded a contraction of 9.6% for the Indian economy in 2020, per the calendar year, but in 2021 it is expected to grow by 7.3%.

Similarly, the unemployment figures are currently also exceptionally high. The federal structure of India with its 28 states means that the country is in a quasi-permanent election mood. During the first four months of 2021, there were tough fights for votes in the four major states of India, particularly the key state of West Bengal.

The domination of China and India in South Asian politics

The international scene in the South Asian region is dominated by two giants of Asian politics, – China and India. Most of the conflicts and their problems, even the Indo-Pakistani dilemma, are increasingly caused and influenced by the competition, conflict, and cooperation of these two overwhelmingly large states. To bring it into perspective: while 40 years ago their GDPs were roughly similar, today China's GDP is nearly five times larger than India. However, in terms of population, size or cultural clout in the Asian region, it is only India which comes close to competing with China.

Beijing has for a long time been the 'elephant in the room' for New-Delhi, but today China has also moved into the centre of all manners of political considerations – one could even say it is India's main political dilemma. Usually, Xi Jinping is the main political actor, with whom Prime Minister Modi has frequently met, in both bilateral and multilateral meetings. But now, questions are being asked about whether the intensity of these dialogues has resulted in any substantial, real, or concrete results for India. Following this, last summer again brought a further intensification of the 'conflict element' in their relations.

Indo-Chinese Border Disputes

The central conflict between the two states is the issue of the border – a problem, which had led to a short intense war in autumn and winter of 1962 and which culminated in disaster for India. It is fair

to say that there is still a psychological element to their relations because of these events and the borders have remained an open question for both India and China since. In 1988, in the meeting of Deng and Rajiv Gandhi, the plan was to separate the border from other aspects of their bilateral relations as that issue could only be solved in a slow process through dialogue. Other sectors of cooperation did progress – in areas such as trade, culture, education, and in the scientific field. China today is a main trading partner of India, with a very marked trade deficit for Delhi.

However, the dialogue process on border issues has hardly progressed and 'incidents' and confrontations at the border region are becoming more frequent. These are made more challenging as there is no actual agreement on the exact positioning of the border itself. The term used for this border is LAC (Line of Actual Control), and its exact line has never been agreed upon. The conflict in the triangle of India-China-Bhutan at Doklam is still not resolved, since in 2017 a protracted, weeks-long confrontation had only resulted in a very long de-escalation process. Then, last summer, in the middle of the COVID crisis, in early May 2020, confrontations broke out in the North-Western corner of the so-called LAC, in Ladakh. At the same time, there was also another confrontation in North-Sikkim, an area prone to recurring conflicts. These different incidents around the border zones resulted in mutual accusations as to who had actually transgressed. The Indian opinion was that of continuous Chinese incursions, in a kind of 'Salami Tactics', of unilaterally aiming to push forward the LAC.

Another particularly brutal incident happened in a narrow gorge at an altitude of over 4,000 m, in the Galwan River valley. Patrols from both sides fought, not with guns but with fisticuffs, cudgels and all kinds of non-shooting implements, resulting in the death of 20 Indians. China did not disclose the number of their victims from this particular clash. The outcry from the Indian public over this incident

was enormous and led to numerous demands to stop trading with China and the curtailment of bilateral relations. Series of meetings at the military level by the Corps Commanders did not bring satisfactory conclusions about this event. Indian troops were not withdrawn, and consequently about 50,000 Indian as well as Chinese troops were confronting each other during the winter months, at altitudes of 3,500 to 4,500m, in ongoing harsh and wintry conditions, neither side ceding any territory. On the 20th of January 2021, there was yet another incident, this time in North-Sikkim, at a pass at the altitude of about 5,000 m called Naku La, which had earlier been the scene of smaller confrontations. The talks at Corps Commander level are continuing and led eventually to some agreements about the withdrawal of troops in specific areas. But a return to a status-quo-ante is by far not clear.

What will happen is an open issue. Certainly, it will depend on many extraneous factors that influence the strategies of China – from the new administration in Washington to Chinese domestic issues. China clearly started this confrontation, and it is in the driving seat. Modi has shown consistency and does not draw back either. The question remains if Modi will be able to hold this position or not. Lastly, there is also the question of Tibet, with its old emotional and religious links stretching across the Himalayan mountains at India's borders. For China, this remains an area of special sensitivity, especially with regards to the Dalai Lama sheltering in Dharamshala.

The South Asian Political Neighbourhood

India feels increasingly beleaguered by China in the wider region. The "String of Pearls theory" – Chinese initiatives around the sea-boarders – has raised the notion of the Chinese threat, now present since more than 14 years. India has not felt as threatened for many years in its immediate neighbourhood. But now, this has indeed changed; the Chinese presence is now everywhere, both economically and politically. A clear strategy is discernible now in the region.

With regards to Nepal, its Prime Minister is clearly China-friendly and plays on the resentment against big brother's so-called interference in Kathmandu politics. However, when divergences recently emerged within the Nepali Communist Party, a top-ranking Chinese Communist leader then hastily arrived to mediate. A territorial divergence with India was also played up in Nepal. Nevertheless, it should well be noted that the way in which Delhi has managed these relations has left much to be desired, and economic blockages of 2015 (for which India was blamed) left very bad feelings amongst the Nepalese.

Bangladesh had an India-friendly government in Dhaka for a long time. But Chinese efforts to gain ground in the country are now clearly visible. In Sri Lanka, there have been massive investments from Beijing, ably promoted by a Chinese-friendly government (the Rajapakses, again in power). The Chinese financed port of Hambantota in the south of Sri Lanka is now managed by a Chinese company, as a consequence of Colombo not being able to fulfil its financial obligations. India fears that this port eventually could become a Chinese military base, precisely at the most southern point of the Indian subcontinent.

In the Maldives there has been a constant change of influence between Beijing and Delhi. After the last elections, a Beijing favouring leadership was voted out and Delhi has gained again more influence, which was notable through the presence of the Indian Prime Minister at the swearing in of the new Maldivian president. These switches in the focus of the Maldivian leadership has impacted the ties with both countries. In 2017 President Yameen signed a free trade agreement with China to which India reacted sharply. The relation between the two neighbours has however improved under the new administration of President Ibrahim Mohammad Solih who took charge of the Maldives in 2018 and revived the close strategic ties with India. Not forgetting however that the Maldives is heavily dependent on China for its tourism industry. And consequently, bilateral consultations between China and the Maldives are being held again after a

four-year break, covering most likely issues such as the re-scheduling of Chinese debts and the revival of tourism, amongst others.

Moving to Bhutan, which has traditionally been one of India's closest neighbours; but now Thimpu has come under increasing pressure from China. The Doklam-crisis of 2017 serves as a good example of this. In this case, India felt particularly exposed because of the pressure on the narrow land corridor from West Bengal to the North-Eastern states, a strategically most vulnerable location. And finally, Myanmar, where Chinese influence has always been strong and was growing while Burma was being heavily criticised by Western powers. For India, Myanmar is a most sensitive neighbour due to its strategic position in the Gulf of Bengal, but also because of its common border with the Indian North-Eastern states which have their own security and separatist problems. This is why the Chinese presence in Myanmar is closely scrutinized by India.

Pakistani-Indian Relations

Pakistan is a special case in India's neighbourhood. There has been a quasi-permanent confrontation between the pair practically going back all the way to the time of partition. Pakistan continually focuses its efforts on Kashmir, where it is the revisionist power and India the status-quo power. The wars fought between the two over the last century, were followed by what Delhi calls the 'proxy war' consisting mainly of transborder terrorism, are all well documented. Attempts to proceed with a dialogue and a peace-process, as existed in the first decade of the present century were again and again interrupted by terror incidents – such as those in Mumbai in 2008, and the terror attacks after Modi's surprise visit to Prime Minister Nawaz Sharif at the end of 2015 in Pakistan. Since then, Delhi has somewhat changed its overall strategy with regards to Pakistan and responds to such attacks in two main ways – both publicly and with what it calls 'surgical strikes'. Dialogue between the two states is again at a stand-still. Delhi rules that terrorist attacks – such as terrorist infractions at the borders – must halt before

dialogue can resume in any meaningful manner. Pakistan's Prime Minister Imran Khan, soon after his election, had given the impression of being eager to revive the contacts, but most recently changed his position and demands that first Kashmir receives back its autonomy. A surprise initiative end February 2021 – a restatement of the border-cease-fire of 2003 – gives some hope, but it has to be seen whether it will be followed by more meaningful bilateral rapprochement.

This conflict has attained an additional dimension because of Pakistan's ever-closer alignment with China, in political, military, and economic respects. This friendship is not new, it in fact dates to the late 50s, but has strengthened in intensity and content over the past decades. For Pakistan, China has become its major supplier of military hardware and its most important economic partner. In contrast, for China Pakistan is of immense strategic importance, especially because of the 'Chinese-Pakistan Economic Corridor' which allows China to circumvent its Malacca dilemma and get a better foothold into the Indian Ocean and the Arabic Sea via the port of Gwadar, close to the Straits of Hormuz. And not to be forgotten – China is also a nuclear partner of Pakistan. India, as a consequence has to calculate for the possibility of a 'two-front war'. Moreover, Washington's relationship with Pakistan has also undergone off-and-on changes. The US need for Pakistan has varied as a result of the American presence in Afghanistan. The old relationship of trust and closeness has been lost, and it is yet unclear how the Biden administration will influence the current situation.

Between Delhi and Islamabad relations will always be on quasi-fixed, predictable and expectable tracks, with security and military dimensions determining their way, despite the similarity and closeness of its people, if the issue of religion is left aside. It may be that a newer generation sees the potential for closeness of brothers and sisters across the border. Jinnah, the father of Pakistan, had originally imagined a relationship developing between the two countries like that of Canada and the USA,

and even expected to spend his old age in his house in Bombay. It could be said that this is but a pipedream, although it has happened in the past with other countries. In the Indian perspective, concerning relations to Pakistan, this country can only be treated as a normal neighbour when it acts in a neighbourly fashion. Until such times, India will have to show a mix of fortitude, creativity and perseverance of a great degree. That said, for the foreseeable future at least, the key shall remain with Pakistan's armed forces.

The Global Interest in the Indian Ocean

The Indian Ocean is a vital waterway for global trade and commerce. Its sea lanes account for half the world's containerized freight, a third of its bulk cargo and two-thirds of its oil shipments. Here too are principal oil shipping lanes, as well as the main navigational choke points of world commerce – the Straits of Malacca, Hormuz and Bab el Mandeb. About 40% of seaborne crude oil passes through the Strait of Hormuz, and approximately 50% of the world's merchant fleet capacity is hosted at the Strait of Malacca, at the other end, turning the Indian Ocean into the globe's busiest and most important interstate highway. The late Belgian scholar Charles Verlinden notes that the Indian Ocean "is surrounded by no less than 37 countries representing in itself a third of the world's population". And it is here that Chinese and Indian interests clash directly. India has to protect its coastline of over 7700km, its myriad of islands, and also the sea-lanes, through where over 90% of its economic and energy needs are being brought in. Ultimately, competition between India and China will most likely take place less on land than in the naval realm.

The importance for China is evident: virtually most of China's trade and transportation lines cross the Indian Ocean, and more than 85% of China-bound oil will pass across the span of the Indian Ocean through which over 90% pass the Strait of Malacca. This is why Beijing is desperate for alternative energy routes to the Indo-Pacific, as well as overland ones into the

country from Central Asia, Pakistan and Myanmar. The combined appetites of China, Japan, and South Korea (plus ASEAN) make the Strait of Malacca home to half of the world's oil flows and close to a quarter of global trade. With regards to India's positioning in this situation, there are not many options. As the prominent Foreign Policy analyst C. Raja Mohan phrases it: "Today, the logic of strategic autonomy from China nudges India to look for strong security partnerships with the US, Europe, Japan and Australia."

Today, India's primary concern is the increased presence of China in the Indian Ocean. This is reflected in the presence of Chinese ships and submarines in the area, but even more by what has been called the 'String of Pearls' strategy, the Chinese investments in harbours and installations around the Indian subcontinent. These include Kyaukphyu in Myanmar, on the Gulf of Bengal, Chittagong in Bangladesh, Hambantota in Sri Lanka – which is now fully in Chinese hands –, installations in the Colombo harbour, and especially the port of Gwadar in Pakistan, close to the Straits of Hormuz and starting point of the Chinese-Pakistan-Economic-Corridor, a major element of the Belt-Road-Initiative. What is important to remember in this context is that since 2017 the PLA Navy has had its first oversea military base in Djibouti, at the Horn of Africa, where there are also old French, and newer US and Japanese bases. The combination of which is certainly an interesting phenomenon.

India's response to this is an increase in activity – both politically and militarily – in the Indian Ocean. Delhi's relations have been respectively strengthened with Mauritius, Seychelles, Maldives and increased efforts have been made by India towards Sri Lanka. With the Indian Project Mausam (*mausam*, meaning weather or season in many South Asian languages) the country emphasizes its profound role in cultural exchanges throughout the region and will focus on the ancient trade and cultural heritage and on future maritime cooperation in the Indian Ocean region stretching from Southeast Asia to East Africa.

Delhi has also emphasized its exchanges and possible cooperation with other Indian Ocean states. An important Indian asset are the Andamans and Nicobar Islands, an island-group barely some 400 km from the entry point of the Straits of Malacca. This point is of most strategic importance due to its location, given the role these straits play for the major shipping lanes from and into the Indian Ocean. With regards to France, it is also an important player with Reunion and Mayotte and some other small island stations in the Indian Ocean, such as Kerguelen. Furthermore, Australia has its island stations, such as Christmas Island and Cocos and Keeling Islands at the Eastern rim, and of course, the major player, the USA with its strong base on Diego Garcia.

India's own efforts to strengthen and modernize its naval forces, which are the 5th largest worldwide with some 150 vessels, have also shown some results. A nuclear ballistic submarine is in operation, and a domestically built carrier should soon start sea trials having faced years of delay. Until recently India has kept its distance from the Chinese geopolitical initiatives, such as the Belt-Road-Initiative. It now has become one of the first countries to challenge both the Belt-Road-Initiative concept, which was Xi Jinping's main project, and the recently concluded Regional Comprehensive Economic Partnership, led by China.

As a logical consequence of the pressure felt from the assertiveness of China, Delhi and Washington are strengthening their ties. On the 27th of October 2020, the United States and India signed the Basic Exchange and Cooperation Agreement (BECA), enabling greater information-sharing and further defence cooperation, to counter Beijing's growing military power in the region. Moreover, there were 2+2 Ministerial Dialogues for Foreign Affairs and Defence. Furthermore, India has had close relations with some European countries, also on military hardware, as has been the case with France and the Rafales fighters and Scorpene submarines. Yet another old concept, which was originally just an informal exchange following a Japanese initiative, the Quadrilateral Security Dialogue,

involving the US, Japan, Australia and India, has taken a more cooperative shape as a consequence to proactive Chinese attitudes. Another initiative has also been reinforced, namely the Malabar exercises between the navies of India, the US and Japan, who were also joined this year by Australia, which had earlier held back from involvement because of its own delicate policy towards China.

Finally, the EU as a whole has always been the largest trading partner of India. An India – EU summit has taken place in May 2021 – India and the EU had been working on a *Broad-based Trade and Investment Agreement* (BTIA) since 2007, and it was decided to give it a push to come to a final result. And this might be a chance to look towards going further in developing the EU – India relationship.

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