

Wagner, Christian; Tripathi, Siddharth

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India's Response to the Chinese Belt and Road Initiative

New Partners and New Formats

Christian Wagner and Siddharth Tripathi

India has been exploring the response to China's growing influence and its Belt and Road Initiative (BRI) for long. The contours to find viable alternatives to this challenge are now becoming visible. India is slowly transitioning to increased – and previously unthinkable – cooperation with other states in South Asia. Within its extended neighbourhood, India has developed new formats of cooperation with Japan, the USA and Australia that are directly or indirectly positioned against China. For Germany and Europe, this shift in Indian foreign policy opens new avenues for cooperation.

For decades, China has been both a focal point of India's foreign policy and its main rival on the international scene. The defeat in the 1962 war, China's economic, military and political support for Pakistan, and incidents at the disputed border, as in Doklam in summer 2017, have contributed to India's concerns vis-à-vis China. At the same time, China is also India's largest bilateral trading partner. Both states are also members of the BRICS group (Brazil, Russia, India, China, South Africa) and the Shanghai Cooperation Organisation (SCO), among others; and they frequently take similar stances towards industrialised nations in international trade and climate negotiations.

India, like China, has traditionally harboured ambitions to be a great power – for instance, for years it has demanded a permanent seat in the UN Security Council.

India's nuclear potential underlines its great power ambitions. However, unlike China, it only has the foreign policy resources of a middle power at best. Despite its strong economic growth in recent years, India was only ranked 131st on the 2015 Human Development Index (China was 90th). With about 900 people in its diplomatic service, a figure substantially lower than that of Japan or China, India is barely able to pursue its foreign policy initiatives.

South Asia

South Asia has traditionally been seen as India's "natural" sphere of influence. During the past few years, however, China has invested massively in the region as part of its Belt and Road Initiative. Its flagship project is the China-Pakistan Economic

Corridor (CPEC), under which China will support India's regional archrival Pakistan with around \$54 billion until 2030. China invested around \$14 bn in infrastructure projects in Sri Lanka from 2005 to 2015. The Chinese government has pledged \$38 bn to Bangladesh and planned investments and credits for Nepal of more than \$8 bn. Indian security experts see India's influence in the region to be dwindling as a consequence and fear the country will be encircled by Chinese bases (the so-called String of Pearls) in neighbouring states, including port projects in Gwadar (Pakistan) and Hambantota (Sri Lanka).

Chinese investments in South Asia represent a challenge to which India's foreign policy has not been able to find a suitable response. Indian Prime Minister Narendra Modi did invite all the heads of government of the South Asian Association for Regional Cooperation (SAARC) to his inauguration in May 2014 in order to emphasize the importance of his "Neighbourhood First" Policy. However, despite some successes – for instance in relations with Bangladesh – this is still not an adequate response to Chinese investment in India's neighbourhood. India is one of the few Asian states not taking part in China's Belt and Road Initiative.

A series of new developments points to a shift in India's South Asia policy. In 2016, India and the US agreed on closer cooperation in their development policy towards third states, including states in South Asia. Thus, in Afghanistan, United States Agency for International Development (USAID) supports the activities of the Indian women's organisation Self-Employed Women's Association (SEWA). India also cooperates with the United States on a project concerning transmission lines in Nepal, and with Japan on constructing a liquid-gas pipeline in Sri Lanka.

These new forms of cooperation indicate a shift from India's previous foreign policy, especially vis-à-vis neighbouring states. Since its independence in 1947, India has seen itself as the primary regional power in South Asia. It has therefore used a wide range of

political, economic and military means to intervene in the domestic political conflicts of its neighbours, including Nepal, Pakistan, Sri Lanka and the Maldives.

The Indira Doctrine, named after former Indian Prime Minister Indira Gandhi, stipulated that domestic political conflicts in neighbouring states should be resolved exclusively with India's help, without involving extra-regional great powers. From an Indian perspective, the record of these interventions is mixed at best. Despite its economic and military superiority, India has rarely managed to settle neighbourhood conflicts in its own favour. All neighbouring states have tried – in various ways and with varying intensity – to internationalise their bilateral conflicts with India, usually through closer cooperation with the United States or China. Relations with India are a controversial topic in all neighbouring countries. Due to their religious, linguistic or ethnic common ground with India, issues of national identity always arise. Thus, the military regime in Bangladesh fostered the emergence of a Bangladeshi nationalism emphasising religion in the 1980s, thereby demarcating itself from Bengali nationalism, which stressed cultural similarities with India.

In the 1990s, the economic liberalisation caused a change in India's South Asia policy. Since then, Indian governments have no longer seen the region purely in terms of security, but increasingly also as part of the rapidly growing Indian market. Since the 2000s, India has relied on expanding regional connectivity to boost low levels of intra-regional trade.

India's new cooperation in the region with Western states and Japan also aims to counteract its dwindling influence through the creation of new formats. Thus the Indian Foreign Secretary Subrahmanyam Jaishankar declared that its smaller neighbours seemed to feel safer if there were also "other states in the room" alongside India. To that extent, the long-held belief that South Asia is India's "natural" sphere of influence should gradually disappear.

India's Extended Neighbourhood in Asia

India understands its extended neighbourhood to encompass the area between the Indian Ocean, Central Asia, East and South-east Asia (see [SWP-Studie 20/2016](#)). Prime Minister Modi upgraded the “Look East” policy introduced in the 1990s to an “Act East” policy in 2014, in rivalry with China and to promote foreign trade. Its objective is to intensify economic, political and military relations with Japan and member states of the Association of Southeast Asian Nations (ASEAN).

The shift in Indian commitment in its extended neighbourhood is evident in new or revived bilateral and multilateral formats. During US president Donald Trump's Asia trip, he met the heads of government of Japan, Australia and India in Manila in November 2017 to revitalise the former quadrilateral initiative (Quad). This group first coalesced ten years earlier but has been unable to establish itself due to differences in foreign policy conceptions.

As in 2007, the focus of the Quad members is again on China. The states are looking for new ways to oppose China's more assertive policies, such as the Belt and Road Initiative, the foundation of the Asian Infrastructure Investment Bank (AIIB), and China's rejection of the verdict delivered by the Permanent Court of Arbitration in The Hague on the territorial conflicts in the South China Sea.

India is very interested in reviving the Quad and has markedly expanded its bilateral economic, military and political relations with the three other states in recent years. However, Quad members were unable to agree upon a common declaration at their meeting. Nor have they found a joint policy concerning maritime security and connectivity.

An entirely new form of bilateral cooperation is the Asia-Africa Growth Corridor (AAGC), wherein India and Japan are attempting to create a counter model to the Chinese BRI. The AAGC primarily targets the Indian Ocean and its coastal states.

India has been promoting the idea of a security provider in the Indian Ocean since 2009. In the face of China's increased presence, India has intensified its military cooperation with the island states of Mauritius, the Seychelles, Maldives and Comoros. In 2014 the Modi government created the Mausam project as a counterweight to BRI and since 2015 Modi has been promoting the SAGAR (Security and Growth for All in the Region) concept.

Compared to China, India has noticeably fewer political, economic and military resources at its disposal to implement its foreign policy ideas. Its close economic and political cooperation with Japan as part of the AAGC provides India with a new instrument for enforcing its ambitions in the Indian Ocean.

The International North-South Transport Corridor (INSTC) is a new trilateral project, which Russia, Iran and India have promulgated since 2015. The corridor, which begins at the Iranian port of Chabahar, is supposed to give India access to Afghanistan, Central Asia and Russia. As a result of its conflict with India, Pakistan has so far refused to allow an overland link to Central Asia and has blocked all attempts by Afghan governments to trade directly with India. In May 2016 the Indian government allocated \$500 million for developing Chabahar. The port city is only about 70 km from the Pakistani port of Gwadar, where China's “new Silk Road” and “maritime Silk Road” meet. In late October 2017, India shipped its first load of wheat to Afghanistan via Chabahar. The corridor should advance Indian-Afghan trade in the coming years. The Indian government thereby also underlines its ability to initiate successful infrastructure projects with other states.

New Opportunities for Germany and Europe

In the face of China's continued challenge, there is little doubt that India will continue to be significantly interested in cooperating with other states. Given its limited resources,

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SWP
Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

Ludwigkirchplatz 3–4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

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it has fewer options for pursuing its objectives in economic policy or its strategic ambitions, which aim inter alia to establish a multi-polar order in Asia. India's cooperation with other states in South Asia is a novelty in its foreign policy. Within the extended neighbourhood, bilateral and mini-lateral formats provide a new set of instruments enabling India to take a stance against China in its foreign policy.

This creates new opportunities for cooperation with India. Joint declarations at India's summits with Italy, the EU and Japan already contained relevant statements. The EU and India have moreover emphasised their willingness to cooperate militarily in the Indian Ocean, particularly off the coast of Somalia as part of Operation Atalanta. Among the EU member states, France maintains the closest relations with India in terms of security policy and has the greatest overlap with India in terms of geo-strategy. The two states have been strategic partners since 1998 and have long cultivated extensive cooperation in nuclear and armaments policy. France's overseas departments, such as Réunion, and its membership in the Indian Ocean Commission (IOC) make it an essential European partner and an obvious choice for cooperation in the Indian Ocean.

Germany has very good economic relations with India and has significantly expanded its business and technological contacts during the last few years. If India agreed to closer cooperation with third states in South Asia, it would share Germany's interest in strengthening democratic and civil-society structures in states such as Afghanistan or Nepal and in fighting growing religious extremism, for example in Bangladesh. Meanwhile, the Indian Ocean has also moved into Berlin's foreign-policy sights, increasing its economic and security convergence with New Delhi. By cooperating with India to promote the maritime economy or protect maritime resources in the Indian Ocean island states, Germany would play to everyone's economic interests. This could also give a fresh impetus to

India's strategic partnership with the EU and its member states.