

# India is using its economic clout to buy friends in its fight against China

*Through aid or trade, India influences not only internal but also external policies of client states: Rafale deal with France, US\$3 billion Raytheon/Lockheed helicopter and air defence deal with the USA, and trade relations with Saudi Arabia and the United Arab Emirates.*

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July 3, 2020



In his book *The Age of the Economist*, Daniel R. Fusfeld tells how economics governs our life today. In today's market or quasi-market economies, no country can live in economic isolation (*sakoku*). India is quite adept in using its economic clout, including defence purchases, as a tool of coercive diplomacy and countering China.

## India leveraging its military purchases to expand clout

Amid Ladakh border standoff, India's defence ministry approved purchase proposals amounting to an estimated Rs 38,900 crores. They include procurement of 21 MiG-29s, upgrading Indian Air Force's existing MiG-29 aircraft, procurement of 12 Su-30 MKI aircraft. The MiG-29 procurement and up-gradation from Russia will cost Rs 7418 crores.

The Su-30 MKI will however be procured from Hindustan Aeronautics Limited (HAL) at an estimated cost of Rs 10,730 crores. The Indian Railways on Thursday terminated its dedicated freight corridor contract with the Chinese firm ostensibly due to "poor progress" on the signaling and telecommunication work on the Eastern Dedicated Freight Corridor's 417-km section between Kanpur and Mughalsarai.

Action is underway to replace “Chinese giants” with Indian firms in the construction of the Delhi-Meerut road transport project. India has directed all companies to label the origin of imports.

### **Indian protectionism in the digital space**

By way of a cyber attack, India took down 59 Chinese applications on Google Play Store. The removed apps include UC Browser, SHAREit, WeChat, CamScanner, and Mi Community, and TikTok.

The Indian government announced the applications are engaged in activities “prejudicial to sovereignty and integrity of India, defence of India, the security of the state and public order.” Will India ban Huawei next? India’s mentor, the United States, has applauded the ban.

The ban has been imposed under Section 69A of the Information Technology Act read with relevant provisions of the Information Technology (Procedure and Safeguards for Blocking of Access of Information by Public) Rules 2009, it said. The government also cited complaints about data on Indian users being transferred abroad without authorisation.

The move is intended to serve as a blow to China’s Digital Silk Route ambitions, eroding the valuation of the companies. The USA has lauded India’s draconian initiative.

The world should shun India because of its human rights violations in Kashmir. But, it isn’t doing so because of its economic clout.

### **Trading interests reign supreme, world leaders look the other way**

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In Sri Lanka, India brokered to remove Mahinda Rajapaksa from office 2015. Rajapakse had given China strategic entry into Sri Lanka, by leasing out Hambantota port to China and allowing it to build Colombo port and dock its submarines in Sri Lanka.

Now Sri Lanka has handed over control of Hambantota to India. India gave \$45.27 million aid to develop KKS harbour in Sri Lanka

India extended 2.1-billion Nepalese Rupee (NR) aid to Nepal as reimbursement of the first tranche of housing support to 42,086 governments of India supported beneficiaries in Nuwakot and Gorkha districts. It pledged Nepal US \$1 billion aid and soft loan (25%) for Nepal's post-earthquake. Recently, India occupied some Nepalese territories including Kala Pani.

India has pledged to contribute Rs 4,500 crore to Bhutan's twelfth five-year plan (2018 to 2023). It completed the Mangdhechu Hydroelectric project and Ground Earth Station for South Asia Satellite and launch of RuPay card in Bhutan.

Besides, it committed assistance of Rs 4,500 Crore for implementation of development projects and Rs 400 Crore for transitional Trade Support Facility during Bhutan's 12th Five Year Plan (2018 – 2023).

Under the 12th 5-Year Plan, 51 [large](#) and intermediate projects and 359 Small Development Projects (SDPs)/High Impact Community Development Projects (HICPDs) are being carried out. India's commitment to the 12th Plan constitutes about 14.5 percent of the Plan outlay which is around 38.75 percent of the capital outlay and 71 percent of the total external assistance.

Bhutan asked India to stop Chinese road construction at Doklam. India did so as a 'super-power'.

To Bangladesh, India extended three \$8 billion loans. A total of 1.16 Gigawatts of power is now being supplied by India to Bangladesh. The increase, in the reckoning of the Prime Minister, signifies a "quantum jump from megawatts to Gigawatts and is symbolic of a golden era" in bilateral ties.

Markedly, Mamata Banerjee has pledged to raise the power supply to Bangladesh to 1,000 MW. Though electricity will not be a substitute for Teesta water, the plan to boost power supply is on the anvil.

Launching the 'Act Far East' policy, India's Prime Minister Narendra Modi announced (September 5, 2019) that India will give a line of credit worth US\$ 1 billion to Russia for the development of Far East.

India has provided lines of Credit worth \$ 96.54 million to Niger for projects in transport, electrification, solar energy and potable drinking water. It granted \$15 million to Niger for organising African Union Summit

India and Japan have launched their own joint initiative in the shape of Asia-Africa Growth Corridor (AAGC) vis-a-vis China's Belt-Road Initiative for undertaking development and cooperation projects in the African continent.

### **Calls for boycott of Chinese goods difficult for overly dependent India**

There are shrill calls for boycott of Chinese imports. However, it is easier said than done. Imports from China to India are close to five times more than exports from India to China. The figures for 2019-20 are \$74 billion and \$18 billion respectively. A majority of the imports are in crucial sectors such as antibiotics and pharmaceutical ingredients, telecom equipment and semiconductor devices.

In each of these sectors, the imports are to the tune of above 70 percent of India's requirements. Chinese investments have also seen a whopping increase over the past five years. The figures for the 2014-17 period show that investments rose from \$1.6 billion in 2014 to \$8 billion in 2017.

These investments are in sectors as broad-based as automobiles, electronics, and pharmaceuticals and are across the country. One of the top destinations is Gujarat, a State that the BJP has ruled for 19 years at a stretch.

States such as Haryana, Karnataka and Maharashtra have also welcomed huge Chinese investments in infrastructure projects over the past decade. Bilateral trade between India and China increased from \$38 billion in 2007-08 to \$89.6 billion in 2017-18, and of this, the rise in imports from China was to the tune of \$50 billion, while Indian exports increased only by \$2.5 billion.

Trade with China constituted more than 40 percent of India's total trade deficit. Chinese trade was galloping in pharmaceuticals, solar power and textiles. India's dependence on China for life-saving drugs was to the tune of 90 percent, and in solar energy China's penetration was up to 84 percent.

### **India's trade politics with Malaysia and Turkey**

Malaysian prime minister Mahathir Mohammad had said in September that India had "invaded and occupied" Kashmir. He was joined by Turkey's President Recep Tayyip Erdogan, who said that India had virtually imposed "a blockade" on Kashmiris.

About Citizenship Amendment Act, he commented he was "sorry to see that India, which claims to be a secular state, is now taking action to deprive some Muslims of their citizenship". These views on Kashmir and the Citizenship (Amendment) Act (CAA) irked

India. India lodged a formal protest stating that it went against the accepted diplomatic practice of “non-interference in each other’s internal affairs”.

Already, India was angry as Malaysia refusal to hand over Indian Islamic televangelist Zakir Naik. He was given asylum in Malaysia in 2018 despite the Indian allegations of money laundering and “hate speech”.

Prime Minister Mahathir Mohammad’s views on Kashmir and the Citizenship Amendment Act irked the Indian government, which retaliated by unofficially stopping the import of palm oil from the country.

Nepal, too, will be affected by the de facto Indian ban on Malaysian palm oil. Malaysian palm oil is refined in large quantities in Nepal and exported to India. Pakistan’s friend Mahathir Mohammad is no longer at helm of affairs in Malaysia.

The Indian government also sought to penalise Turkey by not allowing it to bid for construction contracts. During February 2020 visit to Pakistan, he desired Turkey to be a partner in CPEC construction projects. India’s frantic effort to get Pakistan blacklisted is well known.

### **Nepal and Bhutan fight back**

Offended at the occupation of its territories including Kala Pani, Nepal took legislative steps to show Kala Pani as its territory. It reportedly allowed China to occupy Rui village, and 11 other strategic locations (*China occupies Nepal village, Tribune India, June 24, 2020*).

India activated its stooges to pass a no-confidence motion against prime minister Oli (who averted the move by getting parliament prorogued). Bhutan was falsely accused of stopping water flow downstream to India. Bangladesh, Maldives, Sri Lanka, and Myanmar also have expressed ennuui on some Indian policies.

India and the USA want to portray or declare China as a pariah state. Economic sanctions, aid or trade embargo or ‘terror’ labels are extensively used to punish weak states by powerful states.

See how the USA uses a flexible format to dub or delete a country as an axis of evil, money-laundering conduit, sponsor of terrorism, or pariah, or rogue (Iran, Sudan, North Korea, Cuba, Venezuela).

The Ottoman Empire was persecuted as an outcast by the European States since the Treaty of Westphalia in 1648 until the nineteenth century on a ‘religious basis’.

Deon Geldenhuys points out the criteria for declaring a state pariah: having 'artificial borders' (Iraq), a siege mentality, anti-West sentiments and desire to subvert the international status quo (Pakistan?), or not being a considerable world power. China being a world power is not a pariah. India-US nexus is aimed at declaring China a pariah state with concomitant ill effects on her economy.

The Indian prime minister Modi himself told the all-party conference, "Neither have they [Chinese] intruded into our border nor has any post been taken over by them (China)". Even former defence minister AK Antony and former foreign secretary Shyam Saran denied China had taken over 640 sq km of Ladakh territory.

Even, "The Indian army denied that Ladakh had shrunk. Change in the river course was cited as a reason for the loss of 500-1,500 meters of land annually". Both countries have agreed to withdraw troops from flashpoints in equal batches. Even if they do not pull back immediately, they will have to do so when lakes and rivers freeze in winter. Then, why the storm in a teacup? Then why do Planet-Lab images show Chinese deployments?

Obviously, India is exerting diplomatic, economic and military pressure on its neighbours, including China to accept India's 'annexation' of the disputed Kashmir state as a *fait accompli*.

*The author has been contributing freelance for over five decades. His contributions stand published in the leading dailies at home and abroad (Nepal, Bangladesh, Sri Lanka, ET. al.). He is author of seven e-books including Terrorism, Jihad, Nukes and other Issues in Focus. The views expressed in this article are the author's own and do not necessarily reflect the editorial policy of Global Village Space.*

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