

## What Does China Expect from Modi 2.0?

How each country manages strong domestic and external economic headwinds will impact the relationship's stability.



Chinese President Xi Jinping and Indian Prime Minister Narendra Modi shake hands as they visit the Hubei Provincial Museum in Wuhan, Hubei province, China April 27, 2018. Image: China Daily via Reuters/Files

[Jabin T. Jacob](#)

Chinese analysts saw Narendra Modi's re-election as prime minister as a foregone conclusion. What came as a surprise to them – as it did to many in India – was the [scale of Modi's victory](#). Many assumed – going by Indian press reports and conversations with Indian visitors – that Modi would return with a reduced mandate and be forced into a coalition government. The implication here was that Modi would not have as free a hand in governance and foreign policy as he did in his first term.

What, then, do the Chinese expect from the second Modi administration?

India-China relations in the first Modi term were a mixed bag. The Chinese expected Modi, the 'businessman' to be pragmatic and increase economic engagement with China. Instead, he

invited the Tibetan Sikyong and Taiwan's top diplomatic representative in India to his swearing-in, doubled down on opposition to China's Belt and Road Initiative (BRI) and actively sought a closer relationship with the United States even as he made the special gesture of hosting Chinese President Xi Jinping in his home state of Gujarat in 2014.

But by and large, issues from India's [Nuclear Suppliers Group membership](#) to the sanctioning of [Pakistan-based terrorists](#) to [Doklam in 2017](#) kept the relationship off-balance until the [Wuhan summit in 2018](#) managed to restore some semblance of normalcy. The Wuhan moment itself was the result of extraneous considerations – Modi's need to focus on the coming state and general elections, and for Xi, the beginning of the trade war with the Americans.

Xi in 2017 and Modi now have returned for their second terms in power with greater political capital and clout. This does not, however, mean that the India-China relationship will be on the mend despite the rhetoric of the 'Wuhan spirit' and another 'informal summit' expected in Varanasi later in the year.

### **The more things change...**

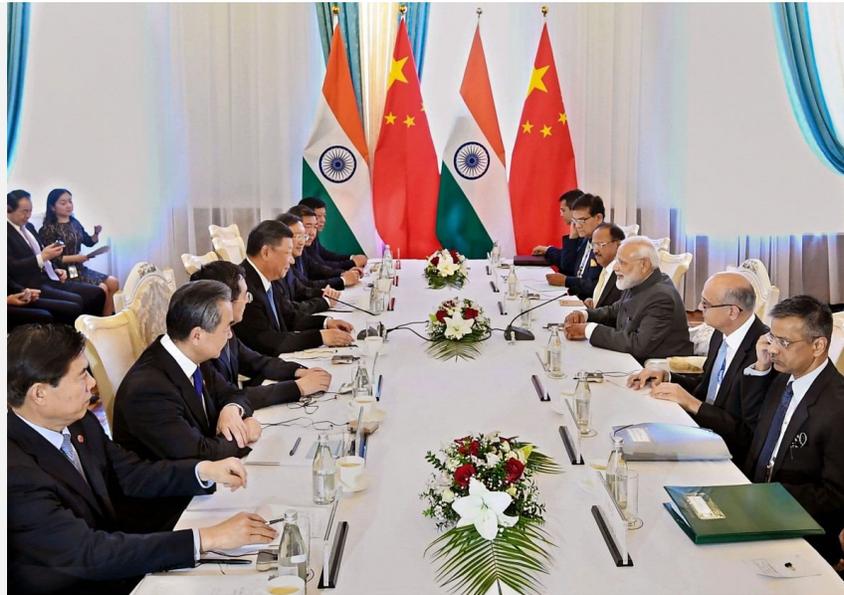
Old problems in the relationship are likely to persist – the boundary dispute, the Pakistan tilt in China's equations with India, Chinese reluctance to accommodate India's desire for a permanent seat in the UN Security Council and membership of the NSG. Neither leader looks the kind that will be ready for the necessary compromises including changes in their country's map that will be required for a boundary settlement. Newer issues like China's expanding economic and political influence in the rest of South Asia and India's pro-American tilt are also likely to increase their impact on the bilateral relationship.

It will be easier to stick to the rhetoric of the two countries [not posing a threat to each other](#) and talk big about global issues while putting the harder problems in the bilateral relationship to the side. Thus, the Chinese and the Indians have both spoken out against trade protectionism at the recently concluded Shanghai Cooperation Organisation summit in Bishkek, Kyrgyzstan.

But while the [SCO Declaration](#) calls for "improving the architecture of global economic governance", for "strengthening of the multilateral trading system... [and] opposition to the fragmentation of global trade and trade protectionism in all its forms", China itself is no exemplar in following any of these declarations.

Even as the Chinese expect India's economic compulsions to force India to open up to greater Chinese investments – and possibly acknowledge the uses of the BRI – the challenge for New Delhi will be to both crack open China's own high wall of non-tariff barriers against Indian goods and services as well as create processes in place that can both attract greater Chinese

investments and ensure that they do not expect special treatment and will adhere to Indian rules and regulations. The rollout of Huawei's 5G network in India will be a test case.



Modi and Xi meeting at the sidelines of the SCO Summit in Bishkek on Thursday. Image: PTI

The Indian trade deficit with China, meanwhile, remains a major sore point in the relationship and it is worth noting that very little of Xi's 2014 promise to direct \$30 billions worth of Chinese investment to South Asia over the following five years [has reached India](#) – it is Pakistan and Bangladesh that have been the biggest beneficiaries. Like other foreign investors, the Chinese, too, have been put off by India's complex land acquisition processes and poor infrastructure availability and connectivity.

While it can be pointed out that several Chinese mobile companies that now dominate the Indian market have also set up manufacturing units in India, and thus provide local employment, this has also come at the cost of pushing Indian manufacturers out of the market altogether. This might not be a sustainable model in other sectors of the Indian economy.

## **The BRI**

After giving the second BRI Forum in April this year a miss, India also conspicuously refrained from endorsing the BRI at the SCO summit and from [“prais\[ing\] the results”](#) of the Forum.

However, like in the case of the endorsement of the Chinese position against trade protectionism – essentially targeting US actions – India has also tried to soften its opposition on China-led connectivity initiatives by last week sending representatives to the

13th Bangladesh-China-India-Myanmar (BCIM) Regional Cooperation Forum meeting in Yunnan in China.

Xi specifically mentioned the BCIM Economic Corridor – seen by the Chinese as the next step up from the Forum itself – in his meeting with Modi on the sidelines of the SCO summit. While the Forum and the Economic Corridor both predate the BRI, the former has suffered in the past from Indian government suspicions about Chinese intentions and seen minimal progress since 1999 when it was created while the latter agreed on in May 2013 has suffered from too close an association with the BRI.

The Forum, however, is also a good example of how China has used such networking to promote its interests and managed to proceed with connectivity projects with Myanmar and Bangladesh.



People take pictures in front of a 'Golden Bridge on Silk Road' installation, set up ahead of the Belt and Road Forum, outside the National Convention Centre in Beijing. Image: Reuters/Stringer/Files

The Chinese understand that their relationship with Pakistan, and indeed, their expanding presence in the rest of South Asia will be a matter of concern for the Indians. Yet, this is unlikely to deter the Chinese from proceeding apace even as they expect the Indians to be deterred from acting against China's interests on issues related to Taiwan and the Dalai Lama.

In the second Modi term, New Delhi will have to do a better job than issuing statements on the BRI or ignoring it altogether and be willing to offer credible alternatives if it is retain any standing among its neighbours and further afield – the Bangladesh-Bhutan-India-Nepal initiative and the Asia-Africa Growth Corridor have both seen few substantive developments.

## **The US factor**

Modi did not invite the Tibetans or the Taiwanese to his second swearing-in ceremony – so much for consistency – but what seems to have spooked Chinese analysts is the appointment of S. Jaishankar as foreign minister. Jaishankar, despite his long tenure as ambassador to China, is seen as pro-US and pro-Japan. This perception matters because China's India policy appears strongly connected to the Sino-US relationship and it will, therefore, be watching how India interacts with the US.

The Chinese now consider the relationship with the US as one of strategic competition and are hoping that India will not get too close to the US through such means as talking about the Indo-Pacific and the South China Sea, and engaging in the Quad or the Malabar Exercises.

The other persistent wrinkle in the India-China relationship is the Dalai Lama – his health and future. New Delhi's position, whenever the Tibetan leader passes away and on his eventual reincarnation will be closely watched in China. The issue adds a substantial degree of uncertainty to the relationship.

For the moment, though, it is how each country manages strong domestic and external economic headwinds that will have the greater impact on stability of the overall relationship. Modi and Xi have their work cut out for them.

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