India’s perspective towards China in their shared South Asian neighbourhood: cooperation versus competition

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ABSTRACT
India’s top foreign policy priority is its neighbourhood of South Asia and the Indian Ocean, which it shares with China. This article seeks to understand how India views its largest and most powerful neighbour China in their shared neighbourhood. In view of the nature of the geographical location of the two major rising powers, India seeks to engage China through a mix of cooperation and competition. An unprecedented growth in Sino-Indian bilateral trade has taken place, with China becoming India’s largest trade partner. Yet, this dominant geo-economic narrative until the mid-2000s is increasingly being challenged by the dynamics of competition between the two countries in their shared neighbourhood. This has sharpened over their border dispute impacting Bhutan, new dramatic Chinese economic-focused initiatives in South Asia and an expansion of Chinese influence and presence in the Indian Ocean.

KEYWORDS
India-China relations; South Asia; Indian Ocean

Introduction
India and China are the most populous countries in the world, geographical neighbours on land and major powers in Asia. Both seek regional and global influence through continued fast-paced economic growth and a mix of ‘soft’ and ‘hard’ power options. While China’s $11.4 trillion economy is second only to the U.S. and five times larger than India’s ($2.3 trillion economy), India’s annual growth rate is faster than China’s and it remains the fastest-growing major economy in the world since 2014–2015 (India’s growth in 2016–2017 is forecast as 7.2% and China’s 6.6%). Both countries seek stability and security in their neighbourhood in order to ensure continued focus on domestic economic growth and development.

But, India and China have an uneasy bilateral relationship. Even as India seeks to ensure a fast-growing domestic economy, it views itself as at least a decade if not more behind China in terms of both development and infrastructure. China is India’s largest trading partner accounting for almost 11% of India’s total trade in 2016–2017 (Government of India, Ministry of Commerce and Industry, 2017a). But, India is only China’s 12th largest trading partner accounting for less than 2% of China’s total trade (National Bureau of Statistics of China, 2016). The dispute over their long land border led to a bitter border war 55 years ago and tensions continue. Most recently, in June-August 2017, a military standoff

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took place between these two major powers in the disputed Doklam tri-junction border area of China, Bhutan and India’s northeastern state of Sikkim. China’s defence budget is also estimated to be nearly four times bigger than that of India’s.

Sino-Indian bilateral relations are well researched, documented and marked by critical publications (Athwal, 2008; Bajpai, Jing, & Mahbubani, 2016; Gupta & Luthi, 2017; Madhav, 2014; Raghavan, 2010, 2012; Smith, 2014). But, the existing literature falls short on addressing the shared (regional) neighbourhood aspect of the bilateral relationship. In the context of this special issue on major powers and shared neighbourhoods, ‘major powers’ can usefully be defined as ‘regional leaders using their capacities to exert influence in their neighbourhood’ (Schunz, Gstöhl, & Van Langenhove, 2017).

This article seeks to understand how India views its largest and most powerful neighbour China in their shared neighbourhood of South Asia and the Indian Ocean. In order to respond to this objective, the chapter refers to the framing article of the Special Issue (Schunz et al., 2017) that seeks to pursue the following research questions: first, what foreign policy and strategic objectives do India and China pursue in their neighbourhood? Which forms of interaction result from those? Second, why do specific forms of interaction between India and China emerge? Third, what should be done to ensure that India and China interact (at least partially) cooperatively in their shared South Asian neighbourhood?

India is the regional hegemon in South Asia, defined as an artificially-constructed geographical area lying between and including Afghanistan in the west and Bangladesh in the east. This region now comprises the eight member countries of the South Asian Association for Regional Cooperation (SAARC), the single region-wide organisation focusing on economic and political cooperation. India occupies nearly two-thirds of the total land mass of South Asia, constitutes three-quarters of its total population and over three quarters of GDP (International Monetary Fund [IMF], 2015). The country also shares land and maritime borders with five of its South Asian neighbours (with the exception of Afghanistan and the Maldives); no other country shares more than two borders within this region.

India also seeks to become a ‘leading power’ in the Indian Ocean. Its long peninsular coastline stretches deep into the Indian Ocean, while its island territories in the Arabian Sea and the Bay of Bengal lie strategically across major Sea Lines of Communication (SLOC). Some 66% of the world’s maritime oil trade, 50% of the global container traffic and 33% of global cargo trade flows through the Indian Ocean. With higher economic growth fuelled by greater energy consumption, India is dependent on the Indian Ocean for both trade and energy: over 90% of India’s foreign trade by volume and 70% in value terms is seaborne, accounting for 42% of India’s GDP. India’s oil imports have increased to nearly 80% of total demand, with 40% of imports originating from the Arabian Gulf region (Government of India, 2017d).

Yet, it is often forgotten that China is South Asia’s largest neighbour and shares land borders with an equal number of states in the region as India. While Pakistan has been an ally of China for some time, the smaller South Asian states of Nepal and Bhutan have at times had to ‘balance’ their relations between their two huge neighbours, India and China. In the past decade, China has also sought to extend its influence in the Indian Ocean due to its growing energy imports from the Arabian Gulf and its role in anti-piracy operations off the Gulf of Aden.
This article argues that in view of the geographical location and nature of the relationship between the two major Asian powers India and China, India has sought to engage with China through a mix of cooperation and competition in its shared neighbourhood of South Asia and the Indian Ocean. This mix between cooperation and competition is referred to as ‘coopetition’ in the framing article of the Special Issue (Schunz et al., 2017).

The cooperative aspect of the Sino-Indian relationship is largely focused on the expansion of trade ties for China to become India’s largest trading partner alongside sub-regional economic and connectivity projects in South Asia involving or linked to China. Their cooperation in regional and global multilateral institutions and organisations also enhances bilateral relations in their shared neighbourhood. Yet, the unprecedented growth in Sino-Indian bilateral trade since 2005 has not had the effect of building stability in the bilateral political relationship, even as a telephonic ‘hotline’ between the two nations’ leaders is now reportedly operational. Indeed, the growing influence of the geo-political nature of the relationship in challenging the stability that geo-economics has provided is noticeable. This is exacerbated by India’s concern over China’s growing presence and influence in South Asia and the Indian Ocean, which it sees as an attempt to counter its own dominance in the region by actively seeking to ‘encircle’ it as well as thwart India’s rise in the international system.

In terms of the latter, China has led several smaller countries in opposing India’s membership of the Nuclear Suppliers Group (NSG), a major technology control regime whose members can trade in and export nuclear technology (IISS, 2016, p. 125), a key foreign policy objective of the Indian government of prime minister Narendra Modi. Alongside, China has consistently and continuously blocked India’s attempts, supported by the U.S, France and the UK, to designate Pakistan-based Jaish-e-Mohammed (JeM) terror group chief Masood Azhar as a ‘global terrorist’ under the UN Security Council’s ISIL (Da’esh) and Al-Qaida Sanctions Committee.

This article will first seek to examine the dynamic foreign policy and strategic objectives that India’s Modi government is pursuing in the shared neighbourhood of South Asia and the Indian Ocean. To provide context to their relationship in their shared neighbourhood, the article will examine India’s interaction with China on trade, connectivity and multilateral relations. This will be followed by an assessment of India’s concerns and policies vis-à-vis China in terms of land border disputes involving a ‘third’ country, the China–Pakistan Economic Corridor (CPEC) and the growing Chinese presence and influence in the Indian Ocean. The article will conclude by assessing specific forms of interaction between India and China and suggesting what could be done to ensure that they interact (at least partially) cooperatively in their shared neighbourhood of South Asia and the Indian Ocean.

**India’s strategic objectives in its neighbourhood**

This section examines the level of priority that the Modi government provides to its neighbourhood in its foreign and security policy. What is its neighbourhood? What are its strategic objectives in the neighbourhood? What are the nature of India’s interactions in the region?

In view of India’s regional dominance in South Asia, it has traditionally sought to expand its presence and influence in the region, with the exception of its major nuclear-armed
adversary Pakistan. This has taken place through economic and trade ties, political relationships and people-to-people and cultural links, the latter as part of its ‘soft power’. Soon after being sworn in as prime minister in 2014, Modi officially announced a ‘neighbourhood first’ foreign policy (Government of India, 2014). While the countries or the region this policy covers has not been defined, it is widely understood to mean those South Asian/SAARC countries with which India shares land or maritime borders (its ‘immediate neighbourhood’) along with Afghanistan, as well as select littoral and island states of the Indian Ocean (its ‘extended neighbourhood’). The Modi government adopted its ‘neighbourhood first’ foreign policy, as a means to make the most of its influence in South Asia. A stable and secure neighbourhood is key for it to meet its objective of economic development and the political transformation of India, encompassing high economic growth and increased foreign investment.

In its ‘neighbourhood first’ policy, the Modi government continues to prefer dealing with countries in the region on a bilateral rather than a multilateral basis; this ensures greater leverage as well as a higher ‘comfort level’ for India. On a regional and sub-regional basis, however, the Modi government prioritises connectivity, transportation and infrastructure linkages (Government of India, 2016a), and has attempted to enhance regional connectivity in SAARC. In the event SAARC-wide developments are unable to take place due to political differences, the Modi government stresses a multiple web of sub-regional cooperation on trade, transportation and infrastructural connectivity including the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Bangladesh, Bhutan, India, Nepal (BBIN) Initiative, both excluding Pakistan and China. This ‘neighbourhood first’ commitment also showed in Modi’s first foreign visit as prime minister to Bhutan. Maldives was the only SAARC country Modi had not visited by the middle of his five-year term; a scheduled visit in March 2015 had to be cancelled suddenly due to Maldivian domestic politics (Roy-Chaudhury, 2015). Since September 2001, India has provided over $3 billion in aid to Afghanistan, including $1 billion provided during Afghan president Ashraf Ghani’s visit to India in September 2016 (Government of India, 2016b).

At the same time, unlike previous governments, the Modi government also perceives the Indian Ocean as part of India’s immediate and extended neighbourhood, and hence a foreign policy priority. In March 2015, Modi was the first prime minister in decades to unveil a vision for the Indian Ocean, called Security and Growth for All in the Region (SAGAR) (meaning ‘sea’ or ‘lake’ in Hindi). This five-pronged approach comprised:

(i) safeguarding India’s mainland and islands, defending its interests, ensuring a safe secure and stable Indian Ocean, and making available India’s capabilities to others;
(ii) deepening economic and security cooperation with India’s maritime neighbours and island states, and strengthening their maritime security capacities and economic strength;
(iii) envisaging collective action and cooperation to advance peace and security and respond to emergencies;
(iv) seeking a more integrated and cooperative future for the region that enhanced sustainable development; and
(v) seeking a climate of trust and transparency; respect for international maritime rules and norms by all countries; and peaceful resolution of maritime issues (Government of India, 2015a).
Yet, India’s economic and political dominance over South Asia has not always yielded the regional influence it has sought. On several occasions since its independence in 1947, India has had strained and tense ties with its neighbours, including the occasional deterioration in bilateral relations. This is due to the complex domestic politics of the countries in the region, their historical suspicion of India as the dominant regional power, the regional impact of Indian domestic and ethnic politics in determining foreign policy decisions in South Asia, and cross-border terrorism emanating from Pakistan (IISS, 2016, pp. 121–129).

Moreover, India’s bilateral trade relations in South Asia are abysmal. In 2015, India’s total trade with SAARC was $23.39 billion, comprising only 3% of total trade (Government of India, Ministry of Commerce and Industry, 2015). Although India is the largest trade partner for Nepal, Bhutan and Sri Lanka, these countries are India’s 34th, 77th and 39th largest trade partners respectively. India’s largest trade partner in South Asia, Bangladesh, comprising $7.43 billion annually, is India’s 27th largest trading partner (Government of India, Ministry of Commerce and Industry, 2017a). South Asia also continues to remain one of the least economically integrated regions in the world, with inter-regional trade accounting for only 5% of total trade (compared to 25% in ASEAN) and less than 1% of its investment flows take place from within the region (Security of Indian Ocean, 2016).

Equally important has been India’s failure to meet expectations generated by Modi’s initial outreach to other leaders in SAARC, after he invited them (along with the leader of Mauritius) to his May 2014 inauguration ceremony indicating his ‘neighbourhood first’ priority. Indeed, as a result of a terror attack on 18 September 2016 on any army camp in Uri in Jammu & Kashmir by Pakistan-based militants, India called off the SAARC Summit scheduled to be held in Islamabad. Particularly on Pakistan, with which India has fought three-and-a-half wars, the Modi government has taken a tougher position than its predecessor. New Delhi has also refused to resume the stalled bilateral dialogue between the sides until Islamabad took action against the anti-India militants based in Pakistan (IISS, 2016, p. 123).

On occasion, India’s role in South Asia has also warranted elements of its ‘hard power’ along with interventionist policies for the attainment of key political objectives. This has been most notable in terms of the creation of Bangladesh in 1971, economic pressure imposed at various times on Nepal to seek political concessions, most recently the blockade of commercial trucks entering Nepal from India thereby creating shortages of food, fuel and other essential commodities (September 2015–February 2016) (IISS, 2016, p. 127); the airdrop of provisions to the Tamils in Jaffna in 1987 without the permission of the Sri Lankan government (Bobb, 1987) and the subsequent deployment of a peacekeeping force in Sri Lanka from 1987 to 1990 in an agreement with the Sri Lankan government (Bullion, 1994); as well as the prevention of a coup attempt in the Maldives in 1988 at the request of the Maldivian government (Joshi, 2016).

The description of an Indian ‘Monroe Doctrine’ over South Asia, with India having a special role as the custodian of regional security, determines India’s perception of China within the region (Brewster, 2014, p. 24). This has been exacerbated by China’s growing influence in their shared neighbourhood of South Asia and the Indian Ocean.
Sino-Indian cooperation in the shared neighbourhood

This section examines the dynamics of Sino-Indian trade and multilateral relations that impact their relations in the shared neighbourhood of South Asia and the Indian Ocean.

Following the four-week Sino-Indian border war in 1962, bilateral diplomatic relations were suspended for 15 years and India essentially viewed China with suspicion (Grare, 2017, p. 26; Smith, 2014, p. 28). However, the subsequent burgeoning bilateral trade and economic relationship constituted the key stabilising factor in their neighbourhood relations, alongside cooperation through various Confidence Building Mechanisms (CBM) and border agreements between the two countries. The latter was marked by the 2005 bilateral agreement on the ‘Political Parameters and Guiding Principles for the Settlement of the India–China Boundary Question’ (Government of India, 2005).

As economic activity has been argued to be the ‘most important source of power for “determining the primacy or subordination of states”’ (Huntington, 1993), this may explain why relations between the major powers of India and China initially took the form of cooperation and cohesion in the aftermath of the 1962 war, with India’s keen on overcoming its severe economic and military vulnerabilities vis-à-vis China. During this time, the strategic objectives pursued by India and China in their shared neighbourhood also focused on geo-economics, while ensuring that bilateral economic relations were a means to provide a level of stability to their geo-political interactions, thereby ensuring they sought to cooperate rather than compete. With the official resumption of bilateral trade in 1978, Sino-Indian relations could be conceptualised in terms of geo-economics rather than geo-politics until 2005, along with a non-aligned India believing that cohesion through internal prosperity and economic growth was of primary importance rather than a focus on security paradigms and competition.

Sino-Indian trade grew significantly during the 1990s, increasing from $107.9 million in 1988 to cross the $1 billion mark in 1995. Furthermore, from a relatively low base of $2.3 billion in 2000–2001 bilateral trade hugely increased to $71 billion in 2015–2016, with Modi seeking stronger trade and investment links with China. This includes a growth of over two-and-a-half times in the last ten years alone, with China being India’s largest trading partner since 2011–2012 (with the single exception of 2012–2013). In contrast, India-U.S. bilateral trade in 2015–2016 was $62 billion. Although an India–China joint communique in 2010 had set a target of $100 billion bilateral trade by 2015, this was far too ambitious in the wake of the global financial crisis.

However, India was only the ninth largest export market for China in 2015–2016. Despite the stability which the economic relationship provided with respect to the interactions between the major powers, there remains growing concern in India over its massive trade deficit with China of more than $50 billion, alongside non-tariff barriers on Indian goods and services. A massive 16% of India’s imports take place from China.

Moreover, Chinese Foreign Direct Investment (FDI) into India remains abysmally low, alongside India’s paltry $80 million investment in China in 2015. Although China has pledged $20 billion of investments in India’s roads, rail, power and telecom sectors by 2019, implementation is weak (PTI, 2014). Unlike trade relations, it is the financial investments that both countries are willing to stake in each other’s future that could have a significant political impact on bilateral relations. After all, if major Indian and Chinese public
and private sector companies invested in each other’s countries, they would be reluctant to see a bilateral relationship dominated by competition and tension.

Nonetheless, at the regional and global multilateral levels a significant degree of Sino-Indian cooperation and interaction takes place on both geo-economic and geo-political issues. Regionally, this includes the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, a sub-regional group to enhance trade and investment between the four countries and to facilitate the construction of a 2,800-km economic corridor from Kunming in south-west China to Kolkata via Mandalay in Myanmar, Manipur and Assam in India, and Dhaka and Jessore in Bangladesh. Meanwhile, the Asia Cooperation Dialogue (ACD), comprising 34 member states, seeks to promote interdependence among Asian countries and expanding trade and investment within Asia.

Following the resolution of the military standoff at Doklam in late August 2017, India and China enhanced their cooperation on counter-terrorism at the ninth BRICS (Brazil Russia India China South Africa) summit in China on 4 September 2017. For the first time, the joint communiqué explicitly referred to Pakistan-based anti-India terror groups, Lashkar-e-Taiba (LeT) and JeM, as groups responsible for committing, organising, or supporting terrorist acts (BRICS, 2017, p. 21). India and China are also two founder members of the New Development Bank, established by BRICS member states in July 2014.

India also recently joined the China-led Asian Infrastructure Investment Bank (AIIB) that aims to meet infrastructure needs across Asia. India is a lead partner in AIIB and the second largest shareholder with 7.5% voting shares after China’s 26% shares. India also formally joined the Chinese-influenced Shanghai Cooperation Organisation (SCO) as a full member in June 2016 along with Pakistan.

Additionally, at the global level, this is the case in terms of the Group of 20 (G20) and the Copenhagen and Paris climate change summits. China backed India’s successful candidacy for a non-permanent seat in the United Nations Security Council in 2011 and 2012. While India is a full member of SAARC, the 21-Member Indian Ocean Rim Association (IORA) and the 35-Member Indian Ocean Naval Symposium (IONS), China is either an Observer or a Dialogue Partner in these organisations.

**Sino-Indian competition in the shared neighbourhood**

Recent history has seen the scope and scale of global interconnectedness becoming increasingly evident in all spheres, primarily in the economic and political frontiers, where activities in one region have significance for others in distant regions (Baylis, Smith, & Owens, 2011, pp. 17–18). This multi-polar world in turn was a factor in the signing of the Sino-Indian 2005 landmark bilateral agreement on the border, which set the political parameters of the border question (Government of India, 2005). This followed from growing Chinese concern over India’s rapprochement with the U.S. in the mid-2000s (resulting in the signing of the U.S.-India Civil Nuclear Agreement in 2008) (Grare, 2017, p. 28).

Yet, consequently, this increased globalisation led to greater competitive interactions occurring between India and China, primarily within their shared neighbourhood. This led to India becoming more extrovert in nature and focusing more on geo-politics than geo-economics from 2005 onwards. As a result, India shifted from its traditional position of non-alignment to more external balancing, utilising strategic partnerships with the
U.S. and Japan to enhance its own interactions and engagements vis-à-vis China. Sino-Indian tensions rose in 2009 with then-Indian prime minister Dr. Manmohan Singh publicly noting for the first time China’s assertiveness towards the border dispute through border skirmishes, exacerbated by China’s growing influence in the region. These competitive elements intensified with prime minister Modi taking charge in May 2014, and China currently being perceived as India’s primary security challenge.

Sino-Indian competitive interactions can best be seen in terms of three factors. First, their border dispute impacting a ‘third country’ in their shared neighbourhood, Bhutan. This was abundantly clear from the 73-day military standoff in the disputed Doklam area. Second, through the landmark China–Pakistan Economic Corridor (CPEC) project, which has already served to change the narrative of Sino-Pakistan relations, and is viewed with concern by India. And, third, China’s expanding presence and influence in the Indian Ocean. On each of these three issues India has responded strongly, with prospects for escalation in competitive terms.

**Border dispute in relation to Bhutan**

Sino-Indian suspicions and tensions have remained over their disputed border, called the Line of Actual Control (LAC). Both countries disagree even as to the length of the LAC, which India places as about 4,000 kms and China half that. The reason is that whereas for China the dispute comprises India’s province of Arunachal Pradesh – which it claims as part of southern Tibet – for India, the dispute also covers the Aksai Chin area annexed by China in the 1962 conflict (Roy-Chaudhury, 2015a).

During Chinese President Xi Jinping’s visit to India in September 2014, Chinese forces crossed the LAC at Chumar in the Ladakh border region between Jammu & Kashmir and Chinese-controlled Aksai Chin resulting in a military ‘standoff’ that lasted for two weeks, (Levesques, 2014). Modi’s response was robust. Having criticised China’s ‘mindset of expansion’ during his electoral campaign (Gottipati, 2014), he sent reinforcements to the area and ensured that Indian troops held their positions. Modi also publicly expressed concern over the border dispute, and raised the issue of Beijing’s policies in the neighbourhood with his guest (Roy-Chaudhury, 2015b).

For the first time, in June 2017 a tense military standoff began between Indian and Chinese troops when Indian soldiers entered the high-altitude Doklam plateau, claimed by both China and Bhutan, to halt the construction by Chinese People’s Liberation Army (PLA) personnel of a road project in a disputed tri-junction border area with China, Bhutan and India’s northeastern state of Sikkim. (Levesques, 2017). India’s intervention took place after consultation with the Bhutanese authorities owing to concerns that the Chinese road was being extended towards the strategically located Jampheri Ridge, which overlooks India’s Siliguri Corridor, the thin strip of land that connects its seven northeastern states to the rest of the country. At its peak, it was reported that up-to 3,000 troops ‘faced-off’ against each other on both sides (Pandit, 2017).

This was the longest and most serious India–China standoff for decades, since the 1986–1987 standoff in the Sumdorong Chu region, which lasted for eight months (Banejjee, 2017). India and China both asserted that the other had attempted to unilaterally change the ‘status quo’; with India insisting that China was in violation of a 2012 agreement in which the tri-junction boundary points would be finalised in consultation with
the concerned countries (Government of India, 2017b). However, China consistently reiter-
ated its sovereignty over the area, and insisted that Indian troops had ‘illegally trespassed
the boundary’ into Chinese territory, in violation of international law (Ministry of Foreign
Affairs of the People’s Republic of China, 2017). China warned that there would be
‘sensitive consequences’ unless Indian troops withdrew prior to negotiations.

The Doklam military standoff eventually ended on 28 August 2017, after several rounds
of closed-door bilateral negotiations and discussions, with India and China agreeing to an
‘expeditious disengagement of border personnel’ (Government of India, 2017c). This
enabled Modi to travel to the BRICS summit in China the following week. As a result, no
shots have been fired between Indian and Chinese troops across the LAC in the past 55
years (Karmakar, 2015).

China–Pakistan economic corridor (CPEC)

Limits to India’s regional influence have been exacerbated by China’s recent expansion of
trade and defence ties in South Asia. With the exception of Bhutan, China has diplomatic
relations with all of South Asia. In 2015, its total trade of $42.59 billion with SAARC was
double that of India’s. China is also the largest trading partner and key arms supplier to
both Pakistan and Bangladesh.

But, the most dramatic development has been the start of CPEC, part of the BRI,
announced during Chinese president Xi’s state visit to Pakistan in April 2015. CPEC is an
estimated $62 billion package of loans and equity agreements for energy and infrastruc-
ture projects that seeks to link China to the Indian Ocean through Gwadar port in Baluchi-
stan province. It also involves considerable Chinese investment in Pakistan’s energy-
generation capacity to end chronic electricity shortages (Haider, 2016). While CPEC has
already transformed the narrative of strengthened Sino-Pakistan relations, it has the
potential to transform Pakistan’s economy and boost its long-term development.

The divergence between India and China over CPEC sharpened with India’s refusal to
attend the Belt and Road Forum (BRF) in Beijing in May 2014 as it regarded CPEC projects
in Gilgit-Baltistan – which it claims as part of Jammu and Kashmir – as a violation of Indian
sovereignty. New Delhi perceives CPEC and BRI as Chinese attempts to ‘encircle’ it strate-
gically and counter Indian influence in South Asia. It also sees CPEC as having only a stra-
tegic, not an economic, objective. Yet, India was the only South Asian country, along with
Bhutan, that did not send a leader or Minister to the BRF.

China’s growing influence in the Indian Ocean

Till recently, India was content with simply being a ‘balancing’ power in the Indian Ocean,
seeking to limit Western or erstwhile Soviet (Russian) or Chinese power in the Indian
Ocean. The Modi government now aspires to become a ‘leading’ power in the Indian
Ocean, seeking to leverage India’s growing national capabilities to take on greater roles
and responsibilities in the area.

This is partly due to concerns over China’s expanding presence and influence in the
Indian Ocean in light of China’s assertive policies towards the border dispute and
uneasy political relations. India views this as an attempt to gain permanent access to
these waters and to ‘encircle’ India strategically. China’s initiative includes port-
development projects in Sri Lanka, Pakistan, Bangladesh and Myanmar, as well as a significant increase in naval deployments in the Indian Ocean and submarine visits to the area (Tate, 2017). This concern has sharpened with the recent establishment of China’s first overseas military base in Djibouti, off the Horn of Africa, and the launch of CPEC.

In response, India is developing a new, proactive maritime security policy that seeks to challenge Chinese political narratives and infrastructure projects in South Asia by providing new economic, port and energy-development incentives to enhance regional connectivity; ensure that India will be among the first contributors to humanitarian and disaster-relief operations in its neighbourhood; expand bilateral maritime-security and -defence cooperation with island states beyond that of a ‘net security provider’; and facilitate a diplomatic and political push into the south-western and eastern areas of the Indian Ocean.

For the past two years, the Indian government has sponsored an influential annual Indian Ocean conference on peace, progress and prosperity taking place in Singapore in 2016 and Sri Lanka in 2017 (Government of India, 2017a). In April 2017, India agreed to provide a $4.5 billion line of credit to Bangladesh, including for upgrades of ports; appeared willing to invest $2 billion in Sri Lanka, including development of the port, oil terminals and refinery at Trincomalee; and in April 2016 agreed to develop port facilities in the Maldives. It also influenced Sri Lanka’s reported decision to provide only a minority stake to a Chinese operator for security operations at Hambantota port, and that Chinese naval ships would enter the port only at the discretion of the Sri Lankan government (Roy-Chaudhury, 2017).

Following Modi’s Indian Ocean vision statement in March 2015, seven months later the Indian navy significantly revised and updated its official maritime security strategy. Although this was not the result of Modi’s vision statement, it served to complement it by providing a pro-active and expanded outlook towards the navy’s roles and responsibilities in the Indian Ocean over the next ten years.

Towards Indian Ocean island states, the Modi government has also significantly expanded his predecessor’s policy of acting as a ‘net security provider’. India agreed to provide Sri Lanka and Mauritius defence-related lines of credit for $100 million and $500 million respectively; the largest naval ships in both countries are Indian-built offshore patrol vessels. India is building an airstrip and jetty on the Mauritian island of Agaléga for surveillance purposes. India also launched a coastal-surveillance-radar project in the Seychelles, and is upgrading the jetty and airstrip on Assumption Island for surveillance purposes. Indian naval ships and aircraft regularly carry out joint surveillance, patrols and hydrographic surveys of the exclusive economic zones of Mauritius, the Seychelles and the Maldives.

India is bolstering surveillance and operational capabilities from its Andaman and Nicobar Islands, close to the Strait of Malacca. As half of India’s trade passes through the disputed areas of the South China Sea, the country maintained its diplomatic efforts to promote a rules-based order and freedom of navigation and overflight there. India has provided Vietnam with patrol boats; a $500 million line of credit for defence spending; access to satellite data for monitoring its waters; and submarine and combat-aircraft training.

Highlighting India’s increasingly extrovert nature and focus on geo-politics with China, during U.S. president Obama’s visit to India in January 2015, the two countries published a document that outlined their joint strategic vision for the Asia-Pacific and the Indian
Ocean. In an unprecedented manner, it included a paragraph affirming ‘the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, especially in the South China Sea’ (Government of India, 2015b). This was widely perceived as implying that the two parties had reached a consensus on the need to counter Beijing’s assertive approach to territorial disputes in the region.

In May 2016, the first India-U.S. Maritime Security Dialogue took place. In August 2016, India signed the bilateral logistics exchange memorandum of agreement (LEMOA) with the U.S., which facilitates additional opportunities for practical engagement and exchanges, and in December 2016 was accorded the status of a ‘major defence partner’ by the U.S (U.S. Department of Defense, 2016). The first meeting between Modi and U.S. President Trump, in Washington on 26 June 2017, was dominated by counter-terrorism and trade. There, the Indian prime minister also met with U.S. Secretary of Defence James Mattis, who complimented ‘India’s long-term efforts to promote stability in the Indian Ocean region’. Similarly, at the IISS Shangri-La Dialogue in Singapore earlier that month, Mattis had publicly stated that India’s recognition as a ‘major defence partner’ of the U.S. was partly due to its ‘indispensable role in maintaining stability in the Indian Ocean region’ (IISS, 2017).

Following India’s focus on external balancing in the increasingly multi-polar international system, China also remains concerned at the growing India-U.S. defence and security partnership, fearing that the two countries together could seek to thwart its ambitious global foreign and security policy goals. But, from India’s perspective the deepening of the military-to-military relationship with the U.S. is primarily – though not exclusively – a reaction to China’s assertive policies towards India. The U.S. is now also one of India’s major arms suppliers.

At the same time, India has upgraded its strategic partnerships with the U.S., Japan and Australia. The 2017 iteration of the trilateral Malabar exercise with the U.S. and Japan took place in the Bay of Bengal with India providing its largest-ever contribution of nine ships. However, eager to avoid antagonising China, India will almost certainly continue to reject formal invitations to join the US in joint patrols in the South China Sea and – at least in the short term – to not include Australia to conduct quadrilateral naval exercises along with the U.S. and Japan.

**Conclusion**

India’s neighbourhood of South Asia and the Indian Ocean, which it shares with China, is its top foreign policy priority. This has been formalised by Modi as a ‘neighbourhood first’ policy with the invitation to all SAARC leaders (and Mauritius) to attend his swearing-in ceremony in New Delhi in May 2014 and his first bilateral visit to Bhutan as prime minister. Subsequently, Modi became the first Indian prime minister to conduct a bilateral visit to Sri Lanka in 28 years and to Seychelles in 34 years.

In view of India’s regional dominance in South Asia and its aspiration to become a ‘leading’ power in the Indian Ocean, it seeks to expand its presence and influence in its neighbourhood. Although this has taken place through economic and trade ties, political relationships, people-to-people/cultural links, and sometimes even through ‘hard power’ interventions, it has not always yielded the influence it has sought.
This has been exacerbated by China’s growing presence and influence in their shared neighbourhood.

As a result of the geographical location and nature of their relationship as two major Asian powers, India has sought to engage with China through a mix of cooperation and competition in its shared neighbourhood of South Asia and the Indian Ocean. The cooperative aspect is largely focused on the expansion of trade ties, sub-regional economic and connectivity projects, and interactions in regional and global multilateral institutions and organisations, all of which enhance bilateral relations in their shared neighbourhood.

Yet, this has not had the effect of building stability in the political relationship since 2005, even as a telephonic ‘hotline’ between the two nations’ leaders is now reportedly operational. In effect, the geo-political nature of the relationship now effectively challenges the geo-economic stability that had taken place. Perhaps, this could be overcome over time through large-scale mutual financial investments. In its absence, their competitive interactions in their shared neighbourhood are marked by their longstanding border dispute impacting on Bhutan, the landmark CPEC project and China’s expanding presence and influence in the Indian Ocean.

Note

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