

By Invitation

# Modi's world: Changing the terms of India's global engagement

China, self-reliance and embrace of the US will be key determinants of Delhi's policies



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For The Straits Times

As the first year of Prime Minister Narendra Modi's second term draws to a close this week, his determination to change the terms of India's engagement with the world is quite apparent.

Whether it is in redefining India's approach to economic globalisation or discarding India's political defensiveness on the Kashmir dispute that involves Pakistan and China, or shedding Delhi's historical inhibitions on strategic cooperation with Washington, Mr Modi is steering India onto a bolder path.

Many of these inclinations have only gained greater traction in the wake of the Covid-19 crisis. And it is by no means clear if the economic and social disruption triggered by the pandemic will force Mr Modi to rein in the ambitious new agenda he has set for himself in his second term. We do know from his first term that he is not afraid of taking risks. And if he is convinced of a course of action, he is quite prepared to invest all of his political capital into the undertaking.

These characteristics were evident in Mr Modi's decision to demonetise the Indian currency in 2016 and implement the goods and services tax in 2017 despite huge disruptions to the Indian economy. We have seen that again in the second term with the decision to go for a comprehensive lockdown of the Indian economy at the end of March.

Mr Modi's risk-taking is based on the confidence that he has built up huge reserves of political trust among his countrymen. Despite recent criticism from the opposition that the lockdown has been costly yet unsuccessful,

opinion polls this month have shown Mr Modi's net approval rating soaring to 80 per cent.

## CHINA AND SELF-RELIANCE

Looking ahead, how Mr Modi directs India's engagement with the world will be guided by at least two key determinants – his view of China and the new emphasis on national self-reliance.

Consider, for example, his decision last year to keep India out of the Regional Comprehensive Economic Partnership (RCEP) agreement. He invoked the father of the nation, Mahatma Gandhi, to affirm that "neither Gandhiji's policy of self-reliance nor my own conscience allows me to join RCEP". Mr Modi's argument that the RCEP does not serve India's interests was expanded on by his trusted aide, Home Affairs Minister Amit Shah.

He pointed to the staggering trade deficit with China, which has risen manifold from about US\$1.9 billion in 2005 to about US\$57 billion (S\$81 billion) last year. This fits in with the growing sentiment in India that the massive trade deficit with China – nearly 40 per cent of India's total – has hollowed out the country's manufacturing sector. A large section of the Indian business community fears joining a China-dominated regional forum would simply make matters worse.

An important component of the ruling Bharatiya Janata Party (BJP) has always been suspicious of trade liberalisation and, more broadly, globalisation. These anxieties go beyond China to include other major trading partners. But China lies at the heart of the concern about deficits and de-industrialisation. As Mr Shah put it: "By rejecting RCEP, India has firmly protected its industries from any adverse effects that Chinese interests could have caused. For us, India remains first, and foremost."

The brief reference to "self-reliance" in Mr Modi's remarks on the RCEP has found fuller expression in the wake of the Covid-19 crisis. In addressing the



national earlier this month on India's post-Covid future, he went the full distance to make "self-reliance" the central theme of his government's economic strategy. Mr Modi used "self-reliance" and "self-reliant India" nearly 20 times in his speech.

His advisers and ruling party ideologists insist that the new focus on self-reliance is not a blinkered return to the "self-sufficiency" of the decades under prime ministers Jawaharlal Nehru and Indira Gandhi. It's a response, they say, to the changing global dynamic as well. They point to the deepening US-China trade war and the growing sentiment in Washington – across the political divide – that the era of hyper-globalisation is not sustainable. India, in other words, is not alone in its belief that China has gamed the global trading system to the disadvantage of others.

## THE NEW MANTRA

Even as Mr Modi talks of self-reliance, his government is

making a big pitch to attract industries that are finding alternative locations for investment. Critics point to the contradiction between the vision of self-reliance and a policy of integration with global supply chains. Contradictions might be part of life, but there is no denying Delhi's special effort in promoting domestic manufacturing and integrating it with the rearranged supply chains that are emerging.

Equally important have been the proposed reforms on liberalising the agriculture sector, easing labour laws, opening the coal sector to private players and defence production for higher levels of foreign investment.

In a nutshell, limiting globalisation while promoting domestic economic liberalisation appears to be the new mantra. But there is an exception to this – China.

Beyond the concerns about trade deficits that led to its walking out of the RCEP, the Modi government

has also begun to put restrictions on Chinese investments into India.

Six years ago, Mr Modi was an enthusiast about China engagement. Travels to Beijing when he was chief minister of Gujarat persuaded Mr Modi that economic pragmatism will pay solid political and strategic dividends for India.

Now, as prime minister of India, what he sees are diminishing economic returns and mounting political problems. As Delhi absorbed the strategic consequences of China's deepening economic penetration of India's neighbourhood, it has become one of the strongest critics of President Xi Jinping's Belt and Road Initiative.

## BORDER CONFRONTATIONS

The first military crisis that Mr Modi faced as prime minister was the 2014 stand-off between Indian and Chinese armed forces in the Ladakh region of Kashmir. It convinced him that economic engagement will not necessarily improve political and strategic relations with Beijing. When he was confronted with a second military crisis in 2017, at the Doklam plateau near the trijunction of India's frontiers with Bhutan and China, Mr Modi ordered his army to stand toe-to-toe with China's People's Liberation Army for 73 long days before the crisis was defused.

Mr Modi is now into a third major military stand-off with China as tensions have escalated between the two armed forces in eastern Ladakh during the past few weeks. While China may have become a lot stronger than India in recent decades, Delhi appears to have enough resources and political will to stand up to China. While he avoids provoking China, Mr Modi refuses to make deference to Beijing's sensitivities as Delhi's default policy.

The latest military confrontation with China draws attention to another important set of initiatives during the first year of Mr Modi's second term – the reorganisation of Jammu and Kashmir and changing the nature of its relationship with the rest of the nation. An amendment to the Constitution broke up the province into two union territories. And a constitutional order extended all national laws into these territories.

Contrary to the popular perception that Kashmir is a purely bilateral problem between India and Pakistan, China has always been part of the dispute and controls significant portions of the Ladakh region. And Pakistan controls a large part of the western regions of the disputed territories.

While the constitutional moves reaffirmed India's claims to the territories controlled by China and Pakistan, they also aim to end the impression in the state and beyond that Kashmir is entitled to some kind of permanent system of "one country, two systems". Removing the perception that Kashmir was not fully part of India has long been a political objective of the BJP.

While the move does not impact the current territorial disposition between India, Pakistan and China, it changes the terms of India's negotiating framework on the Kashmir question by eliminating the basis for any external political role in how India deals with the territories under its control.

To be sure, the contestation with both Pakistan and China will

continue in the reorganised territories of Jammu, Kashmir and Ladakh. But India will deal with them on a different domestic political and legal basis.

Unsurprisingly, both Pakistan and China objected vigorously to India's constitutional amendment. China sought repeatedly to get the issue discussed at the United Nations Security Council, but Delhi fended off these moves with support from France, the United States and Russia. Indian diplomacy on Kashmir has also helped shift Western attitudes, which traditionally tilted in favour of Pakistan.

Thanks to the growing warmth in US-India strategic relations, Washington is more neutral about the Kashmir dispute itself, endorses India's concerns about cross-border terrorism from Pakistan, and prevents China from internationalising the issue. Many Western capitals are beginning to adopt a similar approach to India, each with its own variation.

## EMBRACING UNCLE SAM

That brings us to what promises to be a decisive Indian shift towards a closer relationship with the US. Mr Modi's expansive public display of bonhomie with US President Donald Trump at two large rallies – one in Houston in September last year and the other in Ahmedabad in February this year – has been unprecedented in the traditionally conservative Indian diplomatic tradition.

That Mr Trump flew all the way to India for a 36-hour visit, despite the fact that Delhi was not ready to sign a trade agreement, reveals the kind of stakes the American leadership has developed in the relationship with India. Mr Modi's public flaunting of special warmth towards the US President was a signal that unlike his recent predecessors, he will no longer hold back on the engagement with the Americans.

The significant expansion of strategic cooperation in Mr Modi's second term includes widening military intelligence sharing, the conduct of the first ever tri-service military exercise, the elevation of Quad group (India, Australia, Japan and the US) engagement to ministerial level and the development of the "Quad-plus" group, including South Korea, Vietnam and New Zealand, to discuss post-Covid coordination and collaboration.

Have the deepening conflicts between the US and China on the one hand and between Delhi and Beijing on the other set the stage for an alliance-like relationship between India and the US?

India is unlikely to ever become a treaty ally of the US, but Mr Modi's India is no longer willing to forgo the benefits of a deeper strategic partnership with Washington in the name of some higher principle of political correctness.

In other words, the economic direction that India adopted at the turn of the 1990s, the character of its approach to the territorial disputes with Pakistan and China, and the nature of India's relationship with the US and the West are all now up for historic revision in Mr Modi's second term.

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