

Xi and Modi meet at Mamallapuram

President Xi Jinping and Prime minister Narendra Modi have much in common—pragmatism, nationalism and marked shifts in foreign policy, but Sino-Indian relations are underscored by economic asymmetry

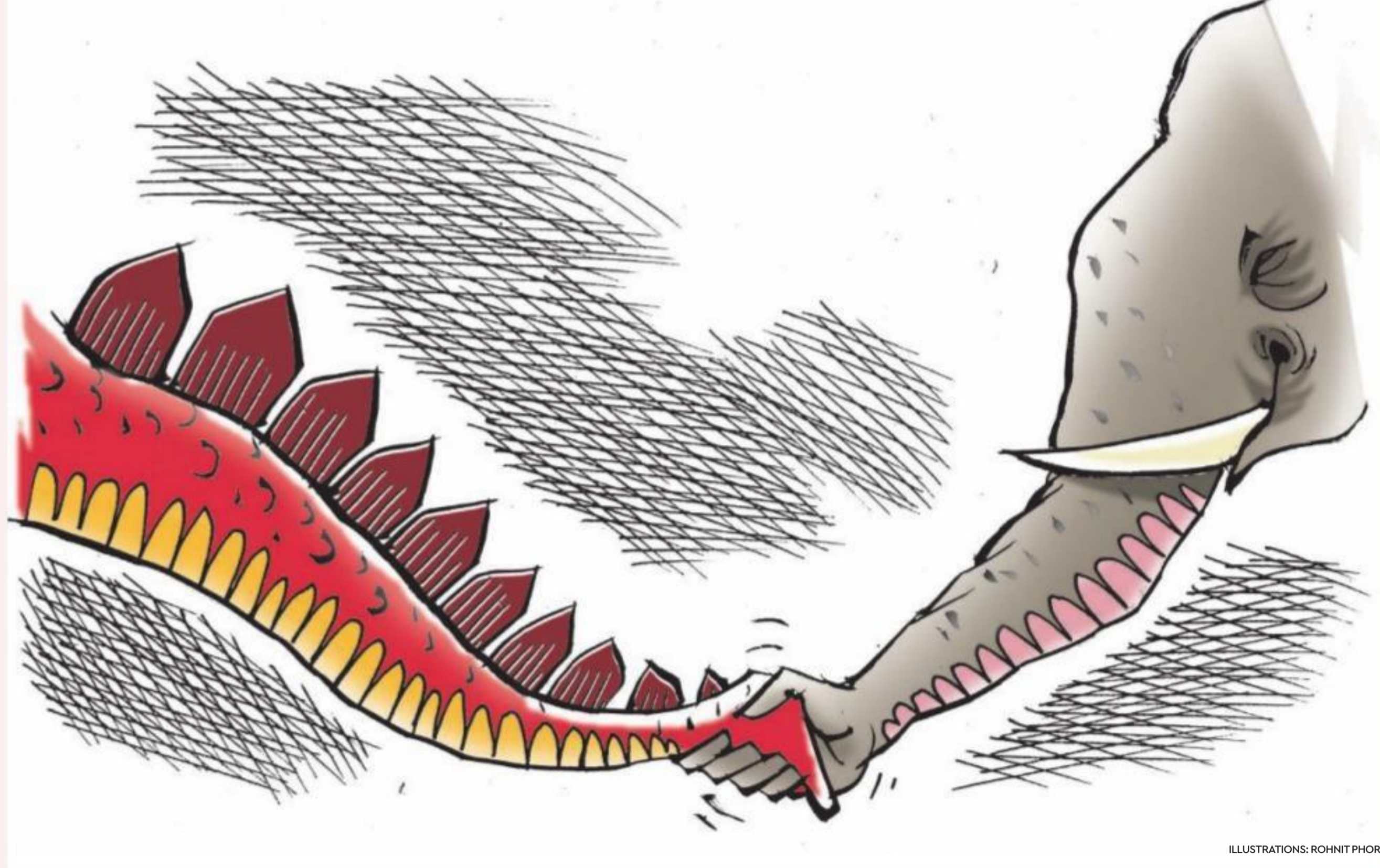
MAMALLAPURAM, THE HISTORIC port town of the Pallava dynasty (early 4th to 9th century CE) is hosting the second informal meet between the Indian prime minister Narendra Modi and the Chinese president Xi Jinping. The present meet is a testament to the “Wuhan spirit” deemed to help manage, if not resolve, the differences that underlie Sino-Indian relations. Yet, the “Mamallapuram spirit” will be obscured by China’s pre-occupations—the Hong Kong crisis with more anti-government protests planned this weekend, a restive Xinjiang and worse still, America’s blacklisting of eight Chinese Artificial Intelligence (AI) companies associated with the surveillance of Turkic Muslims in Xinjiang. In the Chinese scheme of priorities, these take the lead.

Of course, there is no doubt that Xi and Modi are pragmatic enough to look beyond the optics of Doklam, unresolved border issues, burgeoning trade deficit, Xinjiang and Hong Kong. Pragmatism and common ground between Modi and Xi do some good, but China’s economic lead, partly, because of China’s 13 year lead in economic reforms (1978) does little good.

Economics is driving Xi’s signature “go-out” foreign policy, a dramatic shift from the earlier “biding its time” policy when China maintained a low profile. The Xi years have witnessed an assertive foreign policy in tandem with China’s growing military, economic and diplomatic heft. While this is relative, China’s “going out” has metamorphosed into a mix of soft and hard power, interspersed with smart, sharp and stealthy power.

Growing prosperity underlies Xi’s signature “China Dream” (2013) of national rejuvenation — which may not be a Chinese export, yet. Across the borders in Nepal though, the Communist Party of Nepal is testing waters of the “Xi Jinping Thought” with Nepalese cadre being introduced to the scope of “Xi’s thought” in a training programme. And China-Pakistan friendship has received a recent Xi-upgrade — from “all-weather friends” to “hardcore friends” (*tiegan pengyou*).

China’s economic heft has enabled Xi to articulate the “Asia-Pacific China Dream” into the “Asia-Pacific Dream” (2014) of Asian cooperation and common prosperity. Not all are on board though, and Taiwan is obviously not. Asean (Association of Southeast Asian Nations, consisting of ten-member



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states) is divided over China’s rise; India is hesitant about China’s increasing geo-political influence in South Asia; and Japan (a curbed military power) is uncomfortable with China’s military and economic strides.

China can easily afford smart power initiatives such as Belt and Road Initiative (BRI, 2013) with a slew of initiatives that Japan only hopes to catch up with. Xi’s imprint is writ large on the BRI, Asian Investment Infrastructure Bank (AIIB, operational 2016), New Development Bank (BRICS Bank, 2016) all of which footprint continents with a basket of offerings—aid to railways, economic cor-

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ridors to military outposts, (engaging) political circles to media.

In fact, Christopher Walker (National Endowment of Democracy, America) suggests that China’s sharp power (seeking opportunities to “pierce, penetrate or perforate” political/ information environments) is being tested out in Australia

and New Zealand (in political circles and in the growing Chinese population).

Today, China trumps the phrase “*ruo guo wu wai jiao*” meaning weak countries—an oblique reference to Taiwan—have little heft in foreign policy. In 2018, American Airlines, Delta Airlines, United Airlines, British Airways and

Lufthansa (among others) had to remove references to Taiwan as a country. Instead, websites of these airlines began to list Taipei as a destination (Taipei, China). The airlines had to comply lest they be fined or worse, restricted from operations. Clothing retailer GAP had to apologise for T-shirts that did not show Taiwan as a part of China.

Recently, Kiribati and Solomon Islands, poor but located in the strategic waters of the Pacific switched diplomatic allegiance from Taiwan to China. Taiwan is now left only with a handful of 15 allies including Tuvalu and Nauru—and this may not be for long.

Japan’s White Paper (Defense of Japan, 2019) suggests China’s “continuous and increased actions” in the East China Sea, establishment of an ADIZ (air defense identification zone, China’s first, which infringes and overlaps with those of Japan and South Korea) and Chinese naval ships frequently transiting waters near Japan to go to the Pacific. These and China’s actions in the South China Sea reclamation in the disputed waters, islands, islets and reefs and building of runways (Fiery Cross Reef) have to be understood in the economic context.

America is increasingly taking cognisance of China flexing its economic, and de-facto, military muscle. Air Force Brigadier General Robert Spalding’s “Stealth War: How China took over while America’s elite slept” (2019) is one such small example of the discourse in America.

Xi and Modi may be peas of the same political pod—pragmatic, nationalistic and with marked shifts in foreign policy. Modi has been no less diplomatically active, trying to shrug off India’s soft state past visiting Mongolia (in 2015; China’s neighbour) and the first in Indian prime minister and Fiji, the first in 33 years (2014) among others. India’s “Look East” has been recast as “Act East” (2014). India also conducted air strikes in Balakot, Pakistan (2019) and has jumped off the boat of non-alignment with strategic hedging entering into the Logistics Exchange Memorandum of Agreement (LEMOA) with United States (2016). India, under Modi, is engaging with the Quadrilateral Security Dialogue (Quad; US, Japan, Australia) and has not been hesitant to champion a “Free and Open Indo-Pacific”. Despite India breaking diplomatic ground with the United States, India’s arms purchases from Russia have hit the “breakthrough” \$14.5 billion.

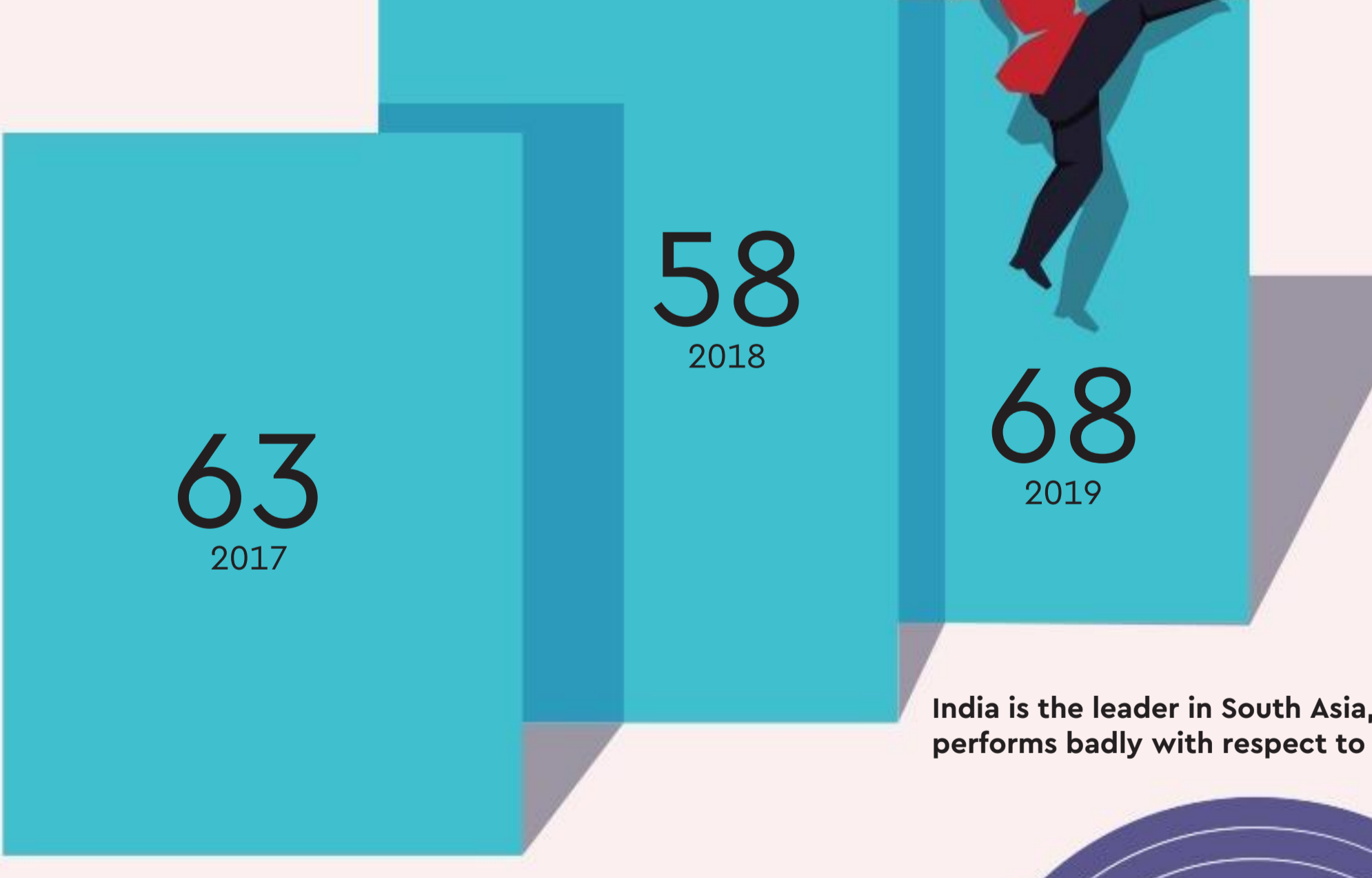
While some of the directions of Modi’s foreign policy are astute and praiseworthy, the fact of asymmetry of economic power underscores Sino-Indian relations. The Chinese themselves say, “under Mao, the Chinese stood up” and “under Deng, the Chinese got rich”. Today, the Chinese say with pride that (because of Deng) “under Xi, the Chinese are stronger”. For India, to make the grand leap to the international stage, it cannot forfeit that critical stage and will need to “get rich first”. For India, economic prosperity will be the game-changer.

DATA DRIVE

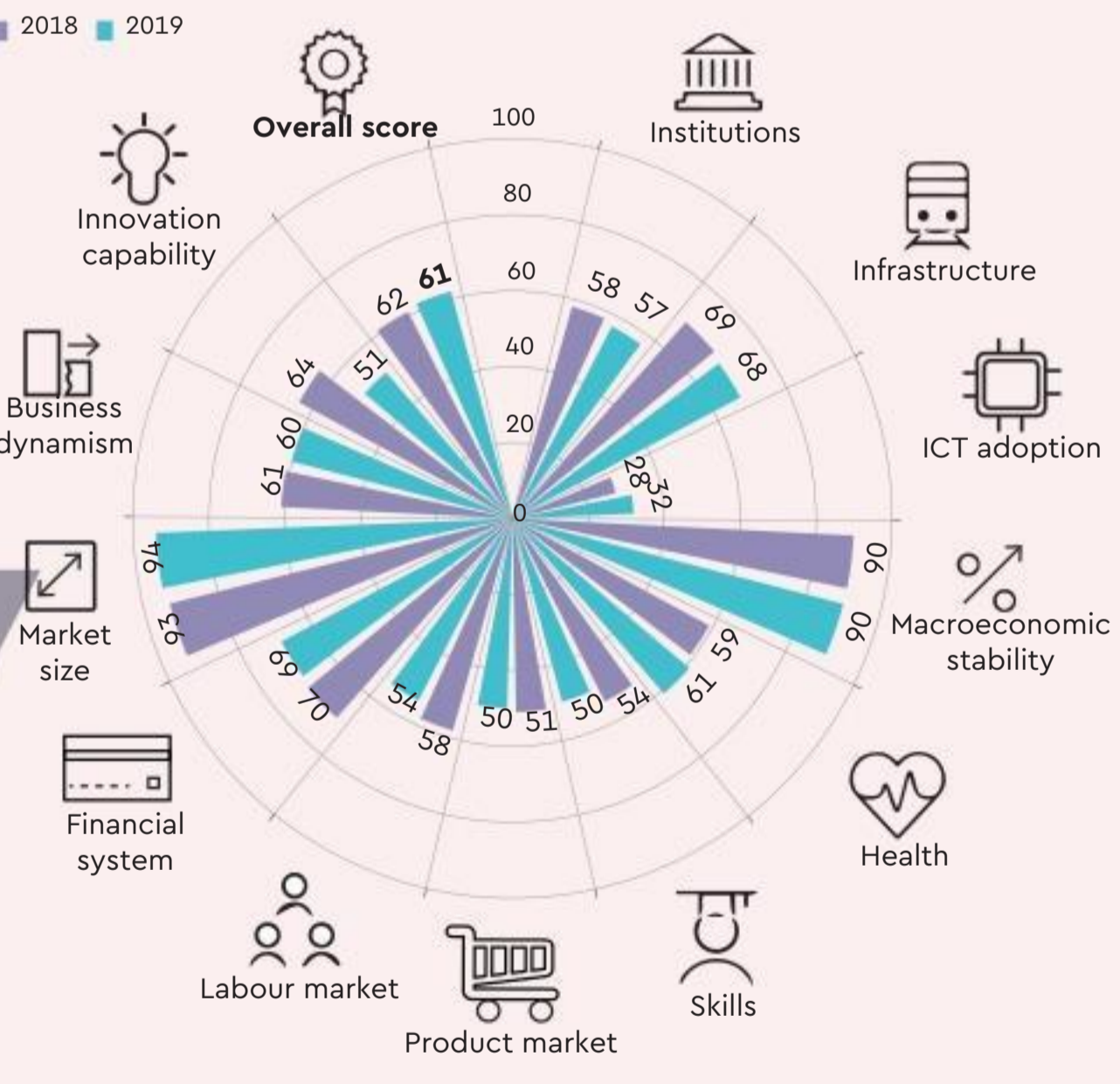
Losing competitive edge

WHILE INDIA IS finding it difficult to compete with a Vietnam in wooing manufacturing firms moving out of China, the latest slip in rankings in the Global Competitiveness Index will cause further heartburn. The 2019 global competitiveness rankings released by the World Economic Forum show that the country has slipped 10 ranks, to 68, out of 141 countries from its previous level—India was ranked 58 out of 140 countries in the 2018 rankings. This is even lower than the 63rd position the country had achieved in the index that was revised a year ago. While India has not slipped much in score—it has a score of 61 against 62 last year—the fall comes on the back of other countries improving much more and faster than India. So, while India was ranked better than its South Asian counterparts—Sri Lanka (84), Bangladesh (105), Nepal (108) and Pakistan (110)—it was the second-lowest ranked economy amongst the BRICS grouping—Brazil ranked 71. More important, the rankings indicate that India needs to do better in terms of global integration and structural changes if it is to compete with the likes of Vietnam. Although India was ranked third in terms of market size, it was 131 in terms of trade openness and 103 in labour market.

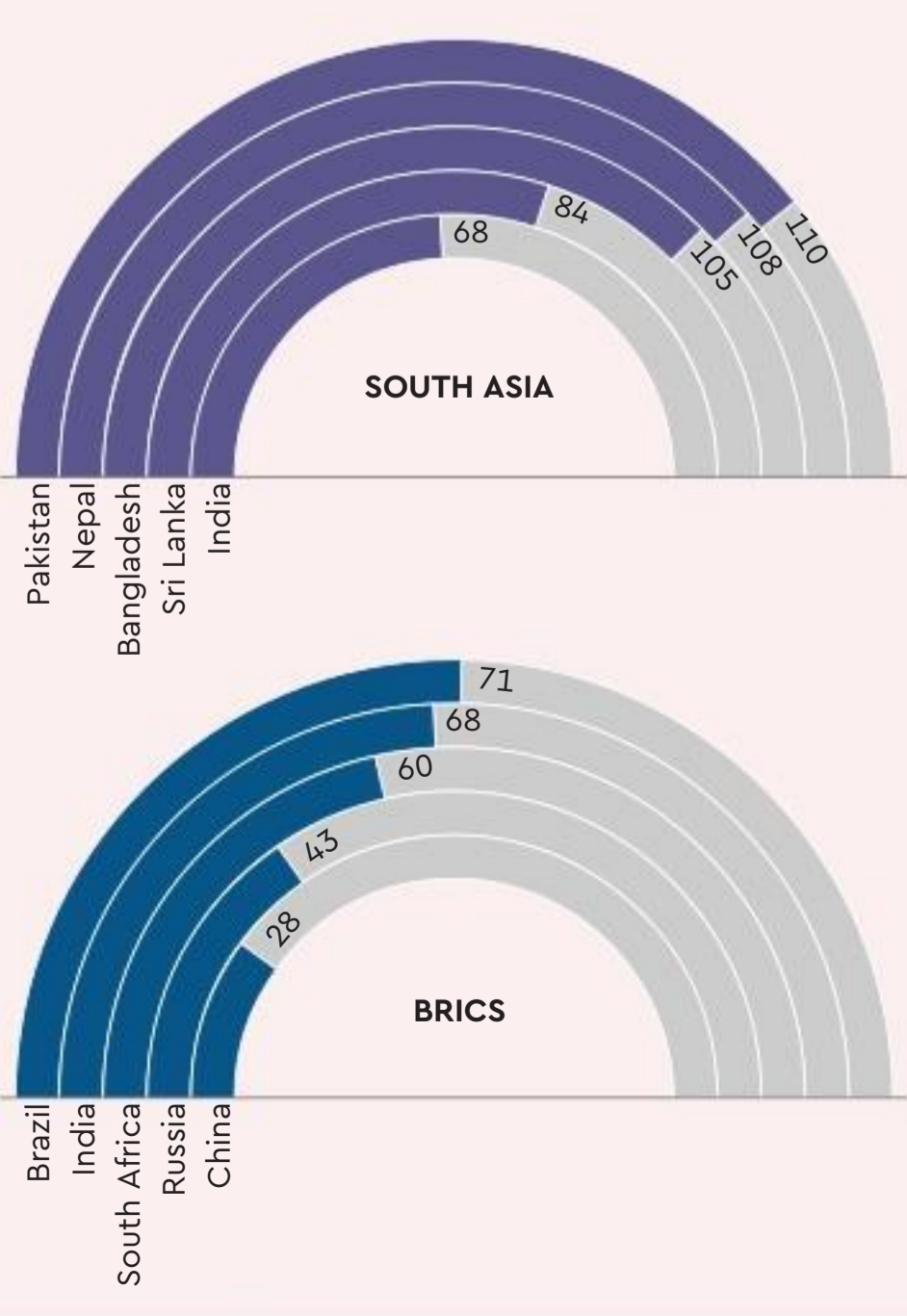
India slips 10 positions in Global Competitiveness Rankings



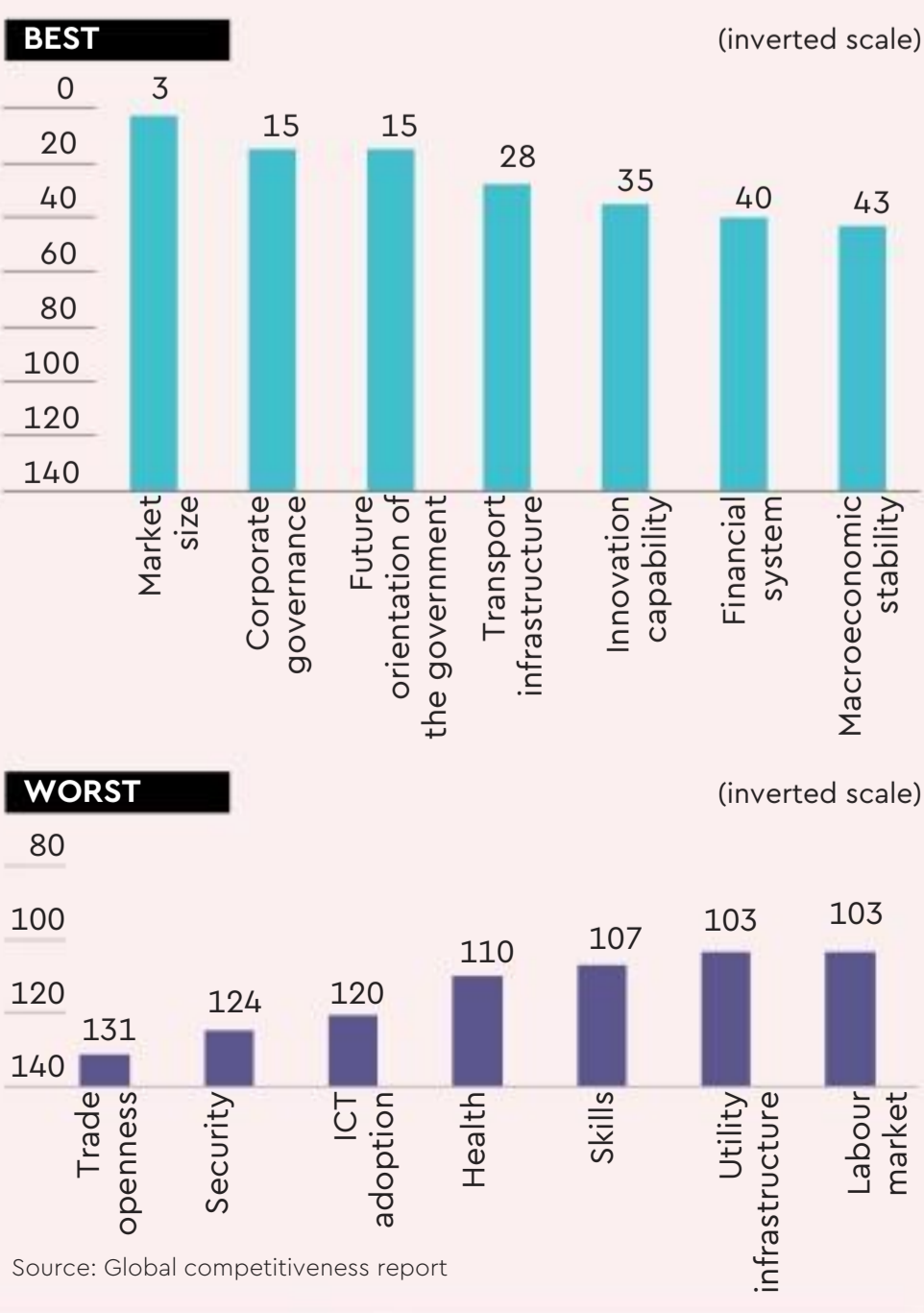
Overall score did not change much, but there was a minor change in certain indicators



India is the leader in South Asia, but performs badly with respect to BRICS



Country ranked well in terms of market size, it needs to address certain painpoints



Rankings have dipped as other countries have performed better

