

## Winds of Change in India-China Relations

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*There is an expectation that **Prime Minister Narendra Modi** would prioritise a historic turnaround in India's relations with China as a legacy of his 15 years in power. Things are indeed moving in such a direction.*

[A senior Indian official told the national news agency PTI](#) about the need to take a “nuanced approach” towards foreign direct investments (FDI) from China, and that the government is open to considering FDI proposals from Beijing in sectors involving high-end technologies like electric vehicles and batteries as well as modern capital equipment of different types.

This is of a piece with a palpable shift in Indian policy through the past six-month period. The interplay of three key factors accounts for this shift. First, the stabilisation of the border situation, thanks to the new mechanism for managing border tensions — ‘buffer zones’ to separate the two armies where both sides would withdraw troops and cease all patrols — is having positive fallouts.

Such zones have already been established at five out of the seven flashpoints. The government has not bragged about this remarkable achievement, but its synergy in closer commercial ties matters to both countries who are facing the headwinds of escalating trade barriers worldwide. There has been a steady relaxation of Indian restrictions on visas for Chinese professionals in some select industries.

Second, this pragmatic shift also underscores India's urgent need for Chinese technology, investment and expertise to meet its immediate industrial needs. Last week, **Chief Economic Adviser Anantha Nageswaran** had stated in the annual economic survey that Delhi should focus on FDI from China to boost India's exports to the US and other Western countries, and help keep India's growing trade deficit with Beijing in check.

Nageswaran's remark came after Reserve Bank of India data showed that net FDI inflow into India dropped by 62.17 percent year-on-year to \$10.58 billion in 2023-24, a 17-year-low. Simply put, India's ability to attract foreign investment has come under challenge amid a combination of adverse circumstances — global economic uncertainty, trade protectionism and geopolitical risks, etc. Chinese investment can bring funds to India, introduce advanced technology and management experience, and promote the upgrade of Indian industries and the optimisation of its economic structure.

A third unspoken factor is that the geopolitical environment has radically changed. Certainly, Russia has gained the upper hand in the war in Ukraine. This is a crushing blow to the credibility of the US and NATO and is happening at a time when the Asia-Pacific is

looming large as another potential flashpoint. The regional states — except Japan, perhaps, which is rapidly militarising — do not wish to see another destructive NATO-led proxy war in their region.

Washington's weaponisation of sanctions in the wake of the Ukraine war has also not gone down well in Southeast Asia. After all, if the Collective West could freeze Russia's reserves (approximately, \$400 billion) and spend the interest out of it flouting international financial law, what prevents such brigandage vis-a-vis smaller countries of the region?

To be sure, the [growing attraction of BRICS](#) in the southeast Asian region carries a big message. Thailand and Malaysia are the latest regional states to express interest in joining the bloc. This will naturally further enhance their relationship with China.

Meanwhile, India's relations with the US are also somewhat under the weather lately following the latter's renewed involvement with Khalistani separatists based in North America. The US allegations of India hatching assassination plots, hinting at the 'smoking gun' leading to the top echelons of the political leadership in Delhi have created a perception that the [US has ulterior motives to create pressure points](#) on the country's leadership. Clearly, the US is incapable of understanding the resilience and centrality of India's strategic autonomy.

In such an environment, the Quad has lost its gravitas. Quad is out of step with the needs of the regional countries in Asia-Pacific, where the strategic choice of the vast majority of countries is for economic development. China's comfort level is rising that India is not ganging up with the US' containment strategy against it.

Beijing would view with satisfaction the [comments by External Affairs Minister S. Jaishankar](#) following the Quad FM's meeting in Tokyo on Monday slamming the door shut firmly on any third-party role for Quad in the fraught India-China ties. He said,

"We have a problem, or, I would say, an issue between India and China... I think it is for two of us to talk it over and to find a way."

"Obviously, other countries in the world would have an interest in the matter, because we are two big countries and the state of our relationship has an impact on the rest of the world. But we are not looking to other countries to sort out what is really an issue between us," Jaishankar added.

India shares the misgivings of the ASEAN states about the US-driven expansion of NATO as a global organisation with focus on the Asia-Pacific. India's reaction has been one of further strengthening its strategic independence. Interestingly, Modi's visit to Russia coincided with the NATO Summit in Washington. (See my blog titled [India-Russia ties take a quantum leap in the fog of Ukraine war](#))

A recent survey by the ISEAS-Yusof Ishak Institute, a think tank funded by the Singaporean government, showed that in Malaysia, nearly three-quarters of the survey's respondents said ASEAN should favour China over the US if the bloc were forced to align with one of the two rival superpowers.

India is very much attuned to these trends in the ASEAN region. The centrality of ASEAN is the cornerstone of India's Act East policy, whereas, the US pays only lip-service to it and has worked behind the scene to weaken the group's cohesion and unity.

Succinctly put, the phobia whipped up by American think tanks, media and US officials over the Sino-Russian entente has lost traction. India, on the contrary, has strengthened its ties with Russia and is moving towards the stabilisation of its relations with China, making them predictable.

Given the above scenario, the period between now and October when the BRICS is scheduled to hold its summit meeting under the chairmanship of Russia is going to be a formative phase. The latest meeting of the foreign ministers of India and China in Vientiane last week appears to have gone off well.

The [Chinese readout highlighted Jaishankar's statement](#) that

“Maintaining stable and predictable development of the bilateral relations is entirely in the interests of the two sides, and holds special significance to upholding regional peace and promoting multi-polarity. India and China have broad converging interests and face the shadow brought by the situation in the border areas. But the Indian side is ready to take a **historic, strategic and open perspective to find solutions** to the differences and get the bilateral relations back to a positive and constructive track.” (Emphasis added.)

The clincher is going to be how far the agreement at the FM-level meeting in Vientiane to resolve the residual border issues gets translated into action. India's 'nuanced approach' to attracting FDI from China is a step in the right direction. A meeting between Modi and Chinese President Xi Jinping on the sidelines of the upcoming BRICS summit in Kazan on 22-24 October is entirely conceivable.

In a longer-term perspective, though, there is no alternative to discarding the self-serving Indian narratives on relations with China built on phobias, seething rivalries and even outright falsehoods, which have percolated deep into the mindset of the Indian elites through decades of indoctrination so as to create a new forward-looking, positive pivot for an enduring friendship between the two nations. The task isn't easy as interest groups have proliferated and US lobbyists are actively interfering. The onus rests ultimately on the Indian leadership to show the courage of conviction.

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