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Narendra Modi and Xi Jinping Aim to Shelve Rifts Amid Economic Courtship

By ELLEN BARRY and CHRIS BUCKLEY

MAY 13, 2015



Prime Minister Narendra Modi visits Xi'an, a city in northwest China, where he met with President Xi Jinping

The days before Narendra Modi left for China, his first visit as India's prime minister, brought pinprick reminders of the geopolitical rifts dividing the two countries, even while they court each other for an economic charge.

A Chinese tabloid ran a commentary scorning Mr. Modi for visiting Arunachal Pradesh, a border state to which China also lays claim, prompting a news media uproar in India. In New Delhi, a top official noted that the government had lodged two formal complaints about China's plan to build a highway through Pakistan-administered Kashmir, a border area also claimed by India.

The verbal sniping has brought a reminder of the thicket of territorial and historical tensions dividing Mr. Modi and his Chinese counterpart, President Xi Jinping. Indian and Chinese officials have promoted Mr. Modi's three-day visit as essentially a business trip filled out with displays of good will and ancient cultural kinship. On Thursday, Mr. Modi arrived in Xi'an, a city in northwest China, welcomed by a traditional lion dance.

But the visit presents Mr. Modi with a particularly nettlesome test of his priorities.

He has promised economic reinvigoration at home and firmer assertion of India's security interests. But those goals can be especially difficult to juggle while dealing with the country's biggest and most powerful neighbor, which under Mr. Xi has also taken a tougher line on territorial disputes. Eight months ago, Mr. Modi's first meeting as prime minister with Mr. Xi was overshadowed by a border confrontation.

"There are two Modis on China," Tanvi Madan, a fellow at the Brookings Institution, and director of its India Project, said in a telephone interview. "There is the business-minded leader who wants to do business with China, almost like the C.E.O. in him. And there is Modi, the chief security officer."

In China, Mr. Modi will "downplay the strains about things like the border incidents," Ms. Madan said. "But I think he will also find subtle ways of also making clear that India is not going to be a pushover."

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Increased trade and investment between the two Asian giants could profit both. China is grappling with a slowdown in growth and would like greater access to Indian markets to make up for faltering demand at home and in other export markets. India could use Chinese investment to build power plants, railways and other infrastructure, and to breathe life into its manufacturing sector.

"Prime Minister Modi really has put emphasis on the lack of infrastructure internally," Jabin T. Jacob, a fellow at the Institute of Chinese Studies in Delhi, said in an interview. Mr. Modi's "government has shown a far more open attitude," he said, "simply because they are influenced by business lobbies and simple facts on the ground: that it is Chinese capacity that can deliver."

Yet the courtship comes as China has been extending its political and military reach in South Asia, and when Mr. Modi's administration is also being wooed by other nations, notably Japan and the United States, as a counterbalance to China. Prominent supporters of Mr. Modi say he can pursue both sets of priorities — the economic and the strategic — with equal vigor.

Mr. Modi “needs everyone on his side,” said Ashok Malik, a senior fellow at the Observer Research Foundation in Delhi. “He needs a window of relative strategic calm in his backyard to build the Indian economy. He cannot have the Chinese coming down his throat. For that, he needs to keep the Chinese happy. And he needs to keep the Chinese a little worried.”

India, whose economy two years ago appeared fragile and tumultuous to outside investors, is increasingly described as a bright spot; the International Monetary Fund predicted that its growth rate would outstrip China's this year and that it would widen the gap in 2016. But India's economy is one-fifth the size of China's, with a weak manufacturing sector and one million new job seekers entering the market every month.

For Mr. Xi, steadier ties with India are a building block in his broader strategy of defusing territorial and geopolitical tensions by dispensing investment and trade opportunities, extending Chinese influence and diluting Washington's sway.

“Since Prime Minister Modi took office, the general atmosphere in Sino-Indian relations has improved,” Ye Hailin, an expert on South Asia at the Chinese Academy of Social Sciences in Beijing, said in a telephone interview. “The basic policies of each side haven't changed, but there's a stronger emphasis on cooperation.”

Instead of receiving Mr. Modi in Beijing, the normal practice for leaders' visits to China, Mr. Xi greeted Mr. Modi in Xian, the ancient city that is now the capital of Shaanxi Province in northwest China. Mr. Xi counts Shaanxi as his home province, because his father, a well-known revolutionary, came from there. His welcome of Mr. Modi there mirrors the gesture that Mr. Modi made last September, when he hosted Mr. Xi at a dinner on Mr. Modi's birthday in his home state of Gujarat.

On Friday, Mr. Modi will meet China's prime minister, Li Keqiang, in Beijing, and the two governments are scheduled to unveil business and investment agreements that China's ambassador to Delhi, Le Yucheng, has said could be worth more than \$10 billion. Chinese officials have indicated that they hope the agreements will give Chinese companies a role in expanding and upgrading India's railway network, as well as in other infrastructure projects like power plants and industrial parks.

Yet economic ties have failed to live up to the effusive promises of past summits. In 2010, the two governments vowed that by 2015 their trade would be worth \$100 billion. Instead, last year their trade in goods was worth \$70.6 billion, and India had a bilateral deficit of \$37.8 billion, according to Chinese customs data. Chinese companies, like other outside investors, complain that their ventures in India have been stifled by bureaucracy and security barriers. Indian companies have said that they have been frustrated from expanding in China.

“For China and India, two countries with a combined population of 2.5 billion, our cooperation falls far short of reaching its due scale or level,” Mr. Li, the Chinese prime minister, told the newsmagazine India Today ahead of Mr. Modi’s visit.

Mr. Modi will be looking for China to open its markets in fields “where India has a very successful global footprint, but that footprint has not extended to China,” such as pharmaceuticals, information technology and some agricultural products, said the Indian foreign secretary, S. Jaishankar. Chinese engineering firms could get initial agreements for high-speed rail, one of the showpieces of Mr. Modi’s economic plan, and a project also sought by China’s rival, Japan.

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The Indian chief ministers who will accompany Mr. Modi on the trip are from coastal states, suggesting that commercial ports are another possible area of cooperation with China. But here, as in the power sector, experts said, Mr. Modi may encounter resistance from hawks in his own camp.

“You will have some of Modi’s supporters saying, ‘You’re opening the door to China in some sensitive sectors,’” said Ms. Madan, the scholar at the Brookings Institution. “He will try to make the case that this is the best way in the long term, that you cannot stop China’s rise, and they’re not going to try to.”

Since meeting with Mr. Xi last year, Mr. Modi has also built up leverage by strengthening his relationships with the United States, Japan and Australia.

These overtures evoked the joint military exercises that the four countries initiated eight years ago, excluding China. The exercises set off alarm bells in Beijing, ever mindful that three quarters of China’s imported oil passes through the Indian Ocean. Even before the four countries convened for their first joint meeting, Beijing had filed diplomatic protests to Washington, New Delhi, Canberra and Tokyo. The idea was quietly shelved.

There have been hints in the Modi government of reviving the plan, but that has yet to harden into a policy. In comments to The Times of India this week, unnamed military officials said Mr. Modi had decided that joint naval combat exercises with the United States planned for this fall “did not as yet include Japan.” A spokesman for India’s Navy said on Wednesday that he could

not comment on the report, but that a final decision on Japan's participation would be made in July.

Mr. Modi has also withheld endorsement of one of Mr. Xi's key foreign policy projects: a network of trade and transport routes intended to deepen China's ties with Asia and Europe, sometimes called a "new silk road." Mr. Jacob, the researcher in Delhi, noted that the effusive flattery China showered on Mr. Modi when he first came to power seemed to have decreased.

The irritants could become far more disruptive if Mr. Modi and Mr. Xi fail to make progress in economic cooperation, said Jonathan Holslag, head of research at the Brussels Institute of Contemporary China Studies.

"This is a trial period, a period in which the Indians are trying to find out how far they can go in making a more equitable economic partnership," he said. "Nothing is more dangerous in international politics than driving expectations up and then failing to meet them."