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Vivekananda International Foundation (VIF) held a number of discussions during the month. Geopolitical tensions and technological competition are affecting US-China economic engagement. Factors influencing economic dynamics include sanctions, export controls, and supply chain adjustments have consequently come to international relevance since they affect countries around the globe including India. These issues along with the impact of US-China economic competition on India and the Indo-Pacific region were deliberated in the US Expert Group.

The recent floods in Himachal Pradesh and Uttarakhand, which led to the loss of 200 lives and incalculable damage to infrastructure, were at the centre of the debate in the Climate Change Expert Group. The vulnerability of India's Himalayan hill states and the need to urgently adopt measures for adaptation to climate change was clearly underlined in these deliberations. The responsibility to adapt to climate change is not only on the shoulders of the Government but also on that of other stakeholders like Urban Local Bodies and Civil Society organisations.

The current political situation in Pakistan occupied the deliberations of the Pakistan Study Group. The former PM, Imran Khan's trial and subsequent arrest have ensured that Pakistan Muslim League (N) (PML-N) and Pakistan People's Party (PPP) have once again come back to the forefront of electoral calculations. The economic stability wrought about by the IMF's approval of a nine-month standby agreement for USD 3 billion has brought about a tenuous stability at best with structural economic faults still threatening to pull the economy apart. Meanwhile,

the Pakistan military continues to tighten its stranglehold on the country with the passage of the Pakistan Army (Amendment) Act, 2023.

PM Modi's visit to France from 13-14 July 2023 and the consequent adoption of the "Horizon 2047 Roadmap on the 25th Anniversary of the Indo-French Strategic Partnership: towards a century of French-Indian relations" was debated at length in the Europe Expert Group meeting. France's importance as a supplier of defence equipment and an economic partner were highlighted. The group felt that the scope of cooperation between the two countries is excessively broad and must be narrowed down. Prioritising issues like the setting up of the Jaitapur nuclear plant and maritime cooperation in the Indian Ocean will ensure that the relationship moves forward at the desired pace.

Europe's evolving outlook towards China and its implications for India was discussed at length in the China Experts Group. Europe's strategy of looking at China as a systemic rival, a partner and a competitor is clearly changing as it seeks to reduce dependencies on China. Coupled with the US pressure to shape a more convergent approach to China, Europe has to weigh its decisions carefully, when considering the economic relations between China and countries like France and Germany.

The current issue has also included a discussion on PM Modi's visit to the US. While the discussion about the visit took place in June 2023, the same was left out from an earlier edition due to an editorial oversight. The 'Roadmap for US-India Defence Industrial Cooperation' finalised during this visit was discussed at length and it is expected to provide the much needed aspect of bilateral cooperation.

The coordinators and researchers associated with the expert and study groups, think tanks and interactions have put in unwavering efforts to coordinate these meetings, so as to provide a wide range and diversity of

views while lucidly capturing the essence of these discussions.

New Delhi
October 2023

Cmde Gopal Suri (Retd)

US EXPERTS GROUP MEETING

Prime Minister Modi's State Visit to the United States: Way Ahead in India-US Partnership

Prepared by Dr. Sweta Kumari

The Vivekananda International Foundation (VIF) organised a discussion on “**Prime Minister Modi's State Visit to the United States: Way Ahead in India-US Partnership**” on 26 June 2023. Dr. Arvind Gupta, Director, VIF, gave the opening remarks and Amb. Arun Kumar Singh moderated the session. Mr. Nitin A. Gokhale, Lt. Gen. Anil Ahuja (Retd.) and Mr. Sanjay Chadha were the main speakers at the event. Amb. Satish Chandra, Air Marshal G.S. Bedi, Air Marshal Rajesh Kumar, Dr. C. Rajamohan, Dr. Harinder Sekhon, Mr. P.S. Sahoo (DRDO), Amb. Pankaj Saran, Amb. P.S. Raghavan, Lt. Gen. Anil Bhatt, Vice Adm. Satish Soni, Prof. K.P. Vijayalakshmi, Mr. Pranav Kumar, Lt. Gen. R.K. Sawhney and Gp. Capt. Naval Jagota, Cchavi Vashisht, Aarushi Gupta, Dr. Sweta Kumari and the VIF interns participated in the event.

Highlights of the Visit

Prime Minister Narendra Modi made a landmark visit to the US which will have long-term bilateral, regional and global implications. PM Modi and President Joseph Biden emphasised the mutual trust between India and the US. The views within the American strategic community are very optimistic and pragmatic about India. Given the geopolitical developments in the region, the two countries are moving ahead from the reservations of the past. The US has begun to understand India's stand on the Russia-Ukraine conflict and its compulsions and considerations with Russia. Hence, this was not brought in as the key issue during the visit. There is a

shared understanding that this moment is to seize to elevate the relationship to another level.

New Developments in Defence and Technology Cooperation

Defence and security have been one of the main pillars of India-US bilateral relations. There is more stability in defence relations than in the past. During US Defense Secretary Lloyd Austin's visit "A Roadmap for US-India Defence Industrial Cooperation" has been finalised which would help in removing hindrances to greater cooperation.

Shifts in Defence Cooperation

There is a shift in the direction of defence cooperation towards making supply chains resilient. It entails:

- Fast-tracking (and deepening) technical cooperation (existing Defence tech coop).
- Focus on the co-development of new technologies and sharing of specific technologies.
- Co- production of existing and new systems, in the land, military maritime and aerospace domains.
- Special emphasis on reviewing and removing regulatory hurdles and export controls.
- Greater collaboration between Defence startups of the two countries INDUS – X (India-US Defence Acceleration System) has been started for cooperation in cyber, space, and Artificial Intelligence (AI). It would work as the Innovation bridge between the two countries.
- Initiation of discussions on making supply chains resilient through **SOSA – Security of Supply Chain Arrangements and RDP – Reciprocal Defense Procurement agreement.**

- Technology transfer is becoming the centre stage of India-US relations. Critical and Emerging Technologies have been added to the hitherto single pillar of Defence and Security. It is going to be dual-use technology where it has become seamless between defence and non-military applications and commercial purposes. However, the technology cooperation between India and the US is not altruistic in nature and driven by mutual interest. There are strategic and financial costs attached to it.

New Dialogues

- **Strategic Trade Dialogue:** This is a very important development, which should work as an inter-agency task force to lead various players (defence, industry and academia) in the same direction.
- **Advance Domain Defence Dialogue (AD3):** It is intended to take note of emerging technologies and their application in the defence sector.

Next-Generation Defence Partnership

- An MoU has been signed between General Electric and Hindustan Aeronautics Limited for the manufacture of GE F-414 jet engines in India. India has experience in engine production in the past with LCA Mk II. The MoU has been signed between GE and HAL and not any private player. This shows that systemic constraints still persist.
- India is also buying MQ9-B drones. India is the first country to get this version of MQ9 drones.
- General Atomics is also looking for an Indian company and entity to manufacture the equivalent of a Hellfire missile, which would be a big development if it can happen.

Space

- India signing Artemis Accords brings a lot of positive developments for the Indian space ecosystem, especially with the rising private sector and startups.
- The two countries are working towards new frontiers in space by launching a joint effort to the International Space Station in 2024.
- ISRO, which is a civil entity, is interacting with the US Space Command. India needs to work on Space Situational Awareness (SSA) and focus on capability development.

Recommendations

- Establishment of a very strong and empowered secretariat of Foreign Secretary for Strategic Trade Dialogue that could work as an Inter-Agency Task Force.
- Currently, the HAL has been specified because of the secrecy element. There is a trust factor in the public sector. The Ministry of Defence needs to assess how to collaborate with private participation in defence and technology domains.
- India needs to become part of the global supply chains in defence by getting its rightful place in Intellectual Property Rights (IPR) and monetising of the technologies. Appropriate slotting of Indian industry and start-ups is required.
- The idea to bring together small and medium industry and startups in defence from both sides need to be monitored.
- The geographical spread of facilities and manufacturing facilities both in India as well as the US.
- The license barrier mechanisms need to be removed given new geopolitical developments, however, they exist to prevent the

system to be misused. Hence, a balance is required between bureaucratic hurdles and guardrails.

- Being mindful of indigenous capacity building. There are two rationales behind India having defence cooperation with the US. First, to have the present capability to bridge the gap with China. Second, to build future capabilities. MQ9B fulfils India's current defence requirements.
- India needs to weigh barriers and restrictions and issues related to indigenous content pragmatically – without losing sight of the overall road map of capacity building.
- The agreed Maintenance Repair Overhaul facility with the US Navy needs to be explored.

India-US Trade Relations

India- US trade is about USD 136.7 billion in goods. The US is now India's largest trading partner, one with whom India has its biggest export surplus. India is the 9th largest trading partner with the US - one with the promise of a growing market of USD 1.4 billion. There is an increased mobile penetration that holds promise for net-based technology firms. There is a great potential for growth in this area. Both countries have a shared concern about the large trade deficit with China. Indian companies have made substantial investments in the US over the years.

Trade in US-India Joint Statement

- **Semiconductor Supply Chains:** There is a push to strengthen semiconductors supply chains. Micron Technology, Inc., has announced an investment of up to USD 825 million to build a new semiconductor assembly and test facility in India. This can have a cascading effect wherein Taiwanese companies may also be encouraged to come as they have been waiting for a signal from the US. Otherwise, on their own, the Taiwanese companies have

been asking for Free Trade Agreement and a big investment to build up the desired ecosystem in India.

- **Critical Minerals:** Critical minerals are needed for developing renewable energy sources including batteries and Electric Vehicles (EVs). There is mention of bilateral collaboration to secure resilient critical minerals supply chains through enhanced technical assistance and greater commercial cooperation, and exploration of additional joint frameworks as necessary. The statement mentions Mineral Security Partnership (MSP) to accelerate the development and diversification of critical energy minerals supply chains globally.
- **Digital Partnerships:** Google will be investing USD 10 billion in the India Digitization Fund to support early-stage Indian startups. It will also proliferate its AI in 100 Indian languages.
- **Advanced Telecommunications:** The two countries have launched two Joint Task Forces on advanced telecommunications and research and development in 5G/6G technologies. There is an agreement to work on Open Radio Access Network as well.

Work in Progress Areas in Trade

- **High Tariffs:** US looks at India as having very high tariffs. India views the US farmers' support programme as market distorting. There are a lot of sensitivities on both sides. The trade dialogues are hoped to bring out some deliverables.
- **Resolving WTO disputes:** 6 outstanding disputes between the two countries are being worked out through mutually agreed solutions.
- India has requested the restoration of its GSP status by the US.
- Discussions are being held to enter into a bilateral social security totalization agreement.

- India has expressed its interest towards being recognized as a Trade Agreements Act-designated country by the US to further enhance the integration of both economies and to further promote trade and investment between the two countries.

Conclusion

The discussion emphasised various facets of India-US relations. Issues with regards to the Indo-Pacific region such as maritime security; common maritime outlook and strategy, interoperability between the Indian and US navies and the challenges associated with it; Indo-Pacific Economic Forum and its future; non-traditional security threats, Pacific Islands; and new dialogue on the Indian Ocean were highlighted. Apart from that, the domestic political challenges in both countries were also part of the deliberation.

PM Modi and President Biden are expected to meet in person two-three times on various platforms including G20 and APEC summits in the next one year. It was emphasised that since there is a great leadership commitment to the relationship, it is imperative that there are some early successes as well as effective implementations of the agreements to elevate the India-US ties to an unprecedented level.

Actions, Counter-actions and Reconciliation: Trends in US-China Economic Relations

Prepared by Dr. Sweta Kumari

The Vivekananda International Foundation (VIF) organised a discussion on “**Actions, Counter-actions and Reconciliation: Trends in US-China Economic Relations**” on July 19, 2023 (Wednesday). Dr. Arvind Gupta, Director, VIF, gave the opening remarks and Amb. Arun Kumar Singh moderated the session. Mr. Sanjay Chadha, Former Additional Secretary, Ministry of Commerce and Dr. Suranjali Tandon, Associate Professor, National Institute of Public Finance and Policy (NIPFP) were the main speakers at the event. Amb. Ashok Kantha, Dr. Harinder Sekhon, Lt. Gen. R.K . Sawhney (Retd.), Cmde. Gopal Suri(Retd.), Gp. Cap. Naval Jagota (Retd.), Dr. Saroj Bishoyi, Dr. Sweta Kumari and VIF interns also participated in the discussion.

US-China Economic Relations

China has been regarded as a strategic competitor by the US since the Bush presidency. Geopolitical tensions and technological competition are affecting US-China economic engagement. Factors influencing economic dynamics include sanctions, export controls, and supply chain adjustments. With the ongoing competition and strategic manoeuvres, China’s strength in technological innovation, its role in global initiatives and its ability to wield economic and strategic influence through initiatives like the Belt and Road Initiative, the relation between the US and China is being compared with the Cold War.

Foreign companies are facing challenges in China due to changing policies, regulations, and market access. With the US government also leaning on American businesses to move out of China, these companies are caught in the horns of a dilemma as they are invested heavily in China from where they also derive most of their profits. US allies and partners in the region, given their economic dependency on China, are also pressurising the US to find a way to manage relations with China. This seems to be a major driver in the Biden administration's shift from the policy of decoupling to de-risking economic ties with China.

Even though relations between Russia and China have deepened, especially after the Russia-Ukraine conflict, China has refrained from providing any lethal military aid to Russia. China, in fact, banned a private company because it supplied drones to Russia. China does not want to alienate Europeans by providing military aid to Russia. The US is very closely assessing China-Russia relations.

Supply Chains: Challenges and Diversification

The COVID-19 pandemic caused a disruption in the global economy that has been further accentuated by the Ukraine conflict. The crisis in energy, fertilisers and food markets have not only highlighted the necessity for more widely distributed supplies but also the geopolitical risks of relying on nations with aggressive aspirations. This has increased worries about China even more.

Countries are becoming increasingly concerned that supply networks should be reliable as well as effective. China plays an important role in global supply chains and it is making efforts to maintain control over critical materials. The complexities in the refining technologies of these minerals and environmental concerns thereof are major impediments in the shifting of these supply chains from China.

China's Economic Performance

Even as China's economy faces headwinds, trade and service sector

is witnessing growth, though economists are indicating a structural slowdown. Factors such as falling producer and consumer price indexes indicate deflation. The property market in China, a significant part of its GDP, is facing challenges and may not recover soon. This is leading to an increasing local government debt. Youth unemployment rate is also on the rise. The Chinese government has been trying to portray a positive economic outlook abroad but is internally facing challenges. Investment inflows into China are decreasing, suggesting reduced foreign interest. The Chinese government is making efforts to reduce dependency on the West by launching initiatives such as “Made in China 2025.”

De-dollarisation and Yuan

After the Russia-Ukraine War, there is a realisation that the dollar provides a hegemonic power to the US as it can impose sanctions on other countries. Many macroeconomists are discussing the possibility of an alternative to the dollar. The adoption of any currency depends on the trading relations of the economy and the size of the trade that is being done in that particular currency. The holding of the US dollars has come down marginally in recent times. However, for a currency to be a global currency, it should have financial markets. Most of the investment banks are owned by the US and its ability to run the current account deficit to print the currency makes it difficult for any other currency including Euro to pose a challenge to the dollar.

In case of Yuan, it has become the fifth largest traded currency in the world, though it is used for only 3% of the global transactions. These transactions are largely done with small economies in Latin America and Africa which have huge Chinese investments and China is able to manipulate some of their economic and political policies.

Issues such as lack of transparency and issues such as the property market bubble and shadow banking in China makes it difficult for the other countries to trust the Chinese government and the currency. Even if China has been able to develop an alternative payment mechanism to trade with

Russia, given all the challenges, it is highly doubtful that Yuan would be able to replace the dollar.

India's Trade Policy and Its Relations with China

There is a big difference in market sizes between China and India. India faces challenges of finding skilled workers and addressing policy inconsistencies. Countries such as Vietnam, Thailand, South Korea, and Mexico have emerged as significant “winners” in terms of increasing their exports in international markets for goods from the diversification of supply chains, away from China. While India has benefited moderately, it could have garnered a larger share of this shift, but for the policy constraints and inadequate domestic capabilities, especially in areas of technology and innovation.

After the Russia-Ukraine conflict, many countries are looking for alternative payment mechanisms other than SWIFT. Here, UPI is emerging as a good opportunity.

The impact of US-China economic retributions need to be analysed because that affects India's economic engagement with the world as well. India needs to have clarity in its policy implementation and its vision for supply chains.

Conclusion

Overall, the talk highlighted that the economic slowdown in China is structural and not temporary. The ongoing geopolitical tensions and technological competition between the United States and China are affecting global trade. It was pointed out that both the countries are trying to reduce economic dependency on each other. Impact of US-China economic competition on India and the Indo-Pacific region was also deliberated. It was emphasised that India needs to focus on domestic capacities and it should have clarity in the implementation of its economic policy.

Recent Floods in Himachal Pradesh & Uttarakhand

Prepared by PK Khup Hangzo and Heena Samant

The Fifth Meeting of the Climate Change Expert Group was held at the Vivekananda International Foundation on 7 August 2023 through hybrid mode. The meeting was chaired by Dr. Arvind Gupta, Director, VIF and it was attended by Lt. Gen. Ravi Sawhney (Retd.), Senior Fellow, VIF; Dr. Shailesh Nayak, Director, National Institute of Advanced Studies (NIAS) and Chancellor, TERI School of Advanced Studies (TERI-SAS); Dr. J.R. Bhatt, Adviser/Scientist, Ministry of Environment, Forest and Climate Change; Mr. RR Rashmi, Distinguished Fellow, TERI; Dr. Hishmi Jamil Husain, Head, Biodiversity and Corporate Sustainability, Tata Steel Ltd.; Dr. Uttam Kumar Sinha, Senior Fellow, Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDS); Gp Capt. Naval Jagota, Former Senior Fellow, VIF; Commodore Gopal Suri, Senior Fellow, VIF; Mr. P.K. Khup Hangzo, Associate Fellow, VIF; and Ms. Heena Samant, Research Assistant, VIF. Following are the outcomes of discussion during the meeting.

Vulnerability of India's Himalayan Hill States to Climate Change-Induced Extreme Rainfall Events and Related Disasters

India's Himalayan mountain range stretches across 13 states/Union Territories (UTs) and includes Jammu & Kashmir, Ladakh, Himachal Pradesh, Uttarakhand, West Bengal, Sikkim, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. These states and

UTs are prone to a large number of hazards including floods, landslides, wildfires, earthquakes, etc. Of these, floods are the most common and destructive. The disastrous flooding that struck Himachal Pradesh and Uttarakhand this year underlined the acute vulnerability of India's Himalayan hill states. In Himachal Pradesh, numerous houses and critical public infrastructure such as roads and bridges were washed away or damaged, and more than 200 people perished. In all, the flood caused an estimated damage of Rs. 8,000 crore. As India rebuilds, it should ensure the infrastructure in its Himalayan hill states is resilient to climate change so that it can better withstand the impact of future floods and landslides. Also, flood plain zoning should be carried out in earnest across all Himalayan hill states. Ecosystem-based Adaptation (EbA), based on local and traditional knowledge, should also be pursued diligently as it can provide effective, sustainable, and cost-efficient solutions to mitigate flood risks.

Climate Projections for the Future and Adaptation

Various climate projections have concluded that India's monsoon system will become stronger, more violent, and unpredictable due to increase in global average temperature. In other words, the risk of extreme rainfall and associated hazards such as floods and landslides is likely to increase. In fact, India has already experienced a 3% increase in rainfall, and the recent disastrous floods and landslides that struck northern India, Himachal Pradesh and Uttarakhand in particular, was indicative of this adverse impact. While climate projections are not completely devoid of uncertainty, projections for the next one or two decades are fairly credible. Extreme weather vulnerability assessments should be conducted regularly based on the most credible and recent scientific findings. This will require effective climate models that simulate weather patterns over time. It is also imperative that India should develop suitable infrastructure based on future climate projections, like suitable roads, drainage systems for handling greater volume of storm water in its most vulnerable regions and cities, etc.

Comprehensive Flood Management Plan

Comprehensive flood management plan may include, among other things, flood hazard assessment and mapping to identify areas at risk of flooding. Flood hazard assessments and maps typically look at the expected extent and depth of flooding in a given location, based on various scenarios. It also helps prioritise mitigation and response efforts. Most importantly, flood hazard assessments and maps can increase awareness of the likelihood of flooding among the public, local authorities, and other organisations. They can also help them take appropriate action. India lacks comprehensive and up-to-date flood hazard assessments and maps. It also lacks a national flood recovery program and long-term flood resilience planning. Going forward, India should aim to institute comprehensive flood management plan that includes, among other things, flood hazard assessments and mapping, national flood recovery program, and long-term flood resilience planning.

Revision of Climate Adaptation Plans and Payment for Ecosystem Services (PES)

Climate change models have been fairly accurate in predicting global temperature rise. But they have not been as accurate in predicting its potential impacts. Given this, India should revise its adaptation plans by incorporating not only the latest scientific findings but also possible “unforeseen impacts.” Beyond this, India’s adaptation plans should take into account PES. PES is a type of market-based instrument that is increasingly used to finance nature conservation. It allow for the translation of the ecosystem services that ecosystems provide for free into financial incentives for their conservation, targeted at the local actors who own or manage the natural resources. Carbon markets i.e. trading systems, in which carbon credits are sold and bought, are one such PES instrument. Companies or individuals can use carbon markets to compensate for their greenhouse gas emissions by purchasing carbon credits from entities that remove or reduce emissions. India has recently approved the formation of its first domestic regulated carbon market. That could incentivize

vulnerable communities in the country to conserve nature while enhancing their income levels.

Strengthening the Role of Municipalities in Adaptation Efforts

Municipalities or Urban Local Bodies (ULBs) are ideally placed to be the key drivers in the implementation of adaptation measures and improving India's overall resilience against floods and other extreme events. The Constitution (Seventy Fourth Amendment) Act, 1992, which came into effect on 1 June 1993, has already provided a constitutional status to ULBs in the country. The Act also urged State Legislatures to enact laws and give powers and authority to ULBs so that they can function as institutions of self-governance. The Twelfth Schedule of the Constitution further enumerated 18 specific functions to be devolved to ULBs. It included, among other things, urban planning; planning of land-use and construction of buildings; roads and bridges; urban forestry, protection of the environment and promotion of aspects; etc. Given that these functions have relevance for adaptation, India should allow its ULBs to play a key role in implementing its adaptation plans.

Strengthening the role of Civil Society Organisations (CSOs) in Climate Change Adaptation

The effects of climate change are experienced locally by communities, local institutions and stakeholders, and they are best suited to addressing them. CSOs, being closest to the problem, are best suited to creating adaptive capacities within communities. While the active participation of enlightened and empowered citizens, communities, and other stakeholders is recognised as necessary for the successful implementation of India's adaptation plans, hardly any thought has been given to establishing a framework for their meaningful engagement. Nor have any significant resources been set aside for systematically raising awareness, building capacities, and creating an enabling framework and environment for citizen engagement and policy change. This is a crucial drawback which may result in intended objectives not being achieved. Enlisting the

active cooperation of local groups, communities, local institutions and stakeholders, building up their capacities and empowering them as active participants in decision making processes are a foundational pre-condition for efficient and effective adaptation measures.

Opportunities in Climate Change Adaptation and Mitigation

There is growing support for adaptation worldwide. For example, new venture capital firms are now funding the development of innovative climate technologies pertaining to clean energy systems, adaptation, etc. More funding could also come from multilateral development institutions such as the World Bank. In fact, the World Bank has taken bold new steps to increase its lending capacity, from USD 30 billion a year to USD 300 billion a year. A significant portion of the World Bank's lending would be in support of climate change related adaptation projects. Given this, it is imperative that India create the necessary policy framework and infrastructure so that it can attract more funding from venture capitals and the World Bank to finance its climate change technology sector and its adaptation and mitigation efforts.

Adaptive Action at all Levels of Governance

India should aim to address the impact of climate change at all levels i.e. international, national, state, and local. At the international level, the impacts of climate change are being addressed through measures such as adaptation and loss and damage compensation. In recent years, loss and damage compensation has gained more ground over adaptation. But this could prove to be an unwelcome distraction from ongoing efforts to enhance adaptive capacity, strengthen resilience, and reduce vulnerability to climate change over the long-term. Ultimately, the successful implementation of adaptation measures and payment for loss and damage will be determined by the quantum of funding that is mobilised globally. As yet, the required amount of funding is far from being mobilized. Even so, India should continue its efforts towards adaptation. A key challenge for the country in this regard is its inadequate environmental governance

system. In the context of floods, India should have ideally instituted a framework for national river zoning. However, rivers are a concurrent subject, and both the Union and State legislatures enjoy jurisdiction over it, making river zoning a contentious issue. State governments also face challenges in enforcing existing environmental regulations and stricter norms for buildings and infrastructure. State governments in turn should incentivise local communities to undertake adaptation efforts as they often are directly involved in the management of natural ecosystems.

Possible Agenda Items for COP28

The latest iteration of the annual UN climate talks, also known as COP28, will be held from 30 November-12 December 2023 in Dubai, the UAE. It will undertake a “global stock-take” or assessment of how countries are faring against the emissions-cutting commitments they made at Paris in 2015. It is highly probable that India will come under the spotlight on account of it being the third largest greenhouse gas emitter in the world and may be asked to contribute to the Loss and Damage Fund that was established during COP27 in Egypt in 2022. Beyond this, the possible agenda items for COP28 included the following: melting of glaciers; global tripling of renewable energy from current levels by 2030 and again doubling them by 2040; global targets for energy efficiency; phasing out of all unabated coal; global peaking by 2025 (43% emissions reduction by 2030 and 60% emissions reduction by 2035); sectoral ambitions (hydrogen, electric vehicles); short-lived climate pollutants (black carbon, methane, tropospheric ozone, hydrofluoro-carbons); and Nature-based Solutions (NbS).

Pakistan – Illusion of Stability Amidst Chaos

Prepared by Aarushi Gupta

A meeting of the Pakistan Study Group (PSG) was held in hybrid mode on 07 August 2023. The main items on the agenda were Imran Khan's arrest, upcoming elections and the census, Pakistan's economy, stronghold of the military, rising terrorism, the India dimension and Afghanistan. The meeting was attended by Dr Arvind Gupta, Sh Tilak Devasher, Lt Gen Ravi Sawhney (Retd), Ms Shalini Chawla, Lt Gen Ata Hasnain (Retd), Amb D P Srivastava, Amb Amar Sinha, Amb Satish Chandra, Amb DB Venkatesh Varma, Amb G Parthasarathy, Shri CD Sahay and Cmde Gopal Suri (Retd).

Imran Khan's Arrest

The former Pakistani Prime Minister, Imran Khan, was held guilty by an Islamabad trial court in the Toshakhana corruption case on 05 August 2023 and was sentenced to three years in jail. He was arrested from his home in Lahore on the same day. Imran Khan's arrest was expected and appeared to be a prerequisite for the elections. Potential measures to cater to any unrest were already in place, post Imran Khan's arrest, to avoid the kind of chaos that had happened on 09 May. While Imran Khan has been appealing for the support of the people, it seems unlikely that he will re-gain his political footing in the near future. With Iman Khan behind bars, the PTI appears to be crumbling, which will bring the Pakistan Muslim League (N) (PML-N) and Pakistan People's Party (PPP) to the forefront in electoral calculations.

Elections, Delimitation of Constituencies and the Census

General elections in Pakistan have turned into a complex affair. After Pakistan's Prime Minister Shehbaz Sharif advised the dissolution of Pakistan's lower house of parliament, the new caretaker government and the possible interim Prime Minister led to much speculation.

Further, there is speculation about the return of Nawaz Sharif to Pakistani politics. The Senate passed the Elections (Amendment) Bill, 2023, which reduced the disqualification period to five years. However, Nawaz Sharif's return will only be possible if the Supreme Court (SC) passes another judgement accepting the law and reviews its earlier ruling on 2018 Nawaz Sharif's lifetime disqualification. It might be possible to get a favourable review from the SC once Justice Qazi Faez Isa takes over after Chief Justice Umar Ata Bandial's retirement on 16 September this year.

When Imran Khan was Prime Minister, the Council of Common Interest in March 2021 took a decision that the new census should be held before the next elections. This led to the start of the latest census in March 2023. Article 51(3) of the Pakistan Constitution states that once a new census has been carried out and the results approved by the CCI, the next elections can only be held based on the delimitation of constituencies of that particular census. This conditionality has created a constitutional conundrum for Pakistan as the delimitation of constituencies and the 90 days time period of the caretaker government will be unable to match the timelines, leading to a clash between these two constitutional provisions. It remains to be seen how this will be sorted out.

According to the 7th Population and Housing Census, the total population of Pakistan has risen to 241.49 million, with a growth rate of 2.55 per cent. Additionally, the population has increased by over 35 million during the past six years, which is concerning owing to Pakistan's current economic growth.

Further, the provisional census results announced in May 2023 by the

Pakistan Bureau of Statistics (PBS) on its official social media channel said that the population of Balochistan had reached 20.6 million. However, the final results show the province with just 14.89 million people. This disparity in figures created a controversy wherein political leaders believe that the numbers have been tampered with and manipulated. An additional 7 million citizens in Balochistan would have meant that it would have received at least seven more seats in Pakistan's lower house. It would have led to a complementary reduction in seats from the Punjab province in the delimitation process, which is a stronghold of PML-N, led by Nawaz Sharif and Shehbaz Sharif.

Stabilising Economy, IMF and SIFC

In June, the International Monetary Fund (IMF) expressed serious reservations regarding the limited tax base in the new Pakistani budget. However, on 12 July, IMF approved a nine-month standby agreement for USD 3 billion. Out of USD 3 billion, USD 1.2 billion will be given to Pakistan now, and the other two instalments will go to the subsequent governments, that is, the caretaker government and the new government after the elections. This move by the IMF provides space for Pakistan to go in for a long-term programme after the elections. This IMF program, coupled with monetary relief from UAE, Saudi Arabia and China, has stabilised Pakistan's economy for now. It also adds to the credibility of Pakistan, though temporary. It is also symbolic of Pakistan's relationship with the US.

Pakistani analysts have assessed the IMF program to have stringent and stiff conditions. Two of these discussed conditions for the completion of the new program are sharp energy price hikes and an entirely market-driven exchange rate. IMF has also expressed concerns about resource mobilisation and a 3.5 per cent economic growth projection of the government's budget for the year 2023-24.

China has granted Pakistan a two-year rollover on a USD 2.4 billion loan. Further, Pakistan has also inked an agreement with China for USD 3.5

billion to build the Chashma-V nuclear plant in Punjab. China-Pakistan Economic Corridor (CPEC) has attracted over USD 25 billion worth of investments in Pakistan, helping the country to partially overcome its energy crisis with the installation of over 8,000MW of power projects, the development of highways and motorways, connectivity projects, and the strategic transformation of Gwadar port city. Most of the loans for the power sector were given to Pakistan by China at commercial rates of interest, putting Pakistan in a sticky spot for the future.

Pakistan has also created a Special Investment Facilitation Council (SIFC) to attract investments in various sectors like agriculture, information technology, mining and minerals, energy, and defence. It is expected to bring transformative change in the country's economy, like the CPEC. SIFC will include both civilian and military leadership, making it another tool for the Pakistan Army's institutionalised grip on the economy. SIFC's target is to attract USD 100 billion in FDI over three years to ultimately achieve a nominal GDP of USD 1 trillion by the year 2035. It is also expected to attract more investment from Qatar, Saudi Arabia, the UAE and Bahrain and the expatriates. However, the reach and instrumentality of this initiative are yet to be seen.

Military Stronghold and Pakistan's Nuclear Program

Post the 09 May violence, the Pakistan Army has adopted an aggressive posture. It has brought in laws to further strengthen the military's position and grant additional powers to the Army. The Pakistan Army (Amendment) Act, 2023, was passed to allow a jail term of up to five years for disclosing sensitive information about the security of the military and the country. It allows the Army to expand its role in national development and advancement of national or strategic interests upon direction from or with the concurrence of relevant authorities of the federal or provincial governments. The National Assembly on 07 August passed the Official Secrets (Amendment) Bill, 2023, which will empower the Inter-Services Intelligence (ISI) and the Intelligence Bureau of Pakistan to raid and arrest

citizens over the unsuspected breach of official secrets. Both laws are critical to strengthening the military's position and ensuring the protection of the stature of the Pakistan Army establishment.

However, there is still some support for Imran Khan within the ranks of the Army, which might prove challenging for General Asim Munir during the upcoming elections. It may even be in Gen Munir's favour to delay the elections, so that his influence remains significant under the caretaker government.

Pakistan celebrated Youm-e-Takbeer on 29 May, marking the day Pakistan conducted successful nuclear tests in the hills of Chaghai 25 years ago. The President and the Prime Minister talked about the possibilities that open for Pakistan by harnessing their nuclear potential. Before the celebration, on 24 May, Lt Gen (ret'd) Khalid Kidwai spoke on Pakistan's nuclear weapons programme at the Arms Control and Disarmament Centre in Islamabad's Institute of Strategic Studies, providing insight into Pakistan's otherwise ambiguous nuclear doctrine. He emphasised Pakistan's reliable nuclear command and control systems, possibly in an attempt to assuage the US about Pakistan's nuclear reliability. He further talked about possessing a "full spectrum of nuclear weapons in all three categories — strategic, operational and tactical, with full range coverage of the large Indian land mass and its outlying territories". It might have been another step towards brinkmanship, but it may create a cause of concern for the US regarding nuclear proliferation and attract more engagement from them in Pakistan.

The TTP Conundrum and Rising Terrorism

The Tehrik-e Taliban Pakistan (TTP) has escalated its attacks in Pakistan. The Army has limited options at the moment with regard to handling the TTP. Talking to the TTP has failed in the past, and the support of the Afghan Taliban to resolve the matter has also lost steam. It is possible that counter-insurgency military operations targeting the TTP may help reduce the threat. However, the military response has been restrained due to factors such as significant displacement in the tribal areas, the reaction

of the Afghan Taliban and financial stress on the country due to military operations.

There are also suspicions that the TTP is allowed to act freely in Pakistan to leverage the security situation in the country to attract US counter-terror aid and assistance. To further the suspicions, Pakistan has discreetly approved the formalisation of a new security agreement, the Communication Interoperability and Security Memorandum of Agreement (CIS-MOA), with the US. It indicates a possible fresh start in defence cooperation between the two countries after the agreement expired in 2020, which was initially signed in 2005. The renewed agreement covers joint exercises, operations, training, basing and equipment.

To exacerbate the security situation further, on 30 July, a suicide bomber blew himself up at a Jamiat Ulema-e-Islam (JUI-F) political rally in Bajaur in the Khyber Pakhtunkhwa (KPK) province of Pakistan. The Islamic State in Khorasan Province (ISKP) claimed responsibility for the attack, stating the reason to be the JUIF's support for democracy. JUIF members had also been targeted earlier by the ISKP due to their close ties to the Afghan Taliban. There is a heavy presence of the ISKP in KPK. This is a new cause of concern for the Pakistan Army's fight against terrorism.

The India Dimension

For India, the Supreme Court Hearings on the amendment of Article 370 have led to some rising concerns about Pakistan's attempt to destabilise and create disruptions in the Kashmir region again. However, there are multiple positive indicators of growth, development, education, tourism, horticulture, infrastructure, and social stability in Kashmir. It would certainly make it difficult for Pakistan to disrupt this new peace, especially given the turmoil in their own country. Further, regardless of which leader comes to the forefront in the upcoming elections in Pakistan, no particular Prime Minister would be a better option for India.

India would be looking at how the US and Chinese policies towards

Pakistan develop. Assuming that the US could influence Pakistan's behaviour towards India might be naive. The US has its own agenda in place, away from Indian perceptions regarding its neighbour, which is to not allow Pakistan to fall entirely into the Chinese fold. Even though India and the US relations have evolved over time, Pakistan sees the issue of India as separate from any spheres of influence. The foreign policy towards India is an independent issue for Pakistan, on which no country can influence Pakistan. It is also important to note that China's influence will always be greater than the US's influence on Pakistan.

Afghanistan

The US State Department on 30 June released a report on Afghanistan After Action Review, detailing the deadly and chaotic US withdrawal from Afghanistan without a plan of action and the role of both the Trump and Biden administrations. The military criticism of political leadership in the report is scathing. "US military planning for a possible Non-combatant Evacuation Operation (NEO) had been underway for some time, but the Department's participation in the NEO planning process was hindered by the fact that it was unclear who in the Department had the lead," the review said, with the US State Department receiving most criticism.

The Taliban have tense relations with Iran, Pakistan and Central Asian countries. The Taliban tried to mediate between the TTP and Pakistan, which led to heightened animosity and a war of words between the two countries. After the fallout of the talks, the Taliban is now trying to normalise its ties or even modify its policy towards the TTP regarding trade and economy. Pakistan's Defence Minister visited Kabul in the month of February this year to meet with Taliban officials. The two countries had also set up teams as part of the joint committee for cross-border movement of nationals. The Taliban were also planning to relocate Pakistani refugees in the Gulan refugee camp in Khost province of Afghanistan, along the Durand Line, to other provinces in the northern areas so they are not involved in attacks against Pakistan. This move has created tensions with Afghanistan

and its neighbours in Central Asia. Further, Pakistan, Uzbekistan, and Afghanistan have also formally signed a tri-partite agreement to connect the three countries through a rail network.

Iran and Central Asia also have a new front of tensions with the Taliban regarding water usage. The Qosh Tepa Canal is under construction in northern Afghanistan which is the Taliban government's largest infrastructure project. It is a 115-mile canal, which is expected to divert one-fifth of the water of the Amu Darya River towards the water-scarce plains of northern Afghanistan. It will affect the water flows to Ashgabat in Turkmenistan, which depends entirely on the water of the Amu Darya River, and Uzbekistan, which depends on Amu Darya's water for its cotton farming. Iran and Afghanistan are also having issues over the Helmand River.

India and Afghanistan have informal contacts like the rest of the world. India has a technical office in Kabul. Taliban wants to take control of the Embassy of Afghanistan in New Delhi; however, it was met with resistance from the diplomats. India provides humanitarian aid to Afghanistan and stays firm on its commitment to the people of Afghanistan. There is a growing sense of frustration in the West with the Taliban regime regarding women and human rights, which would make it difficult for the West to continue sending in aid, leaving Afghanistan to fend for itself.

PM Modi's visit to France and its Implications for India

Prepared by Dr Arpita Anant

Prime Minister Narendra Modi visited France from 13-14 July 2023. The visit commemorated 25 years of the India-France Strategic Partnership forged in 1998. Reiterating the importance of the bilateral relationship, the Joint Communiqué states that “(I) n the turbulence and challenges of our times, this partnership means more than ever before – upholding the international law; advancing cohesion in a fragmenting world; reforming and reinvigorating the multilateral system; building a secure and peaceful Indo-Pacific region; addressing global challenges of climate change, clean energy, health, food security, poverty and development.” During the PM’s visit, the two countries adopted the “Horizon 2047 Roadmap on the 25th Anniversary of the Indo-French Strategic Partnership: towards a century of French-Indian relations” along with several other outcomes covering a wide range of areas. The Roadmap takes the relationship beyond defence and makes it all comprehensive; the relationship that was earlier transactional and then relational, has now come to be a bundling of key interests. The Roadmap identifies three pillars of the relationship namely, security and sovereignty, partnership for the planet and partnership for the people.

A meeting of the VIF Expert Group on Europe was held on 08 Aug 23 to deliberate on the implications of the PM’s visit to France. The discussion in the group focussed on some aspects contained in these documents. Specific issues raised and the related recommendations are presented

below in a thematic manner.

Importance of France

To begin with, members of the Expert Group averred that the transformation of China, the maritime issues that India confronts, the need to build capabilities, and the importance of emerging technologies have taken a front seat in the Indian foreign policy. It is in this context that India's relationship with France is important.

The first reason for French significance was it being a source of arms for India. It was brought out that France has consistently remained the second largest arms supplier to India, after Russia. As per SIPRI reports, from 2017-22 France accounted for 29 per cent of India's defence imports, second only to Russia at 45 per cent and followed by the US at 11 per cent. Also, while the US has constantly retained the largest (30-40%) share of global arms supplies; the share of Russia and France together remains nearly 30% of the global arms exports. Over the last about 15-20 years, however, the share of Russia (25-26%) and France (5%) has altered to Russia (16%) and France (11-12%). Also, the future order books of France are much larger than the Russian orders. So a gradual shift is taking place in global supplies. With France, there is trust and reliability, because the French have demonstrated that they can act in an autonomous manner.

Secondly, the economic importance of France for India was underlined. Although bilateral trade between the countries is modest, France is a major source of FDI for India with more than 1000 French establishments working in India. France is the 11th largest foreign investor in India with cumulative investments of 11 billion USD from April 2000 to December 2022.

A third reason for France's importance for India is that India could leverage the bilateral relationship with France to get better deals from EU. France could play an important role in convincing the EU to take decisions that could be favourable to India.

Defence as the Fulcrum of the Relationship

Reflecting on the importance of the French relationship with India, the group was unanimous in its opinion that defence cooperation plays a significant role in this bilateral partnership. France provides India an alternative to balance its reliance, for arms acquisitions, with the US as well as with Russia, helping it avoid the trap of 'sole dependencies' in this critical sphere.

Salient aspects covered in the joint statement regarding building sovereign defence capability and evolving a road map for defence industrial cooperation were recapitulated. In the aeronautical domain, the most significant agreement is the industrial cooperation for 'motorization' of future Indian Multi Role Helicopter (IMRH) by Safran Engines and the joint development of critical components, and technology. It was however suggested that the expectations of technology transfer, though being pitched to levels of 80% and above, should be kept modest. This was illustrated by drawing attention to Para 1.4 of the statement, which refers to "*....contract being concluded between Safran Helicopter Engines and HAL for transfer of technology for FORGING and CASTINGS of Shakti engines! (Upgraded Turbomec engines are being used for Cheetal and ALH helicopters)*". This, as is evident, is not the most high-technology system or component.

In the maritime domain, the reference, in the joint statement, to the success of P-75 Scorpene submarine program was noted. It was also noted that the generic reference to – 'India and France being ready to explore more ambitious projects' pertains to the construction of three additional submarines, as approved by the DAC, in the run-up to the visit. Its exclusion from the joint statement was appreciated, as being a prudent caution. The group was of the view that this would avoid motivated disruptions in the subsequent acquisition process. The decision to open a DRDO technical office at our mission in Paris was also considered prudent, considering the growing depth of engagement with France.

The group also discussed some aspects on which there was much focus before the visit, but found no mention in the joint statement. These included the acquisition of 26 Rafale-M for IAC -I Vikrant and orders for three additional Scorpene submarines, as a follow up of the P 75 programme. A prevailing notion that these omissions were probably consequent to pressure from a third country (*a veiled reference to the US*) was dispelled, as being mere speculation. It was highlighted that the CCS approval as well as commercial negotiations with French OEMs, for both, the aircraft and the submarines are yet to be concluded.

A note was taken of the statement regarding the government of France having accorded approval to Safran, to jointly “design, develop, test, manufacture and certify engine for AMCA and Twin-Engine Deck Based Fighter (TEDBF), which, it states will be 125 Kn thrust category (*as against GE 414 being developed to 110Kn*). France also claims that it is not subject to the US ITAR restrictions. The group noted that this may be an attempt by France to preempt the negotiations underway with the US for jet engines. The Services and the Defence planners need to proceed with due diligence.

Focus was drawn to the proposal for setting up MRO facilities for Safran. India uses French engines for many helicopters and aircraft. The MRO of around 120 engines (including Naval Rafale) of the M88 was said to be good and also viable. This, it was said, would be good step for getting into the aero-engine system, though what we desire is transfer of technology. For helicopters engines also, talks are on with the French and if it leads up to the multi-role helicopter engine it will be a good choice. As far as fighter aero-engines go, there is ambiguity when there is talk of 80 percent transfer of technology by the American firm GE with regard to the F 414 engine as it begs the question 80 per cent of what? While for LCA Mark 2 and AMCA we are dealing with the US for the F 414 engine, the answer to transfer of technology remains unclear. The other option is to co-develop an engine along with the French. This co-development is likely to be based on our indigenous Kaveri core along with French technology based on the

M88. While the M88 technology is around 90 per cent of the American F414, the big advantage is that the French are willing to share 100 per cent of the technology, and go a step further by doing co-development to bring it to 95 per cent of F414. This is worth spending on. Our Centre of Excellence in gas turbines combustion technology at IIT Madras must be involved more closely with such development. This may mean investing on two parallel aero-engine development programmes and therefore more resources. This approach may be worth it since aero-engines are likely to remain a critical technology for a long time.

One area of caution was also highlighted. In a private meeting many years ago, the chief of Dassault admitted that, the US has consistently undercut the French efforts to sell their aircraft. They may do so again with future acquisitions and this will include aero-engines as well. So we need to play this deftly and use our Centre of Excellence to develop technology with French help. Aero-engine technology remains the most guarded technology by the West as it is perceived to be underdeveloped in both China and India.

For India, France consistently remains a significant source of arms. It also offers a wide basket of weapon systems. It would however be imprudent to consider it as a complete substitute, either for Russia or for the US.

Issues to be Prioritised

The group felt that the scope of cooperation between the two countries has been made excessively all-encompassing. The agenda must be narrowed down. Therefore, going forward, there is a need to prioritise some issues.

A prominent one among them is that of the setting up of the Jaitapur nuclear plant that was planned for way back in 2015. With 2070 being the net-zero deadline for India, the Jaitapur plant, envisaged as the largest nuclear park with 5 nuclear plants, is an absolute necessity for India. So there is need to move forward on it. Not doing so may impact on credibility of the relations.

A second one is cooperation in the maritime sphere in Indian Ocean. While there are many countries, prominent among them being US, focusing on the Indo-Pacific, France is the only country that can help us in the Indian Ocean. Even in the Indo-Pacific, India and France can collaborate on building security structures. They can also consider having a trilateral with Japan, whose Indo-Pacific strategy is quite nuanced.

The third area must be that of people-to-people interaction. Over the long run, this will help in bringing the two countries together.

Dealing with the China Factor

There was a clear consensus in the group that China will continue to remain important in the French calculus and that India will therefore have to find a way of securing its interests despite China. It was asserted that the probability of France de-risking from China was very low. The top 40 companies of France do business only with China, and they will continue to dominate decisions being taken in this domain. China could constrain France in significant ways.

The Chinese influence, through the French, could also impact India's opportunities in the EU. (The same could happen in the case of Germany). In this context, India too will have to deal with China constructively. Since the French claim to be 'non-confrontational' and want to assert themselves only so far French interests are concerned, India must seek some assurances from France.

Some Economic Imperatives

It was underscored that the FTA with EU will be the most important one for India. Vietnam has already signed an FTA with EU making their exports to EU duty-free. Consequently, If India does not sign the FTA with EU, Indian exports to the EU can become very expensive and therefore uncompetitive. Moreover, individual European countries, France included, may impose their own tariffs. Hence, the Ministry of Commerce should

start addressing each of countries' concerns, especially France, Germany and Italy. Further, the French will support CBAM since the EU has adopted it. So there is an urgent need to convince France that the best strategy for de-risking from China for EU (and France) is to have an FTA with India.

Secondly, there is need to reinvigorate meetings under the aegis of the Trade and Technology Council with EU. As in the realm of defence, so also for trade and technology, there should be a different negotiation structure that goes beyond the Ministry of Commerce to include the private sector, 6G experts in the government, quantum computing specialists etc. There is scope for increasing the bilateral trade, but potential hindrances such as the CBAM and due diligence on human rights must be dealt with. The impact of CBAM in particular must be analysed thoroughly.

Further, on the issue of trade, the impact of AI on trade is a significant imponderable and in this context, it will be important for India to have a partner like France to deal with the changes that come about.

Some Externalities to be Monitored

It was pointed out that externalities that affect India and France in different ways could derail the Roadmap of cooperation. One such externality is the EU-US relationship. The transatlantic relationship underpins most policy outcomes in Europe and hence must be watched. That relationship in turn depends on the domestic politics in the US. India must have contingency plan do deal with EU. A second externality is the rise of extreme right of Centre governments across Europe and their inability to deal with their own domestic demands. This, coupled with high possibilities of hung parliaments may mean that policy decisions even on critical issues may not get taken easily. In the face of these factors, India must take full advantage of the present moment and secure as many economic and technological gains from the US as it can. The best bet in dealing with externalities is, of course, building our own capacities.

Negotiating with the French

Given the broad parameters spelt out in the Horizon Document, the importance of negotiating the details of collaboration on various aspects of defence was an important theme of discussion. It was suggested that there must be a move away from the manner in which the Rafael deal was done. In its place, there is a need for a newly structured negotiating team which must bring together experts from across the spectrum, from geopolitics to the end-users. The team should also include important establishment in the Government like the PMO. Another alternative is a track 1.5 to bring together the financial, technical and user-end component. The 2+2 mechanism may not work well because the MOD often takes too much time to finalise deals, whereas deals with the French have to be clinched on priority. In these circumstances, empowered task forces, with technical experts, are perhaps one of the best options.

A professional negotiation strategy is very important because we need to build durable relationships with our defence partners. It is also essential to have some privileged partners over the longer term. It was also suggested that during the negotiations, the Indian side must lay down the red-lines on matters of technology and price upfront and well in advance at the early stages of negotiations. Emphasis was placed on including a sunset clause in the deals which would insure India from the rising prices of products and technology overtime.

Overall, the discussion of the Expert Group brought out the there are a number of actions that India needs to consider to take this strategically significant relationship with France forward.

Evolving European Outlook on China & Implications for India

Prepared by Commodore Gopal Suri

On 28 August 2023, the Vivekananda International Foundation (VIF) organised a discussion on “*Evolving European Outlook on China & Implications for India*”. Dr Arvind Gupta, Director VIF, gave the introductory remarks, after which Amb Ashok Kantha and Amb Arun K Singh gave presentations on ‘*Recent Developments in Europe-China Relations & Implications for India*’ and ‘*Effect of US-China relations & Internal Dissensions on Europe’s Approach to China*’ respectively. These were followed by an interactive session with deliberations focusing on issues of interest to India. Participants, both offline and online, included Lt Gen RK Sawhney, V Adm Satish Soni, Air Mshl Rajesh Kumar, Lt Gen SL Narasimhan, Lt Gen Rakesh Sharma, Prof Srikanth Kondapalli, Amb DB Venkatesh Verma, Sh Santosh Pai, Dr Sanjeev Kumar among others.

Recent Developments in Europe-China Relations

Europe’s relationship with China has been characterised by a three-pronged strategy wherein China is viewed as “*a **cooperation partner** with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an **economic competitor** in the pursuit of technological leadership, and a **systemic rival** promoting alternative models of governance*”. Disruptions in value chains brought on by the pandemic, a perceived lack of condemnation of Russia’s action in the ongoing Ukraine conflict and China’s “no-limits” relationship with Russia have exacerbated concerns about China in Europe. The exposure

of its dependence on Russia for energy has also made Europe wary of such dependencies on China, due to China's propensity for 'weaponising' such dependencies using economic coercion, as seen in the case of Lithuania in 2021. China's aggressive approach to the maritime disputes of the East and South China Seas as also its human rights record in Xinjiang, Hong Kong and Tibet have raised wariness in Europe. The slowdown in the Chinese economy as also the deterioration of the business climate in China, seen in restrictive actions on foreign firms and existing fears about poaching of technologies, has contributed to European countries gradually changing their positions on China.

The gradual change in approach to China has been led by the European Union with its foreign policy chief, Josep Borrell, saying that the EU should have its own way of dealing with China. The President of the European Commission, Ursula von der Leyen, while underlining the importance of China, has recommended de-risking since it is neither viable nor in Europe's interest to decouple from China. While these are recent pronouncements, European concerns were evident in the stalling of the nearly-concluded Comprehensive Agreement on Investment (CAI) in end-2021. The recent European Council conclusions on China further stated that the EU will reduce critical dependencies and vulnerabilities, including in its supply chains, in its dealings with China. Germany, in its recently promulgated strategy on China has acknowledged the need to change its approach to China and profess a more muscular approach with a reinforcement of European principles. Imposition of export controls on lithography machines by the Netherlands, in line with similar US action, clearly exemplifies the changes in the approach of European countries towards China. Talks on screening of foreign investment, quite like the recent US Presidential Executive order for restricting investments in certain national security technologies and products, are also on the anvil.

Notwithstanding these recent trends, de-risking is not going to be an easy process, especially when considering the differences in approach towards China between various members of the EU. Germany itself is striven with internal differences between the foreign policy establishment on one

side and the Chancellor and German industry, especially the automobile sector, on the other. Considering the huge stakes of German industry in China, Chancellor Scholz has been pushing for more engagement with both, he and Premier Li Qiang advocating leaving de-risking to the private industry. President Macron of France has also been talking about Europe's 'strategic autonomy' and Europe's need to steer cautiously on the Taiwan issue. However, France has deep concerns with regard to Chinese moves in the Pacific, where it has huge stakes.

China has also been stressing on the need for Europe to maintain its strategic autonomy wherein it perceives differences between Europe and the US which it can exploit to its strategic advantage. Consequently, China has been attempting to revive the CAI even as it leverages existing relations with Eastern European countries like Hungary to improve its larger relationship with Europe. However, the trends are quite clear with Europe likely to reduce its dependencies on China, especially in the face of a rising adversity in the business climate in China.

US-China Relations & Internal Dissensions on Europe's Approach to China

The recent spate of high-level visits of US officials to China indicates American attempts to improve the relationship. Even as there is a bipartisan agreement of China as a strategic, economic and technological challenge for the US in the future since it is the only country with the intent and capability to displace the US in the international order, the US approach to China continues to be work-in-progress. Differences in this approach continue to remain between the US political class, its business community and the strategic community. The American political class, including the Congress has been vocal about the need to move away from China and has been pressurising the business community towards this end. The business community, however, is worried about the bottom lines, considering that China is their biggest market, and are hence attempting to modulate the administration's current hard approach.

The US administration has been leaning heavily on Europe to shape a convergent approach toward China. This pressure has forced Europe to view China through the strategic lens, something that Europe had shied away from till now. Consequently, countries like the UK and Netherlands are gradually bowing to American pressure, especially in the technological domain. Fear of Chinese acquisition of IPRs in critical technologies has further accentuated these concerns, leading Europe to reject Chinese 5G and 6G initiatives. Italy has also recently indicated that it is unlikely to extend its agreement with China under the Belt and Road Initiative (BRI). Chinese aggression in the South China Sea, East China Sea and Taiwan has been worrying the US as also Europe. The spate of Indo-Pacific strategies published by European countries over the past two years, clearly highlight these concerns. The deterioration in China's business environment has accentuated concerns in both Europe and the US. Some American and European consulting firms are also moving away from China. Coupled with recent Chinese restrictions on investment, the de-coupling of businesses can become a two-way process, with Chinese firms moving away from foreign shores while Western firms de-couple from China.

Implications for India

Even as US perception of China as a strategic challenge sharpens, its view of India as a partner has strengthened and as a viable alternative to China has gained ground. Increasing European convergence with the US therefore has the possibility of creating opportunities for India. As the political trend of de-risking gains momentum, businesses are likely to reduce their exposure to China and seek alternatives.

In light of the possibility of such opportunities, the EU-India FTA has the potential to leverage these trends and push India into the global value chain. However, India will need to guard against recent European measures like the Carbon Border Adjustment Mechanism (CBAM) and the American Inflation Reduction Act (IRA), which are perceived as discriminatory because they risk market distortions, especially in the global South.

About the VIVEKANANDA INTERNATIONAL FOUNDATION

The Vivekananda International Foundation is an independent non-partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India's leading practitioners from the fields of security, military, diplomacy, government, academia and media have come together to generate ideas and stimulate action on national security issues.

The defining feature of VIF lies in its provision of core institutional support which enables the organisation to be flexible in its approach and proactive in changing circumstances, with a long-term focus on India's strategic, developmental and civilisational interests. The VIF aims to channelise fresh insights and decades of experience harnessed from its faculty into fostering actionable ideas for the nation's stakeholders.

Since its inception, VIF has pursued quality research and scholarship and made efforts to highlight issues in governance, and strengthen national security. This is being actualised through numerous activities like seminars, round tables, interactive dialogues, Vimarsh (public discourse), conferences and briefings. The publications of VIF form lasting deliverables of VIF's aspiration to impact on the prevailing discourse on issues concerning India's national interest.



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