

Issue no.12

June 2021

# VIF Expert Groups Reports



Edited by Naval Jagota



Vivekananda  
International  
Foundation

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Published in 2021 by

**Vivekananda International Foundation**

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## Editor's Note

In June 2021 six experts' group meetings and one bilateral discussion were organised by the Vivekananda International Foundation through webinar on events and topics affecting India's interests worldwide. The diversity of the expertise of each of the members of the expert groups brought rich flavor and knowledge on the topic through their varied professional backgrounds (military, diplomacy and academia). This issue contains reports of the Cyber security, China, Europe, Pakistan, US and Indo-Pacific experts' group discussion.

In the first bilateral on cyber security between the Vivekananda International Foundation (VIF) and the Heritage Foundation, United States, the topic of discussion was on "Bilateral Discussion on Cyber Security and Protection of the Critical National Information Infrastructure (CNII)". The discussion's theme focussed on some of the critical issues of cyber security, including India-US cyber security cooperation, protection of the Critical Information Infrastructure (CII) from cyber-attacks, and China-originated cyber threats. In the West Asia Group the discussion was focused on "India's Policy Options in West Asia". India's concerted efforts have been largely successful in nurturing strategic engagement with the West Asian region. It has conducted several high level visits and nurtured economic partnership with several West Asian states. In the context

of China's penetration in the region, the need for India to re-think its own strategy in the West Asian region was discussed. (The West Asia discussions do not form a part of the report)

In the China group the virtual discussion was on the "Past, Present and Future of the CPC (Communist Party of China) after 100 Years" of its founding. The 100 year anniversary is an important event from an Indian perspective to gauge the internal developments and processes of China and to develop indicators or markers for the future developments and its effect on the external world.

A major outcome of the recently concluded EU-India leaders' summit in May is the resumption of trade negotiations. As the two sides re-engage in negotiating a Free Trade Agreement, it is imperative to also take into account the perspectives of the Indian industry. The European study group discussed the outcomes as well as took inputs from the Indian industry participants. The pros and cons of the FTA were highlighted for a better understanding.

The Pakistan expert group discussed the Pakistan Budget 2021, IMF and FATF, Pak-US: over flight/ Bases. It also discussed the happenings in Afghanistan with the expedited US exit plans, Taliban resurgence and violence levels and what were Indian options.

The US expert group held discussions to understand the Biden administration's policy on China and the "Trends in U.S.-China Relations". U.S.-China relationship under Biden appears to have significant continuity with the Trump administration's policy towards China; there are some notable differences in Biden's approach, which were fleshed out in the group. The Indo Pacific expert group discussed developments in the Indo-Pacific region focussing on North East Asia, Af-Pak and West Asia and the prognosis for the near and medium term.

The coordinators and researchers associated with these Expert Groups have put unfaltering efforts to coordinate the meetings and collate the notes for the reports in this issue.

**Naval Jagota**

**New Delhi**

**July 2021**

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## **Bilateral Discussion on Cyber Security and Protection of the Critical National Information Infrastructure**

Compiled by Anurag Sharma

*The Vivekananda International Foundation (VIF) and the Heritage Foundation, United States, jointly organised the first (virtual) “**Bilateral Discussion on Cyber Security and Protection of the Critical National Information Infrastructure (CNII)**” on 08 June 2021. The discussion’s theme focused on some of the critical issues of cyber security, including India-US cyber security cooperation, protection of the Critical Information Infrastructure (CII) from cyber-attacks, and China-originated cyber threats.*

### **Introduction**

The discussion was categorised into two sessions: i) Protection of the Critical National Infrastructures from Cyber-Attacks, and ii) China-originated Cyber Threats throughout India, US, Australia & South-East Asia.

### **Takeaways**

The significant takeaways from the discussion are as follows:

- The US Department of Homeland Security (DHS) defines “Critical Infrastructure (CI) as the physical and cyber systems

and assets that are so vital to the US that in their capacity or destruction would have a debilitating impact on our physical or economic security or public health or safety.

- The private sector owns around 85 per cent of the United States' Critical National Infrastructure (CNI). The partnerships between various public and private organisations encourage integrated, collaborative engagements essential to maintain CNI security and resilience.
- Ransomware is one of the broader concerns in cybersecurity. Recent years have witnessed the increasing prevalence among the Nation's State, Local, Tribal, and Territorial (SLTT) government entities and CI organisations. In between 2018-2021, the risk of organisations being targeted with Ransomware attack increased by 400 per cent worldwide. The "No More Ransom" (NMR) is a collaborative initiative by Europol's European Cybercrime Centre (ECC), the Netherland Police's National High-tech Crime Unit (NHTCU), and McAfee, which assists ransomware victims to retrieve their encrypted data without having pay to the criminals. The NMR is a significant example of public-private cooperation in disrupting cyber-crime through ransomware.
- The Advanced Persistent Threat (APT) threat actors from State and ransomware attackers are converging together, posing severe and challenging threats in the cyber environment. Like elsewhere, Indian users' data is sensitive, and leakage of it is a serious concern.
- Around one-third of cyber-attacks originate from China, where attackers use Dark Net to carry such offensive operations. Over 70 APT groups were detected with specialised tools whose regular job is to inject malware to penetrate the Indian government's systems.

- The defence or protection of the CNI sector is getting more challenging, with hijacking Internet traffic and use of artificial intelligence (AI) techniques. There is a need for a thorough assessment of risks in the present cyber resilience framework.
- In the last ten years, India's CNI sector is modernized with the deployment of the Supervisory Control & Data Acquisition (SCADA) and the Industrial Control System (ICS), being essential components for the operation of CNI. These systems are High-Value Targets (HVTs) for cyber attackers with intentions to disrupt the operations.
- According to a study, by 2025, around five billion people, including cyber-criminals, across the globe will have access to the Internet. The trend raises the concern of interconnections between hacktivists, state actors, non-state actors, and others.
- For India and the US, offensive cyber operations from China are of serious concern, and there is a need to extend cooperation between the two countries in mitigating such threats
- Considering the inter-operability in cyber security, there is a potential for cooperation between India and US on cyber-privacy related issues. The recent developments to monitor the illegal and anti-national content on social media are righteous steps while taking care of the internet privacy concerns. For India and the US, there is a need to cooperate on mutual concerns, including digital trade, Law-Enforcement Agencies (LEAs) cooperation, and joint Research & Development (R&D) programme. The troubling geopolitical trends, especially China's vision of digital hegemony, require India and the US to propose a robust cyber security infrastructure.

- It has been almost 10-12 years that India-US started cooperation on cyber security, with agreements regarding domestic laws and international obligations where both countries shared responsibilities for an open, interoperable, secure, and reliable cyber environment.
- As an essential part of the Homeland Security Dialogue (HSD), India and the US had reviewed their engagements in several critical issues related to cyber security, particularly the Artificial Intelligence (AI), Internet of Things (IoTs), and the protection of CNI. The Computer Emergency Response Teams (CERTs) of both the countries cooperate and share information.
- The next-generation technology is a complex situation, where the complex idea of 6G may take another five to six years to mature. There is a need for a collaborative effort to understand the standards of 5G. The International Telecommunication Union (ITU) has made several corrections on existing 5G standards; however, many security-related concerns neglected in favour of China. Along with strengthening the existing bilateral relations, India and US need to cooperate at different levels. The cyber security agreement can be reviewed with a road map, including the ideas that emerged during the discussion.
- As a “Plan of Action” ahead, the Vivekananda International Foundation (VIF) and the Heritage Foundation mutually agreed to add cyber security as a crucial component in ongoing dialogues, especially the QUAD Plus. Both sides, the VIF and the Heritage Foundation, agreed upon the number of opportunities for future collaboration and jointly producing good research in the form of publications.

### Past, Present and Future of the CPC after 100 Years

Compiled by Gp Capt Naval Jagota

*The Vivekananda International Foundation (VIF) organized a virtual discussion on China's Past, Present and Future of the CPC after 100 Years on 16 June 2021. The discussion was moderated by Dr Arvind Gupta Director VIF. The other attendees were, Dr. Srikanth Kondapalli, Mr Jayadeva Ranade, Air Marshal D Choudhury, Lt Gen S L Narasimham (Retd), Lt Gen Ravi Sawhney (Retd), Amb TCA Rangachari, Prof Madhu Bhalla, Vice Adm G Luthra (Retd), Dr Sanjeev and Gp Capt Naval Jagota.*

#### **Introduction**

Communist Party of China (CCP) will be celebrating its 100th anniversary in Beijing commencing from 01 July 2021. China is an authoritarian one-party (CCP)-led country, it boasts of 92 million cadres; anyone questioning the party-State has been silenced in China. The 100 year anniversary is an important event from an Indian perspective to gauge the internal developments and processes of China and to develop indicators or markers for the future developments and its effect on the external world.

## **The Century Gone By**

The century under the CPC has seen it enhance its power not only in the members which have grown from 50, but in terms of permeating the complete economic, military and political structures of China. Three fears of the CPC in the past 100 years seem to continue to exist such as Bourgeois liberalism, challenges from ethnic minorities and regional decentralization (versus central control) and the CPC continues to grapple with these to find solutions.

Some of the celebrations planned for the 100 years are a marathon race, history classes and competitions around the party at the school and university level and red tourism, which focuses on the origin and journey of the party since inception. In 2020 approx 73 million people went on the red tourism circuit and this year more are expected to go. Due to Covid it is expected that no military parade will be held.

In the events and writings leading up to the event, there have been indications of the need to strongly curb dissonance in the Chinese upper hierarchy especially in the business sphere. The prime example has been the public stoppage by the CPC of the initial public offering of the Ant Company, a subsidiary of the Alibaba Group of which Jack Ma was the co-founder and chairman. In the early 1990s under the CPC, employees and owners from 2 lakh companies were made members, this provided patronage to the companies and access and influence inside the companies to the party. There have been rumors also of a further weakening of the Jiang Zemin faction in the CPC by these actions of disciplining companies in which they had interests.

## **An Analysis**

The analysis of the preceding 100 years of the Party is marked with

successes and failures and this journey may be classified into 3 parts roughly distributed over 30 years each. It has been analyzed internally as well as externally that events in China's political history have changed over these periods with Mao, Deng and now Xi. The essence of the party may also be attempted to be understood under:

- Sinicization - Socialism with Chinese characteristics in the new era.
- Consolidation of the party state-Membership, hold on levers of powers of the state into the party like the Military, Economy, Technology etc.
- Social Engineering projects: Agrarian reforms, poverty alleviation, great leap forward, Cultural Revolution. Some were a success some failures.
- Enhancing Material Capabilities- Economic productions facilities, military capacities, technology and space.
- Human Resource Development- Improving literacy (97%) and developing skills in the work force commensurate with the need.
- Three Traps- China has been and continues to deal with the three traps of Middle income trap, the Thucydides Trap(China challenges America's predominance, misunderstandings about each other's actions and intentions could lead them into a deadly trap first identified by the ancient Greek historian Thucydides) and the Kindleberger Trap (The disastrous decade of the 1930s was caused when the US replaced Britain as the largest global power but failed to take on Britain's role in providing global public goods. The result was the collapse of the global system into depression,

genocide, and world war. Today, as China's power grows, will it help provide global public goods?)

- Foreign Policy- It has made progress in sheer numbers of countries recognizing it but is facing challenges in furthering its approaches to handling of its core interests specially Taiwan and South China Sea issues. The process of consolidation is a challenge which continues into the next century. The party's emphasis on jingoism and nationalism is a key contributor towards the perception of need for improving foreign policy outcomes.
- Military- The need for the military to be a powerful instrument but under the rule of the CCP. The emphasis through the decade is to strengthen the hold of the party over the army.
- Protests- Within China: the number of protests has gradually risen and range in the region of 250000 per year, which is one of the largest in the world.
- Political Tenure- Xi has removed the two tenure limit of the President and Gen Secretary of the Country and party. As per writings in the initial part of his tenure his control is going to be for an extended period.
- The method and manner in which policy has been focused and in some quarters articulated that the aim is to replace the US in key areas as the leading country in the future (2049).
- A more contemporary focus has been on internal security especially in the Xinjiang, Tibet and Hong Kong. In addition, there is an increase in the amount of internal propaganda of the party and Xi's contributions to the country.

The centenary year also brings in the dynamics of the external world, which is at crossroads in assessing the actions and reactions to the Chinese policies, especially with the new US leadership under President Biden. The debates in Europe and the US in the method to address challenges which they perceive China possesses is just beginning to germinate, the question is would the process involve a few or the majority. The Chinese President Xi is also using this opportunity to consolidate his leadership internally by dissipating some elements of discontent within various factions and institutions in China.

Other areas of interest in the group were related to corruption in which the party has put close to one million members under investigation. The numbers involve both civilian provincial level members as well as PLA members. Another area of discussion was on the NATO articulating China as an area of concern originating out of the technology (5G) and BRI projects in Europe. The Indian view at present is not formulated and articulated in relation to the manner in which NATO has articulated them and at present there is no need to align the India view with it.

The Chinese are worried about the vigor with which Biden is continuing his policies of competition. They are worried about the renewed interest of the US in human right issues and concerned about a colour revolution type of movement inflicted on them by the US merging it with certain internal dissenting issues. In the 20<sup>th</sup> party congress to be held next year the priorities would be on Science & Technology, Innovation, standards and demography.

### India-EU FTA- Expectations from the Industry

Compiled by Dr. Himani Pant

*A major outcome of the recently concluded EU-India leaders' summit in May is the resumption of trade negotiations. As the two sides re-engage in negotiating a Free Trade Agreement, it is imperative to also take into account the perspectives of the Indian industry. To deliberate on the expectations of the industry, the Vivekananda International Foundation organised a discussion on June 18, 2021. The opening remarks were made by Dr. Arvind Gupta and the discussion was moderated by Amb. Anil Wadhwa. The participants included industry representatives like Mr. Ranjeet Goswami, Mr. Jayen Mehta, Mr. Kulin Lalbhai and Mr. Ketan Doshi. The participants comprised of distinguished members like Lt. Gen. Ravi K Sawhney (Retd), Prof. Gulshan Sachdeva, Mr. Pranav Kumar, Dr. Rudra Chaudhuri, Prof. K.P. Vijayalakshmi, and Gp Capt. Naval Jagota.*

#### **Background**

EU is India's largest trading partner with about 11 percent of its total trade, amounting to about €80 billion, and the EU is India's top foreign investor. The EU is also the second largest destination for Indian exports. The European Investment Bank (EIB) has invested over €3.03 billion in infrastructure, energy and climate projects. Over 6,000 European

companies are present in India. Given this range of cooperation has flourished despite the stalled FTA negotiations, demonstrates the extent of untapped economic potential in the partnership. In this context, the resumption of trade negotiations after a gap of eight years at the recently concluded leaders' meeting in Porto (held in a hybrid format) has opened a new window of opportunity to tap this unrealised aspect of the EU-India partnership. The joint statement released after the meeting underscores the need to foster inclusive growth through trade, connectivity and technology. This would not only help to realise its untapped economic potential but also contribute towards an inclusive and sustainable economic growth and recovery from the COVID-19 pandemic. Both sides have agreed to resume negotiations on a balanced, ambitious, comprehensive and mutually beneficial free trade agreement; find quick solutions to long-standing market access issues; launch negotiations on a stand-alone investment protection agreement and start negotiations on an agreement on geographical indicators. Essentially, the EU-wide investment protection framework is projected to provide greater stability and certainty to companies from India and EU to expand their presence in each other's markets.

As the joint communiqué notes, in order to create the required positive dynamic for negotiations, it is imperative to find solutions to long-standing market access issues. This necessitates clarity on expectations from the industry. The following observations were made during the discussion with respect to different sectors of the industry:

### **Service Sector**

Even though India is a service led economy, the service sector has not found ample space in the trade negotiations. A services' framework, not only for the EU-India FTA but also other FTAs that India would pursue in future is required to ensure smooth mobility of skilled workers abroad.

An important aspect that needs to be examined is with respect to treating the topic of mobility as a trade issue rather than an immigration issue. The issue of reciprocity is also crucial here because India needs to be clear about how willing it is for reciprocal mobility within the country before proposing this aspect to EU negotiators.

From the Indian perspective, the regulatory frameworks within the EU could be eased to allow faster issuance of visa or visa on arrival for skilled professionals; faster work permit or permit post initiation of job; ease of movement, avoid double taxation etc.

## **Dairy Sector**

India's milk production is about 200 million metric tonnes which constitutes about 22 percent of global production. This makes it the top milk producer in the world. Owing to its large population, India is also the largest consumer of milk and provides a wide market for milk and other dairy products. The dairy sector has been a contentious issue in the FTA negotiations and the industry concerns need to be put in perspective.

Since a large section of the population is dependent on agriculture, the dairy industry has concerns about 'unfair competition' and livelihood of Indian farmers (which is estimated to be over ten million). The small quantities of dairy products, such as cheese, butter etc. that India imports every year from the EU falls under the premium category. Since the cheese demand has been growing over the years, waivers on it and other such premium category products are seen as detrimental for domestic producers as well as for farmers' interest. The issue of calf rennet in European cheese has also been cited as a cultural constraint for selling dairy products in India. However, it is important to note here that the industry seems willing to accommodate foreign players provided they use milk produced in India. The European stakeholders offer state of the art technology which could

be utilised to improve the cattle management/breed management to enhance overall quality and productivity.

## **Textile Sector**

Textile industry has traditional roots in India. It represents the low-cost manufacturing industry which currently employs about 30 to 40 million work force in the country. Globally, textiles are a 750-billion-dollar trade, with China controlling about 35 percent of this output. As China begins its exit from this sector, most global brands are seeking supply diversification. Despite India's vast potential and scale, this movement out of China has been redirecting to Vietnam and Bangladesh as both the countries have preferential duty access into Europe. This gives them an 11-percentage advantage over India. For instance, on the Free on Board (FOB) of the garment, the entire earnings before interest, taxes, depreciation, and amortization (EBITDA), which is the bottom line of the garmenting industry is 6 percent. With this substantial preferential access these countries have been able to export twice as much when compared to India. Additionally, India sells the fabric it produces to Bangladesh. The latter then converts it to garment and exports to the European market. To be able to compete in this domain, the Indian industry needs to do its own garmenting and sell finished products directly to lucrative markets.

As a low-cost manufacturing sector, textiles are a source of employment to for skilled people, especially women. It is estimated that an FTA in favour of the Indian textile industry would increase the volume of exports exponentially as well as add a few millions fresh jobs immediately. A reduced duty access into European market is seen as the only way that the industry can survive against countries like Vietnam, Bangladesh. In this context, it is important to note that the European companies too prefer a huge production centre like India. However, to realise this India needs to be clear on its reciprocity by opening up its market to European products.

## **Auto Sector**

India is a fast-growing economy and offers a large market for European automobiles. The EU has been constantly seeking duty concessions for its automobiles in order to tap on this rising consumer demand. With respect to the high tariffs levied by India, the opinion is that the EU too, resorts to differential tariffs. As such several hidden barriers exist in the European countries, such as local taxation which should be combined while calculating the total tariffs on these products.

## **Conclusion**

There is a need to maintain a fine balance between consumer interest and demand while catering to the interests of industry. While protectionism is likely to prove detrimental, interests and concerns across industry should be addressed. Scenario building involving a policy outlook for 15-20 years is needed to orient the industry of imminent changes. Advance notice period would give the concerned sectors the time to adapt to these changes. For instance, in the auto sector, it takes about 4 years to build a product from scratch. This calls for forecasting demand for that product 4 years down for another 7 years. This requires a high level of investment planning and a government policy to compensate these sectors.

Finally, the pros and cons of the FTA should be brought out more explicitly in the public domain for a better understanding and to avoid future backlash. Data analytics techniques and big data analytics etc. could be used to collate the findings. The Ministry of Commerce, Ministry of External affairs and the Confederation of Indian Industry (CII) could invest in this kind of research. For instance, the CII could come out with a regular newsletter on FTA developments with EU and others. Thus, India needs to follow a more proactive approach by outlining its priorities and objectives clearly rather than reacting to the other side's demands.

## **Pakistan's Budget 2021 and the effect of US exit plans from Afghanistan**

Compiled by Aakriti Vinayak

*A meeting of the Pakistan Study Group was held via video conferencing on 21st June 2021. The agenda's main items were: PAKISTAN: Budget 2021, IMF and FATF, Pak-US: over flight/ Bases. AFGHANISTAN: expedited US exit plans, Taliban resurgence and violence levels, Indian options. The Meeting was attended by the following: Dr Arvind Gupta, Ms Shalini Chawla, Shri Rana Banerjee, Shri CD Sahay, Amb Gautam Mukhopadhaya, Amb DP Srivastava, Amb Amar Sinha, Amb Arun Singh, Amb G Parthasarathy, Lt Gen Ravi Sawhney (Retd), Shri Tilak Devasher, Shri Sushant Sareen, Brig Rahul Bhonsle (Retd), Lt Gen Ranbir Singh (Retd) and Gp. Capt. Naval Jagota.*

### **Pakistan**

Pakistan remains mired in complexities and uncertainties. On the internal front Pakistan proposed Pakistani rupees 8,487 billion budget for the next financial year with a fiscal deficit target at 6.3 per cent of gross domestic product (GDP) and GDP growth rate target of 4.8 per cent. Though the budget tells a story steeped in ambition, Pakistan's economic realities remain grim. On the external front Pakistan remains under the scrutiny of Financial Action Task Force (FATF) and International Monetary

Fund (IMF). Further as US withdraws its troops from Afghanistan, speculations persist as to what extent Pakistan would go to support the American counter-terrorism operations in Afghanistan and will it provide US the military bases?

## **IMF and FATF**

Pakistan has been under a USD 6 billion loan agreement with the IMF since 2019. The IMF bailout came with stringent conditionalities. However Pakistan and IMF so far has failed to narrow down their differences, as Pakistan has still not accepted the two conditions imposed by IMF that is raising the electricity tariffs and raising the revenue. Hence the completion of the sixth review under the \$6 billion Extended fund facility (EFF) has been put on hold till September 2021. This could have far reaching consequences for the economy of Pakistan.

On the FATF, Pakistan is anticipating a substantial relief in FATF's upcoming plenary meeting scheduled from 21-25 June 2021, as the official statements give the impression that Pakistan is successfully approaching full compliance of most FATF recommendations. They also believe that the international political environment on the eve of the withdrawal of American forces from Afghanistan would be in Pakistan's favour. However Pakistan is not likely to get off the grey list as it has failed to demonstrate effective implementation of targeted financial sanctions against all UNSCR 1267(1999) and UNSCR 1373(2001) designated terrorists.

## **Budget 2021-2022**

On 11 June 2021, the PTI-led government presented the federal budget for the fiscal year 2021-2022. Pakistan Finance Minister Shaukat Tarin presented it at a time when Pakistan's debt-ridden economy is facing

an economic crisis aggravated due to the coronavirus pandemic. A rosy picture of economy is being presented by Pakistan. The total expenditure budget for the next year is set at Rs 8,487 billion targeting a real growth rate of 4.8 percent. The government has also set a GDP growth rate target of 4.8 percent.

However on the fiscal front the situation remains complex as the budget 2021 expects to collect PKR 5.83 trillion in taxes. This is 24 percent more than the estimated PKR 4.69 trillion that Pakistan hopes to collect in the outgoing fiscal. However, Tarin is confident that he will be able to collect around PKR 500 billion through fresh taxation of around PKR 260 billion, and administrative and enforcement measures that will help in mopping up another PKR 240 billion. Clearly the numbers are mysterious and faulty. The tax enforcement measures include custom duties, sales tax which will further impact inflation and will give rise to the circular debt. Other peculiar features of budget is that pensions of PKR 480 billion now cost more than the entire cost incurred on running of the civil government, which is PKR 479 billion. For the first time the budget mentions 'Pay and Pension' that costs the government an additional PKR 160 billion even though both there are accounted for separately. The situation remains dire as almost the entire net revenue is accounted for by debt servicing PKR 3.1 trillion and defence expenditure of PKR 1.37 trillion. Everything else is paid from borrowed money. Hence, despite the rosy picture presented in the budget, the economy remains in a broken state as Imran Khan's government faces serious economic challenges with inflated debt and high inflation.

## **Afghanistan**

The complete withdrawal of U.S. troops from Afghanistan before September 11 is turning out to be a complicated affair. The United States

(US) has now expedited its military withdrawal from Afghanistan. However there are fears of Taliban supremacy, which is a serious concern for the neighbouring countries. Taliban has not shown any seriousness in negotiations over intra-Afghan dialogue and has formulated a strategy to gain control of Kabul. The violence levels are up and conflict continues unabated. In fact there is 29 percent increase in civilian casualties since January and 50 of Afghanistan's 370 districts have fallen to the Taliban. There has been a three-fold increase in the fatalities suffered by the security forces.

Interestingly Turkey is looking to expand its footprint in Afghanistan. Turkey has more than 500 troops stationed in Afghanistan as part of a NATO mission to train Afghan security forces Following the United States' decision to withdraw from Afghanistan; Turkey has made an offer to ensure the security of Kabul airport.

India, which has strategic stake in Afghanistan, has been a steadfast partner of the country. Amidst reports in the media about India's outreach to the Taliban in Afghanistan, the Ministry of External Affairs (MEA) has stated that "It's engaging with "various stakeholders" with a goal of achieving long-term development goals and reconstruction of the war-ravaged country". India supports a negotiated settlement and wants peace in the country. It remains consistent in its position regarding "Afghan owned, Afghan led and Afghan controlled" peace process.

### Key Events in the Indo-Pacific

Compiled by Commander Shashank Sharma

*The VIF expert Group on the Indo-Pacific met on 28 June 2021. The meeting was moderated by Vice Adm Anil Chopra (Retd) and key attendees were Dr Arvind Gupta (director), Lt Gen Ravi Sawhney (Retd), Amb Anil Wadhwa, Amb Anil Trigunyat, Amb Deepa Wadhwa, Amb Skand Tayal, Amb Gautam Mukhopadhyay Mr Rajiv Kher and Gp Capt Naval Jagota. The expert group discussed developments in the Indo-Pacific region focusing on North East Asia, Af-Pak and West Asia regions, prognosis for the near and medium term and implications for India.*

#### **North East Asia**

There is an emerging view among the strategic community that North East Asia region comprising Japan, North Korea, South Korea, Russia, China, Taiwan and with US being a key player is emerging as a major flashpoint owing to China's aggressive posture in the Taiwan straits and South China Sea.

#### **The USA in NE Asia**

USA continues to be the only major external power in the region.

President Biden has retained a strong stance against China. The hard stance was evident in Biden Administration's meeting with China at Anchorage, Alaska; in renewed US efforts of rebuilding alliances in the region particularly with Japan and South Korea; and in institutionalisation of the QUAD through the first summit meeting in March 2021. The US continues with its official interactions with Taiwan to the annoyance of the Chinese establishment and is expected to continue further sales of military equipment to Taiwan. USA is also attempting to bring Japan and South Korea together. A tri-lateral meeting of the NSAs was hosted by US NSA in Apr 2021. In North Korea, US has sent a special envoy as a reconciliatory move, attempting to initiate talks with the latter. North Korea is not expected to back down on the de-nuclearisation issue, but may be amenable to talks on arms reduction, lifting economic sanctions etc at this stage.

## **Japan**

Japan has become more vocal and assertive vis-à-vis perceived threats to its interests from China and North Korea. It was for the first time since 1969 that the joint statements during the US-Japan 2+2 talks in Mar 2021 and summit in Washington DC in April 2021 had a mention of Taiwan. Japan is seeking a stronger alliance with USA as the joint statements have reaffirmed the inclusion of Senkaku islands in the US-Japan treaty of mutual cooperation and security. Japan is also considering an increase in its defence expenditure beyond the '1% of GDP' limit it had imposed on itself as it acquires more arms, anti-ship missiles, submarines etc in order to exert greater influence over choke points along the first island chain. USA also expects Japan to assume greater responsibility in the region. Japan however continues to engage with China economically. Japanese companies continue to remain and operate in China and no significant decoupling is seen to date. Japan favours an independent Taiwan as it perceives a serious security threat to its interests in the event of a take-

over of Taiwan by China. Japan is strengthening its economic and cultural engagements with Taiwan. Japan has made significant investments in Taiwan and also fostered inter-governmental and party-to-party ties. The Japanese ruling party LDP is in the process of drafting a treaty similar to the Taiwan Relations Act, seeking deeper engagement with Taiwan.

## **South Korea**

China is the largest trading partner of South Korea and also holds influence over North Korea. South Korea is also wary of economic disruptions from China like those imposed after the latter deployed the American THAAD missile system. In order to placate China, South Korea has initiated moves towards conciliation with North Korea. South Korea is also mending its relations with Japan despite the former's bitter historical acrimony over the issues of 'comfort women' and 'forced labour'. Recent court judgements in South Korea have also provided a new political space for finding a political solution with Japan.

## **China-Taiwan issue**

China's status-quoist approach to Taiwan's position has changed recently. This could be attributed to coming-to-power of the pro-independence Taiwanese government headed by Tsai Ing-wen or to China's increasing militarily capabilities and the consequent assertiveness. The flare up in the Taiwan straits could also be China's response to statements targeting China during recent international events like the G7 summit. The Chinese actions towards Taiwan may be attributed one or all of the following: to the upcoming centenary celebrations of the Chinese Communist Party or to Xi Jinping's quest for a lasting legacy or to influence and capture the Taiwanese (a world leader) chip industry.

## **Russian Influence in the Region**

Russia continues to be an important player in the region. It holds certain influence over North Korea and to an extent on China. Russia's support to Tatmadaw in Myanmar could be its Indo-Pacific card against QUAD and a means of asserting its power and presence in the region.

## **Prognosis for the North East Asia region**

In the near term, North Korea could come around to discussions with USA; South Korea and Japan relations will improve; and US - Japan alliance will strengthen. With regard to takeover of Taiwan by China; recent statements by U.S. military commanders have expressed concerns over China's increasing might and declining US naval capabilities indicating that China now has the capability to take over Taiwan. Xi Jinping appears to be probing his capacities in disturbed areas and locations to assess the reaction of the international community and test their resolve. Presence of Chinese fishing fleets in large numbers off Senkaku and in South China Sea and salami slicing tactics as seen in Ladakh are such examples. It is therefore important for India to closely monitor the response of the international community to China's actions. Forced take-over of Taiwan by China is not likely in the next 5-7 years, however aggressive posturing spiralling out of control into a larger conflict cannot be ruled out.

## **Af-Pak Region**

### **Some Key Players**

As the US forces begin withdrawing from Afghanistan, more districts are falling to Taliban onslaught, targeted assassination have resumed, soft targets like the Hazara girl's school are being persecuted and opinion makers and influencers are being targeted. The ANDSF have been raised by the US purely for counter-terrorism role and not as a regular army

meant for defending territory and is therefore not very effective against the onslaught of Taliban. As Taliban mounts its offensive from the northern region bordering Central Asia, and from Kandahar upwards through Ghazni and Maidan Wardhak towards Kabul, logistics support for the ANDSF is likely to weaken as strategic routes get choked. Yet, the conflict is expected to be heavily contested into the next year as there are incipient signs of popular resistance by the younger population.

Pakistan has shifted its narrative of 'strategic depth provided by Afghanistan against India' to a geo-economic narrative. Pakistan intends to bring investments to Afghanistan riding on Chinese capacity and de-link India entirely from Afghanistan. China is promoting its Pakistan model in Afghanistan, promising investments and political support. It is attempting to create an outlet from Iran into the Western Indian Ocean and the Gulf and thereby reduce pressure it faces in the Indo-Pacific. The US withdrawal from Afghanistan has in effect provided a strategic pass to China and Russia. The QUAD should therefore not only look at China purely through the Indo-Pacific prism but also through the continental Asia prism.

Iran although has a pragmatic relationship with the Taliban but now harbours apprehensions, as the beginnings of the Hazara genocide emerge. It is of significance that once Taliban consolidates power in the northern region, Iran would be the next staging ground and India therefore needs to work with Iran and Russia to mitigate the Taliban spread. Intervention by United Nations or UN backed forces in Afghanistan is unlikely in the near future. A United Nations Force will not be effective in Afghanistan, a lesson learnt by the large scale coalition forces in Afghanistan earlier.

## **USA**

The US even with a light footprint, was a stabilizing factor in Afghanistan, maintaining internal stability that benefitting the entire region including

Iran, Russia and China. There is also a view that withdrawal of US from Afghanistan could be a bear trap for China i.e an American strategy to put pressure on Xinjiang and Russia.

### **Implications for India**

Taliban takeover after the US withdrawal may lead to pressure on Kashmir as was experienced after Soviet withdrawal. Afghanistan populace is generally pro-India and there exists a sentimental attachment. However, with Taliban in control, India may lose its strong ties with Afghanistan. India has been undertaking developmental activities and could exploit its (Indian) market for Afghanistan's carpet and horticulture industry. This can bring rich dividends to India, lift Afghanistan economy and integrated India more intrinsically with the ravaged state.

### **West Asia**

West Asia is a critical region for India in terms of its energy security needs and 9 million strong diaspora which contributes about one-tenth to its foreign exchange reserves. India has its largest trade exchange with the region. The region is also important for India's food security, as 95% of fertilizers are sourced from countries in this region. With the exception of Turkey and Pakistan, India shares friendly relations with most of the countries in the region. Any instability in West Asia will therefore have a strategic impact on India and thus developments in this region therefore need to be monitored closely.

China's influence in the region has increased substantially owing to its BRI projects, investments and military exports. China has its largest presence in UAE which has become a major hub for manufacture of Chinese vaccine for the region. China has also invested heavily in Egypt for manufacture of its vaccine. Egypt would thus become a regional hub for manufacture and distribution of this vaccine in Africa.

There is therefore an urgent need for India to enhance its engagement with the region going beyond the existing bilateral relations. Iran, Israel, Saudi Arabia, Turkey, UAE are emerging as the new power axis in the region. Any development in the region invariably involves participation of one or more of these regional axis powers. Geo-political dynamics among these countries which invariably involve influences of USA, China or Russia therefore need to be monitored. Major developments in the region that are likely to have repercussions for the Middle East and for India are the Israel-Hamas war and the Presidential elections in Iran.

### **Israel Hamas Conflict**

- Post the recent (and fourth) Israel-Hamas war Hamas has emerged as the custodian of Palestine cause and furthered its chances of taking over power whenever elections are held. Meanwhile in Israel a fragile anti-Netanyahu coalition-of-change has assumed power by just one vote. The new government has so far not affected any change in Israel's domestic policy. At this stage there does not appear to be any head movement towards reaching a comprehensive resolution of the Israel-Palestine issue.
- The recent Israel-Hamas war provided the US, an opportunity for time testing of its Artificial Intelligence driven military capabilities through the proxy of Israel. The war also saw significant amount of payments in the form of digital currency, crypto currency, and Bitcoin pouring in for Palestine.
- The conflict did not seem to have a detrimental effect on the Israeli-Arab world rapprochement.
- Egypt, Qatar, Oman and Iran have emerged as important mediators in the region during this period.

## **Developments in Iran**

- Newly elected president of Iran, Ebrahim Raisi is faced with numerous internal problems including inflation, unemployment, discontented youth etc, and would like to have a period of peace for addressing these issues. Despite the US distrust in the new Iranian President, it is going ahead with ameliorating relations with Iran. It has eased sanctions on Iran for supply of COVID vaccines and COVID related assistance and also released Korean payment of \$8 billion to Iran. Israel however looks to destabilize Iran's nuclear program unilaterally.
- Saudi Arabia and Iran are in the process of establishing diplomatic ties and Iran seeks the augmented architecture of GCC plus one.
- Iranians are aware India's willingness to buy Iranian oil and thus appreciate its principled stand on strategic autonomy. This could lead to the two countries finding some grounds for convergence in the future.

## **Trends in U.S.-China relations**

Compiled by Dr. Himani Pant

### **Introduction**

*To understand the Biden administration's policy on China, the Vivekananda International Foundation organised an interaction on "Trends in U.S.-China Relations" on June 28. The opening remarks were made by the VIF director, Dr. Arvind Gupta. The discussion was moderated by Amb. Arun K Singh and saw in attendance distinguished participants including Ms. Bonnie Glaser, Vice Admiral Satish Soni (Retd), Lt. Gen. Anil Ahuja (Retd), Amb. Anil Wadhwa, Dr. Rudra Chaudhuri, Lt Gen Ravi Sawhney (Retd), Prof. KP Vijayalakshmi and Gp. Capt. Naval Jagota.*

### **Biden administration policy toward China**

Contrary to popular opinion that there would be some sort of a 'reset' in the U.S.-China relationship under Biden, there appears to be a significant continuity between his and Trump administration's policy towards China. The Interim National Security Strategic Guidance released in March delves on the 'assertive' posture of China. It refers to China as "the only competitor potentially capable of combining its economic, diplomatic, military, and technological power to mount a

sustained challenge to a stable and open international system.” So, while the essence of the policy towards China remains same, there are some notable differences in Biden’s approach, which are outlined below:

- Unlike the Trump administration that essentially put Russia and China on par as revisionist powers, identified both great power competitors and as the main threat to the U.S., the Biden administration has singled out China as the only country that really could threaten the long-term American interests and undermine the international order. In addition, President Biden has often resorted to the autocracy versus democracy debate while drawing comparisons with China and has insisted that democracy will prevail.
- The differences between the two administrations exists with respect to the goal of US policy towards China. The Trump administration talked about emboldening the Chinese people to induce change in China, which could also be interpreted as a veiled indication of a regime change. The tone and language of the Biden administration is markedly different. It does not attempt to frame a distinction between the Chinese Communist Party and the Chinese people in official discourse as it is not seen as a productive way to engage with China or to describe it.
- In this sense, the goal is not to challenge the Communist party or to contain China’s rise. Rather, the new administration seeks to persuade China that its assertive and aggressive policies towards its neighbours, its economic coercion as well as its repressive policies in Xinjiang and Hong Kong, among others, undermines international law and order and is not in Chinese

interests. The stated goal therefore appears to be to convince Xi Jinping to reassess and recalibrate the China's path.

- It is expected that the strategic competition with China will be intense and prolonged. To pursue this competition from a position of strength, the Biden administration appears to be following three policy goals: to rebuild and renew America; strengthen its alliances and partnerships; and bolstering international institutions.
- There is recognition that a framework is needed to ensure a degree of stability is maintained within this competition. There is a conscious effort for better crisis communication mechanisms and other guard rails to prevent the competition from reeling out of control and resulting in military confrontation. The Strategic Competition Bill with China, Innovation and Competition act (formerly Endless Frontier Act) focused on technology, etc. are some of the attempts to rejuvenate America.
- Working with allies is at the centrepiece of the Biden administration. There's recognition that the U.S. cannot impose costs on China without cooperation and coordination with its allies. The Biden team has thus made early attempts such as reaching out to its allies in Europe, communicated with its partners in the Quad summit, etc. At the same time, the U.S. has re-joined the U.N. Human Rights Council, Paris Climate Change Accord, the World Health Organization to emphasise on multilateralism.
- China strategy in the Biden administration is still evolving with many senior positions still vacant. Once filled, this would

help to create a more effective inter agency process. This also implies that as more voices enter the administration, there are likely to be more debates over China policy. For example, there is already a debate on the vaccine distribution process. One strand of thought opines that vaccine distribution should be need based and not driven by political interest while the other side feels that targeted, interest-based vaccine diplomacy is useful to counter China's influence. In this respect, the allocation of about two million vaccines to Taiwan is an example of the latter strand of thought.

- On Taiwan, the policy of strategic ambiguity continues even though there is some debate about the Chinese assertive posture and revision of U.S. policy on Taiwan. From a security standpoint, U.S. approach to Taiwan depends on Chinese actions in the region. At present, China's risk benefit calculus vis à vis Taiwan is seen as too low to invite a concrete action. However, this perception may evolve in the coming years.
- ASEAN-There is a recognition that the Southeast Asia has a pivotal role to play in the U.S. China competition. Given the complexities that exist in the ASEAN region, the U.S. recognises the need to be more proactive in its outreach to the region and has been taking some actions in this regard. Vaccine diplomacy and assistance in economic recovery are seen as two crucial steps in this direction.
- Russia- The policies of the West in general and the U.S. in particular have pushed Russia closer to China which has resulted in a very strong Russia-China strategic alliance. Together, they are likely to have a huge influence in the continental Asia, particularly in Eurasia where the U.S is on a

retreat. There is recognition in the new administration that while Russia and China countries cannot be distanced at this juncture, there are limits to their cooperation. In this respect, some sort of an engagement with Russia is seen as the only way to reduce China's influence. President Biden's initiative to hold a summit with President Putin in Geneva should be seen as an effort towards this end.

- Personal dimension also has a vital role to play. President Biden's assessment of Xi Jinping comes from his previous interactions as Vice President with the latter. President Biden's visit to Europe for NATO, G-7, U.S.- EU and Russia summits reflect his preference for in person meetings and a similar meeting with China could also be in the offing on the sidelines of other meetings in the near future.

## **Conclusion**

The Biden administration's approach towards China combines competitive and cooperative elements. It aims to compete economically confront China where necessary but is also willing to cooperate based on mutual interests. However, the exact course remains unclear and it remains to be seen how much of this approach would be practically feasible. This is because China's own policy and approach to U.S. would have a role to play in this dynamic. Given that the 'competition' element of the U.S. approach is evident, the partnership with India carries a lot of potential. Among other things, India offers a vast pool of skilled manpower that could help the U.S. in realising its goal to redirect the supply chains away from China as well as in other technological advancements.

## **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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