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3, San Martin Marg | Chanakyapuri | New Delhi - 110021

Tel: 011-24121764 | Fax: 011-66173415

E-mail: [info@vifindia.org](mailto:info@vifindia.org)

Website: [www.vifindia.org](http://www.vifindia.org)

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During the month, the VIF Neighbourhood Experts Group hosted a roundtable discussion to analyse recent developments in Nepal and their implications for India. It emerged that Prime Minister Pushpa Kamal Dahal's removal of the Nepali Congress from the government marked a significant political shift, as he welcomed the Communist Party of Nepal — Unified Marxist-Leninist (CPN-UML) and two other parties to form a new government, reminiscent of previous coalitions since 2022. The discussion highlighted Nepal's ongoing political instability, driven by rotational leadership and coalition disputes, notably surrounding cabinet reshuffles and economic challenges. Corruption scandals and rising unemployment have fuelled emigration, while the resurgence of leftist alliances raises questions about Nepal's geopolitical leanings, especially towards China. The roundtable also explored Nepalese Hindu nationalism and monarchy dynamics, emphasizing India's need to adapt its diplomatic strategy and prioritize bilateral projects to navigate Nepal's evolving political landscape. Overall, the consensus underscored the importance of nuanced diplomatic engagement to strengthen India-Nepal relations amid internal and external uncertainties.

The Neighbourhood Experts Group also organised a discussion with Dr. Nishan de Mel, Executive Director of Verité Research, Colombo, focusing on Sri Lanka's internal dynamics and its impact on India-Sri Lanka relations. The discussion addressed political and economic scenarios, upcoming elections, Tamil reconciliation, connectivity, trade, and investment. Sri Lanka still faces challenges in managing its economy despite macro stability post-2022 protests. Poverty has surpassed 30%, with 40% of the population reliant on safety nets. Political landscape complexities affect elections, while security concerns underline India-Sri

Lanka cooperation. Recommendations included prioritising connectivity, fostering trade relations, addressing non-traditional security threats, and implementing governance inclusive of all communities. Maintaining mutual security sensitivities is crucial for stable relations between the two countries.

The West Asia Experts group organised discussions themed on the Iranian ambivalence in the ongoing Gaza conflict. It was brought out that Iran perceives itself as a key regional player and how Tehran manages its strategic environment has long-term impact on the West Asian region. Iran's foreign policy is enmeshed heavily with anti-imperialism, anti-west stance with religious overtones, although pragmatic collaboration between Iran and the US has been maintained. Iran's Look East policy is aimed at fostering relations with India and China while its neighborhood policy is seeking to improve ties with Saudi Arabia and the UAE. However, the October 7<sup>th</sup> attack has led to a paradigm shift in the region. It has paused Israel's normalisation efforts with Saudi Arabia and slowed the progress in relationship with Abraham Accords signatories. Iran's neighborhood policy is focused on reconciling with long-term adversaries while ensuring continued operations by its allied groups which are a part of Iran's Forward Defence policy, to engage the adversary in their territory and prevent any direct impact on home territory. Iran aims to avoid full-scale war, preferring to keep conflicts below a certain threshold. The discussions concluded that Israel has no exit strategy in Gaza and there is growing realization that military solution would neither disseminate Hamas nor rescue the remaining hostages and that Israel could carry a series of pre-emptive action to instigate Iran and drag the US into a direct conflict with Tehran.

The China Experts Group discussed the 'Two Sessions 2024', focusing on legislative evolution, economic challenges, defence budget, global diplomacy, Taiwan and Hong Kong dynamics, and changes in personnel and foreign policy. Key points included Xi Jinping's dominance in legislative

matters, economic shifts towards technology and self-sufficiency, defence budget increases, and diplomatic emphasis on multipolarity. Notable achievements highlighted China's advancements in technology and manufacturing. Concerns persisted over transparency and foreign policy assertiveness. The sessions reflected both continuity and change in China's priorities, offering insights into its political and economic landscape and implications for the global community.

The talk by Prof. Wongi Choe, organised by the Indo-Pacific Experts group, focused on South Korea's foreign policy under President Yoon, emphasising a shift towards a rule-based order and strategic realignment amid geopolitical complexities. The discussion highlighted efforts to reset relations with China, departure from equidistance between the US and China, and the need for broader strategic cooperation with India. While economic collaboration shows potential, obstacles remain due to differing priorities, perceived strategic myopia, and communication gaps. It was suggested that India should define South Korea's role in its strategic vision and move towards proactive engagement beyond transactional approaches. Overall, there's recognition that India's growth aligns with South Korea's interests, providing a basis for stronger bilateral ties.

New Delhi

Anurag Bisen

May 2024

## Current Developments in Nepal and Implications for India

*Prepared by Dr Cchavi Vasisht*

To discuss the current developments in Nepal and their implications for India, VIF organised a round table discussion on March 15<sup>th</sup>. Brig. Vinod Anand, Senior Fellow, commenced the event with opening remarks, followed by presentations from Amb. Ranjit Rae and Dr. Nihar Nayak. Amb. Kanwal Sibal provided special remarks. In a notable political shift, Nepalese Prime Minister Pushpa Kamal Dahal removed the Nepali Congress (NC), a key coalition partner, from the government. He welcomed the Communist Party of Nepal — Unified Marxist-Leninist (CPN-UML) alongside two other parties, the Rastriya Swatantra Party (RSP) and the Janata Samajwadi Party (JSP), to establish a new government. This coalition resembled a previous alliance formed after the 2022 parliamentary elections, signalling a return to the fluctuating political landscape characteristic of Nepal since the enactment of its new Constitution in 2015. The ensuing discussion highlighted several critical issues confronting Nepal and their potential implications for India and the wider South Asian region.

Nepal's political landscape has been marked by considerable instability, witnessing the tenure of seven Prime Ministers since the adoption of the new Constitution in 2015. This instability arises from the rotational leadership dynamics involving prominent figures like Prachanda, Oli, and Deuba, coupled with frequent shifts in coalition alliances. Presently, discord within the coalition, particularly between the Nepali Congress and the Maoist party, revolves around the reshuffling of underperforming cabinet

ministers. Disagreements have arisen, notably between Prime Minister Dahal and the Nepali Congress's finance minister, Prakash Sharan Mahat, regarding various budgetary allocations, development initiatives, and resource allocation matters. Dahal has consistently expressed concerns to Deuba about Mahat's work approach and perceived inability to effectively address the nation's economic challenges.

Over time, successive political administrations in Nepal have failed to fulfil their promises and implement their programs effectively. This has fostered disillusionment with established political parties due to perceived corruption and scandals, creating a sense of impunity. Many individuals are emigrating from the country due to limited economic opportunities, leading to widespread discontent within society. Consequently, new political parties such as the RSP have emerged, reflecting the rise of alternative political forces.

Moreover, it's noteworthy that the left alliance, in conjunction with two other parties, has reached an 8-point agreement. However, doubts persist regarding the efficacy and underlying motives of this agreement among political parties in Nepal. Concerns have been raised about the potential consequences of reopening aspects of the Constitution, as it could fuel demands for further revisions and potentially lead to conflict. The democratic process may pose challenges to amending the Constitution.

During the discussion, Nepal's ongoing economic crisis was emphasized, exacerbated by numerous corruption scandals in 2023, including the gold and land scams. Unemployment rates have soared to unprecedented levels, prompting eight lakh individuals to seek job opportunities abroad. This trend is driving the younger population to migrate in search of better employment prospects, resulting in significant demographic shifts. Addressing the escalating emigration from Nepal and its ramifications for the country's future is imperative.



These developments carry significant implications, particularly for the Maoists, who are grappling with an existential crisis. As they experience a decline in grassroots support, the Maoists are seeking alliances, finding solidarity with other leftist parties led by Oli. The resurgence of the left alliance, despite its historical instability, suggests a continuation of Nepal's geopolitical leanings towards China, evidenced by past alliances supported by Beijing. However, it's important to note that projects under the Belt and Road Initiative (BRI) are primarily funded through grants or concessional loans, which have yet to materialize. Additionally, despite opposition from China, the Nepalese government ratified the Millennium Challenge Corporation (MCC) agreement. Thus, assessing the extent of Chinese influence in Nepal is essential. It's worth mentioning that Nepal has frequently leveraged its relationship with China for strategic purposes. Notably, Major General Zhang Baoqun and a delegation recently visited Kathmandu to discuss the establishment of an ammunition factory in Nepal and a 220kw power transmission line from Tibet to Nepal.

The roundtable also delved into the complex dynamics of Hindu nationalism and monarchy in Nepal, noting a rising sentiment for the restoration of Hinduism as the state religion, despite leftist parties' opposition. The perception of India's influence in supporting Hindu revivalism was discussed, with examples of Nepalese leaders showcasing their Hindu faith publicly to gain political favour. The implications of Nepal's political shifts on India were a central theme, urging India to adapt its diplomatic strategy by engaging with new political entities like the RSP and reaffirming the importance of safeguarding its developmental and security interests in Nepal. The stalled Pancheshwar project was cited as an example of unresolved bilateral issues needing decisive action, reflecting broader challenges in India-Nepal relations. It is also important that India must clearly articulate and reiterate its development and security priorities to Nepal, ensuring mutual respect and cooperation regardless of the changes in the governing coalition in Nepal. Finally, India should persist with its

efforts to aid Nepal in areas like connectivity and hydropower, by putting emphasis on projects that offer mutual benefits and contribute to regional stability.

In conclusion, the discussion painted a picture of Nepal at a crossroads, grappling with internal challenges and external pressures. The roundtable concluded with a consensus on the need for India to recalibrate its approach towards Nepal, fostering relations with emerging political forces while steadfastly pursuing its own interests as well as regional stability. For India, the unfolding situation in Nepal calls for a nuanced, proactive diplomatic strategy that acknowledges the complexities of Nepal's domestic politics and its broader geopolitical implications. Strengthening bilateral relations through constructive engagement and strategic cooperation remains the way forward for both nations.

### **Interaction with Dr. Nishan de Mel, the Executive Director of Verité Research, Colombo, Sri Lanka**

*Prepared by Dr. Anchita Borthakur*

Focusing on the internal dynamics of Sri Lanka and its impact on India-Sri Lanka relations, on March 4<sup>th</sup> VIF organised an interaction with Dr. Nishan de Mel, the Executive Director of Verité Research, Colombo. In the chair, Lt. Gen. RK Sawhney delivered the opening remarks, followed by a brief observation from Amb. Ashok Kantha. Dr. Nishan De Mel's presentation was accompanied by discussions, with a special focus on the way forward for India- Sri Lanka relations. The meeting was also attended by Brig. Vinod Anand, Mr. Pratap M. Heblikar, Dr. Sweta Kumari, Mr. Anurag Sharma and Dr. Anchita Borthakur from the VIF.

The discussions focused on a broad range of issues including the current political and economic scenario in Sri Lanka—the upcoming Presidential/Parliamentary election in the country—the question of Tamil reconciliation, the issue of connectivity, trade and investment etc.

It was underlined that politically Sri Lanka is in a challenging period at present as both the Presidential and Parliamentary election along with the provincial level polls are in due in the country. In addition, the country is facing the issue of managing its economy which is still under the process of recovery. It was stressed that Sri Lanka is in the process of economic recovery after the Island nation was hit by a severe economic crisis in 2022—the worst since its independence. However, few longstanding challenges remain intact in the economic sphere in Sri Lanka. Despite the

country achieved macro level stability (stability at the top) after the 2022 Aragalaya protest; Sri Lanka is yet to attain social stability (stability at the bottom). It was stated that poverty has increased in the country to above 30% and currently about 40% of the population require safety net support which demonstrates that Sri Lankan people are still in a deep crisis.

It was emphasized that Sri Lanka is currently navigating through a challenging political landscape, with impending Presidential, Parliamentary, and provincial level elections, alongside ongoing economic recovery efforts. Despite strides towards macroeconomic stability following the 2022 Aragalaya protest, social stability remains elusive, with poverty rates surpassing 30% and a significant portion of the population reliant on safety nets (about 40 %). The country's political dynamics oscillate between inward and outward-looking tendencies, influencing election outcomes. However, the postponement of elections contributes to a perceived lack of legitimacy in the government. Security concerns within the region were also brought to attention, with a focus on India-Sri Lanka cooperation. The historical and cultural ties between the two nations were highlighted as areas ripe for further strengthening to foster better relations.

The following takeaways emerged from the discussion: -

- Sri Lanka's potential as a regional economic hub is underscored by its abundant human resources and strategic geographical location.
- Panelists emphasized the importance of connectivity, advocating for a rule-based approach that prioritizes economic justice, transparency, and good governance.
- Implementing overland connectivity, restoring ferry services, facilitating cargo movement, and enhancing power grid and airport infrastructure are seen as transformative for the region.
- Sri Lanka should capitalize on India's economic vibrancy,

especially in South India, while also engaging with other Indian states.

- Building trust between the two countries requires constructive engagement by their bureaucracies, with a clear roadmap demonstrating the mutual benefits of their partnership.
- Addressing barriers like unnecessary blockages and tariffs through mutual recognition of testing institutions is crucial for enhancing trade relations.
- Non-traditional security threats such as environment, climate change, terrorism, and cyber security should be focal points in India-Sri Lanka relations.
- India could position itself as an educational hub for Sri Lankan students by offering more fellowship opportunities and promoting awareness of the Indian education system.
- Implementing the 13th amendment and ensuring governance that respects the interests of all Sri Lankan communities is essential for fostering an inclusive, pluralist, and democratic society.
- Sri Lanka should consider India's security sensitivities, recognizing the intertwined security interests of both countries. Conversely, India should be mindful that instability in Sri Lanka could lead it to align with regional adversaries.

## **Neither War, Nor Peace: Iranian Ambivalence in the Gaza Conflict**

*Prepared by Hirak Jyoti Das*

On April 1st VIF organised discussions themed on the Iranian ambivalence in the ongoing Gaza conflict. The key speakers in the session were Amb. Gaddam Dharmendra, Dean, Sushma Swaraj Institute of Foreign Service and Prof. Kingshuk Chatterjee, University of Calcutta. The members attending and contributing were, Amb. Kanwal Sibal, Dr. Arvind Gupta, Director, VIF, Lt. Gen. Ravi Sawhney, V Adm Satish Soni, Amb. Anil Trigunayat (Coordinator), Amb. D P Srivastava, Amb. Sanjay Singh, Brig. Vinod Anand, Col. Rajeev Agarwal and Asst. Prof. Md. Muddassir Quamar. The salient of the discussions are narrated in the succeeding paragraphs.

Iran perceives itself as a key regional player and how Tehran manages its strategic environment has long-term impact on the West Asian region. Before the October 7th assault, the regional evaluation suggested that the US was shifting its focus towards the Indo-Pacific area, while Iran's connections with allied factions remained stable but discreet. The lack of advancement on the nuclear matter and the US withdrawal from the region suited Iran's interests. Iran found satisfaction in the existing state of affairs, as it had endured the pressure of the US' maximum pressure tactic. Despite facing significant protests, the regime had effectively contained socio-political unrest and maintained stability. Western nations were predominantly engrossed in the Russia-Ukraine conflict, with Iran's involvement mainly revolving around the supply of drones to Russia,

which strained relations with European countries.

Iran's foreign policy is enmeshed heavily with anti-imperialism, anti-west stance with religious overtones. However, pragmatic collaboration between Iran and the US has occurred, exemplified by events such as the Contra Affair and military cooperation against the Islamic State (IS). Iran's Look East policy is aimed at fostering relations with India and China. Concerning India-Iran relations, both nations must adapt to evolving circumstances and collaborate to redefine their bilateral ties, seize new opportunities, and strategically realign. The current level of relations does not reflect the total trade volume, indicating a need for rectification. Solutions should be sought to mitigate sanctions and boost oil trade. Restarting the gas pipeline project would serve as a symbol of regional cooperation. There is positive momentum to advance INSTC and finalise the Chahbahar contract between Iran and India.

Iran as part of its neighborhood policy is seeking to improve ties with Saudi Arabia and the UAE. President Ebrahim Raisi's 'neighbourhood first' policy paid off in reducing tensions in the Persian Gulf region. Iran's rapprochement with Saudi Arabia has been steady and the two, along with UAE joined BRICS in 2023. In Shanghai Cooperation Organization (SCO), Iran joined as member and Saudi Arabia became a dialogue partner in 2023. Qatar and Syria were re-integrated with the Arab fold. On regional level, mini-lateral efforts under BRICS, SCO, I2U2, IMEC, and Abraham Accords were progressing. It seemed that normalisation between Israel and Saudi Arabia was within reach and Palestine issue was pushed to the sidelines.

The October 7th attack has led to a paradigm shift in the region. It has paused Israel's normalisation efforts with Saudi Arabia and slowed the progress in relationship with Abraham Accords signatory states. Israel's peace partners in Arab world i.e. Egypt and Jordan have adopted a critical posture and non-state actors have been activated creating new uncertainty.

Israel's conduct in Gaza has isolated the Jewish state regionally and internationally. It has complicated the US' and Israel's plans to encircle Iran. The Hamas attack has opened new opportunity for Iran to politically and strategically engage with the region.

Israel's declared aim of dismantling Hamas' military capabilities has not fructified and the hostage issue remains unresolved. In the US, President Joe Biden is grappling with the consequence of the fallout of the conflict and it needs to be seen how support for Israel affects his chances during the presidential election in November 2024. Currently, Israeli Prime Minister Benjamin Netanyahu's ties with Biden administration are strained due to the ground operation in Rafah. Both Israel and the US are trying to manage their narrative. Israel has been trying to connect Iran with Hamas' October 7 attack. The US intelligence assessment could not find any credible proof linking Iran with Hamas attack. Iran through indirect channels has maintained communication with the US to keep the escalation under control.

Iran's neighborhood policy is multi-pronged with multiple dimensions. It is focused on reconciling with long-term adversaries while ensuring continued operations by allied groups such as Hamas, Hezbollah, Houthis, and Popular Mobilization Forces (PMF). There is speculation about Iran's military-to-military engagement with Saudi Arabia and the UAE. It is likely that the regular channel of communication between Iran and Saudi Arabia could be a critical actor to avoid large scale escalation against the US and Israel. Notably, the frequency of attacks on US bases by Iranian allies has reduced possibly due to Saudi Arabia's intervention. Therefore, Tehran-Riyadh rapprochement has provided a crucial safety valve. Additionally, Saudi Arabia and Gulf states have maintained low profile on Houthi strikes in Red Sea possibly to avoid direct strike on their territories and assets.

The allied groups are part of Iran's Forward Defence policy, to engage



the adversary in their territory and prevent any direct impact on home territory. Iran continues to provide funding, operational plans, training, interactions among groups, field testing of weapons systems including drones. Iran will not go beyond the threshold to support its proxies. The so called 'Axis of resistance' has the capacity of creating chaos but it cannot affect fundamental change. Iran's potential to cause destabilisation gives them a domineering effect.

Iran's dynamics with the allied groups is largely decentralized with certain operational freedom. Iran has pursued a policy of measured brinkmanship to keep the pressure mounting on Israel and its western allies. In the ongoing crisis, Hezbollah military actions against Israel have been calculated and tactical, indicating Iran's influence to keep the escalation contained. At the same time, the Lebanese group has its own agenda in southern borders and it does not want to sacrifice its control. Iran is concerned that in case an all-out war breaks out between Hezbollah and Israel, the group will not be able to handle itself forcing a difficult choice for Tehran to either militarily involve directly or stay away.

Hamas and Houthis have more autonomy in terms of operational freedom of action. In the post Arab Spring period, there was divergence between Iran and Hamas with the former supporting Syria's Bashar Al Assad regime and the later opposing it. Iran remains a key supplier of drones for Hamas. Iran claims itself to be the only true representative of Palestinian interests in the region.

With regard to Houthis, the US accused Iran of delivering operational and targeting information about movement of ships in Red Sea region. The Houthis attacks in Red Sea should be seen in the context of Iran's maritime irregular warfare plan. It is motivated by the desire to control the choke points including Straits of Hormuz and Bab Al Mandab. Iranian forces through use of fast attack boats, rocket propelled grenades and torpedo missiles in Persian Gulf intend to disrupt the US' access in the region.

Regime stability takes precedence for Iran, with a focus on avoiding escalating tensions that could breed domestic uncertainty. The process of selecting a successor to the Supreme Leader has commenced under the guidance of Ayatollah Ali Khamenei. As the succession competition heats up, different factions have emerged, which may have implications beyond Iran's borders. Internal factional and institutional dynamics will become increasingly prominent as the succession race progresses.

Donald Trumps' decision to withdraw from the nuclear deal has marginalised the Iranian moderates and the pragmatists and the polity is completely dominated by the hardliners. The hardliners are heavily inclined to opt for the nuclear option and in recent months, compliance with International Atomic Energy Agency (IAEA) has declined. Iran has developed latency in nuclear capability acquiring technical threshold, stopping short of political threshold. Iran has unstated deterrence capacity with effective missile and drone capabilities.

Iran does not want full-fledged war because it would not be able to control the escalatory dynamics. The Islamic Republic wants to keep the conflict under threshold displaying a pragmatic outlook. There is need for clear evaluation about allied groups' ability to draw Iran to open conflict. Islamic Revolutionary Guards Corp. (IRGC) is closely observing the ongoing developments marked by pro-active actions by its allies in the background of Israel's onslaught in Gaza Strip and its growing isolation. It provides an opportunity to disrupt Israel and the US' military standing by continuing to support actions of the allied groups. Iran therefore wants to keep the trouble brewing without getting consumed by it. It needs to be seen whether Iran's brinkmanship is driven by purpose or circumstances. In case brinkmanship is purpose-specific, Iran has more control on how to manage the conflict. In case brinkmanship is motivated by circumstances, there are more chances of accidental escalation engulfing the region.

Iran aims to avoid a full-scale war due to concerns about controlling

escalation. The Islamic Republic prefers to manage conflicts pragmatically, keeping them below a certain threshold. Evaluating allied groups' capacity to draw Iran into open conflict is crucial. The Islamic Revolutionary Guards Corps (IRGC) closely monitors developments, especially amid Israel's actions in Gaza and its increasing isolation. This situation presents an opportunity to disrupt Israel and the US militarily by supporting allied groups. Iran seeks to maintain ongoing tensions without being consumed by them. Whether Iran's brinkmanship is intentional or circumstantial determines its ability to manage the conflict. Purpose-driven brinkmanship allows for greater control, while circumstance-driven brinkmanship risks accidental escalation in the region.

Israel has no exit strategy in Gaza and there is growing realization that military solution would neither disseminate Hamas nor rescue the remaining hostages. Israel could carry a series of pre-emptive action to instigate Iran to respond militarily and drag the US into a direct conflict with Tehran.

## **Two Sessions of National People's Congress and Chinese People's Political Consultative Conference 2024**

*Prepared by Prerna Gandhi*

Discussion on 'Two Sessions 2024' The China Experts Group held a discussion on March 18th on the 'Two Sessions 2024'. The Two Sessions comprise of plenary sessions of the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC). After brief backgrounder by Amb Ashok Kantha, there were two presentations by Prof Srikant Kondapalli and Mr Santosh Pai. The meeting was attended by Lt. Gen. Narsimhan, Lt. Gen Rakesh Sharma, Air Marshal Rajesh Kumar, Amb. DP Srivastava, Amb. Venkatesh Varma, V Adm Satish Soni, Captain Anurag Bisen, Col Sunil Yadav and other in-house VIF scholars. The presentations were followed by discussions. Some of the salient points made were:

**Legislative Evolution and Xi Jinping's Dominance** The legislative process in China has evolved significantly, with the dominance of Xi Jinping's personality cult becoming increasingly apparent. Despite traditional descriptions of the NPC as a "rubber stamp parliament," substantial legislative work is being undertaken, particularly evident during meetings of the Standing Committee. Xi Jinping's personality cult continues to grow, with his priorities shaping the agenda of the sessions. Notably, Premier Li Qiang's government work report largely echoed previous initiatives. The NPC session saw amendments to the organic law of the State Council,

formally embedding party control over government functions. This consolidation of power underscores the party's influence in guiding state policies and decisions. However, this move towards greater party control raises concerns about transparency and accountability within the Chinese government.

Economic Challenges China faces economic challenges amid ambitions for growth and innovation. Despite setting ambitious targets, such as a 5 % GDP growth rate, the Chinese leadership has opted to avoid any big-bang stimulus packages. Instead, there is a focus on transitioning towards new drivers of growth, particularly in technology and high-end manufacturing. This extensive emphasis on high-tech development and economic matters in the work report reflect a departure from the heavy emphasis on national security, observed in previous sessions. This shift suggests a strategic realignment towards economic development especially on self-sufficiency while addressing geopolitical tensions. However, the transition raises questions about the sustainability and clarity of China's economic roadmap.

A notable departure from tradition was observed with the cancellation of the premier's press conference, which has been a customary event since the 1990s. There were also several efforts to stimulate domestic consumption including targeted strategies such as encouraging rural consumption and expanding electric vehicle infrastructure. The speeches outlined key economic targets, including job creation, inflation management, income growth, and balance of payments equilibrium. Noteworthy fiscal measures include initiatives to lower local government debt levels and increase public expenditure. On the monetary front, while specific announcements were lacking, potential adjustments to the reserve requirement ratio may be anticipated in the coming months to bolster liquidity. China will issue 1 trillion-yuan (US\$139 billion) worth of "ultra-long-term special government bonds". The capital markets performance has also been lacklustre although the number of listings have been increasing year on

year.

**Key Wins and Strategic Focus** The speeches highlighted several notable achievements for China in 2023, emphasizing its pursuit of self-sufficiency amidst the backdrop of US-China technological rivalry. Notable accomplishments include the commercial production of C919, the aircraft developed by Chinese company COMAC, China's dominance in global electric vehicle output and sales, and the growth in volume of technology transactions. Additionally, China celebrated surpassing thermal power with installed renewable energy capacity for the first time.

**Defence Budget** Despite relatively modest economic growth rates, defence budget allocations have continued to rise, prompting questions about the prioritization of defence spending over economic development. Defence outlay was increased by 7.2 % which was higher than the projected GDP growth rate of 5 %. This trend underscores China's increasing military expenditures and its implications for regional security dynamics, particularly along the India-China border. The absence of updates to White Papers on National Defence since 2019 also raises concerns about the government's transparency regarding defence budget allocations and strategic priorities. This opacity contrasts with previous efforts to provide insight into the country's defence strategies and resource allocations.

**Multipolar World and Global Diplomacy** There were reiterations about the Global Development Initiative, Global Security Initiative, and Global Civilisational initiative along with emphasis on multipolarity amidst growing geopolitical challenges such as protectionism and unilateralism. Relations with Russia, Iran, and engagement in international forums were underscored in China's evolving diplomatic strategies.

**Taiwan and Hong Kong Dynamics** There were notable shifts in language regarding Taiwan including the omission of references to a peaceful resolution. But the possibility of major kinetic action across the Taiwan Straits remains low. Similarly, developments in Hong Kong, such as the

introduction of a new security law and emphasis on national security, signal Beijing's assertive stance on governance in the region.

**Changes in Personnel and Foreign Policy** Personnel changes and foreign policy signals emerged during the sessions. While there were no significant shifts in foreign and security policies, there were indications of a potential tactical adjustment in relations with the United States. Premier Li's press conference addressed issues of stability in US-China relations but also criticized US sanctions and containment efforts. Additionally, there were signals of continued focus on maritime military preparedness and assertiveness and safeguarding maritime rights and development to maritime economy.

**Manufacturing Supremacy and High Technology Ambitions** China's ambitious plans outlined in "Made in China 2025" faced significant backlash from Western countries, particularly in high-tech sectors. While the focus around high technology remains, there is a toning down in verbalising it. Despite this, China continues to lead in manufacturing, leveraging factors such as cheap costs and technological advancements, including the integration of robots. The challenge for other countries lies in contesting Chinese manufacturing dominance and developing effective policy measures to compete.

**Private Sector Engagement and Foreign Investment** China's commitment to promoting private sector participation and attracting foreign investment was underscored in the speeches. Measures such as equal lending criteria for state-owned enterprises and private enterprises aim to bolster private sector confidence. Moreover, plans to shorten the negative list for foreign investment and facilitate easier access for foreigners indicate China's intent to create a more welcoming investment environment.

**Conclusion** The 2024 NPC and CPPCC sessions provide valuable insights into China's political and economic landscape, showcasing the evolving legislative process, Xi Jinping's dominance, and economic ambitions

amidst challenges. These are crucial for comprehending China's trajectory and its implications for the global community. However, concerns about transparency, party control, and foreign policy remain pertinent. The Two Sessions reflect a mix of continuity and change in China's political and strategic priorities. While certain trends, such as the emphasis on high-tech development and party-state dynamics, persist, shifts in language and policy signal evolving approaches to key geopolitical challenges.



## **Talk on India-South Korea Relations and A South Korean Perspective on Recent Developments in the Indo-Pacific by Prof. Wongi Choe**

*Prepared by Dr Sweta Kumari*

On 11 March, a talk by Prof. Wongi Choe, Professor of the Department of Indo-Pacific Studies and the Head of the Center for ASEAN–Indian Studies at the Korea National Diplomatic Academy (KNDA) was organised at the VIF. Lt. Gen. RK Sawhney chaired the session and gave opening remarks. The session was moderated by Amb. Anil Trigunayat and Amb. Skand Tayal participated as the discussant. V Adm Satish Soni, Prof. Chintamani Mahapatra, Dr. Harinder Sekhon, Brig. Vinod Anand, Ms. Perna Gandhi, Dr. Sweta Kumari and VIF interns also attended the event.

The discussion centred on the interaction between South Korea and India regarding China’s involvement in the Indo-Pacific region. It revolved around President Yoon’s perspective on South Korea’s foreign policy and how it influences the relationship between South Korea and India.

### **President Yoon’s Foreign Policy**

- President Yoon became the first South Korean president to emphasise rule-based order as a strategic interest, highlighting it as a foremost principle of his foreign policy.
- President Yoon’s articulation of South Korea’s Indo-Pacific strategy marks a significant shift from the previous administration’s strategic

ambiguity, acknowledging the escalating geopolitical complexities in the Indo-Pacific region.

- As North Korea persists in its tactics aimed at South Korea, the deepening rapport between Vladimir Putin and Kim Jong-un has heightened apprehensions even further.
- South Korea's foreign policy, with support from the United States, is undergoing a significant strategic realignment, emphasising extended deterrence against North Korea.
- The rebuilding of ties with Japan and the Camp David trilateral between South Korea, Japan and the US is another significant development.

### **South Korea-China Relations**

- The Yoon administration is now looking towards an element of realism. There is an effort to reset bilateral relations with China based on the principle of reciprocity.
- This new approach represents a departure from previous policies that aimed to maintain equal distance between the United States and China. The previous stance of equidistance was influenced by domestic politics in South Korea, where there was a perception of potential competition rather than direct threat from China. Additionally, South Korea's foreign policy objectives required maintaining relations with China to exert some influence over its main adversary, North Korea.
- The strategic perspective and priorities have shifted under President Yoon's administration. There's an acknowledgment that there were higher expectations from China concerning North Korea and bilateral trade, but South Korea's anticipated outcomes have not materialised as expected.

## **ROK-India Relations**

There was extensive discussion on ROK-India relations. Salients are given below

- The bilateral relations between the two countries are good as reflected by the recent visit of EAM Dr. S. Jaishankar's recent visit to Seoul.
- The emerging geopolitical dynamics in the Indo-Pacific region necessitate that South Korea broadens its strategic vision towards India and engages in more substantive strategic cooperation.
- As Korean expectations of India are different from Indian expectations of Korea, both sides should look after each other's threat perception. As for South Korea, North Korea is the main adversary, but for India, China is the main adversary.
- While South Korea adopted a neutral position towards China, India adopted an adversarial stance, driven by the significant threat perception along its borders and concerns about China's attempts to alter the status quo in the Indo-Pacific region.
- While there has been progress in economic and functional relations, strategic engagement and security cooperation between South Korea and India remain underdeveloped due to factors such as differing priorities, perceived strategic myopia, and limited progress in formal strategic cooperation.
- There is a need to make room for more strategic conversations between India and South Korea.
- There is immense potential for economic collaboration due to the complementarities between the two nations in various industrial sectors. Areas of potential cooperation between South Korea and India include maritime security, shipbuilding, technology

collaboration, infrastructure development, and renewable energy.

- The advancement of the relationship faces obstacles due to a significant disparity in expectations between the two nations. Mutual focus has not remained steady, and addressing these issues will necessitate prolonged and consistent attention. Of particular concern is the Free Trade Agreement.
- Lack of communication affects the deeper collaboration. There is a need for more high-level exchanges between government officials, business leaders and academic scholars of the two countries.
- India ought to define the role of South Korea in its strategic vision. Is it primarily seen as an instrumental player in the Indo-Pacific region or as a crucial economic partner? Once this clarity is established, India should develop a long-term approach towards South Korea that moves beyond mere conditionality and transactional engagement. Essentially, achieving strategic reconciliation in new areas such as critical and emerging technologies will demand India to take additional proactive measures.

The discussion ended by noting that India's growth aligns with South Korea's strategic interests, offering a solid foundation for nurturing stronger ties between the two nations.

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### VIVEKANANDA INTERNATIONAL FOUNDATION

3, San Martin Marg, Chanakyapuri, New Delhi – 110021

Phone: +91-11-24121764, 24106698

Email: [info@vifindia.org](mailto:info@vifindia.org),

Website: <https://www.vifindia.org>

Follow us on [twitter@vifindia](https://twitter.com/vifindia)