

# India and the Geopolitics of COVID-19

Turning Crisis into Opportunity

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## Executive Summary

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The COVID-19 pandemic is widely being described as a black swan event. In India, it has caused disruption to both internal and to the country's external strategic environment. Even as India grapples with the challenge of containing the pandemic and its economic impact, it has to prepare for a new global order. Amidst the domestic turmoil and uncertainties about a post-COVID global order lies an opportunity for India to reset its economic, foreign, and security policies that would allow it to deal with the present and post-COVID challenges.

India's mistrust towards China that increased following the pandemic is now irreversible given the ongoing border standoff between the two countries. There seems to be a consensus in India on the need for a reset in its China policy. Efforts towards internal strengthening of India to reduce the military and economic gap with China will be a long-term process. New Delhi also wants to reduce its economic dependence on China and be less deferential towards Chinese sensitivities. It has already begun to recalibrate its foreign policy through greater engagement with the US and the Quad and enhanced bilateral engagement with other like-minded regional countries. Such diversification of partnerships is part of India's strategy to deal with China and ensure a multipolar Asian regional order. None of these equations will be free of challenges and require a sustained investment of political capital to maintain the present momentum.

The pandemic has also induced an urgency for India to reduce its dependence on other countries, especially China, and presented an opportunity for India to project itself as an alternative manufacturing hub. India has taken steps to encourage both the domestic manufacturing sector and attract foreign

investments. However, transition may take years given the sheer scale of India's dependence on imports and the underdevelopment of the manufacturing sector. Meanwhile, the lack of large-scale reforms over the years, a growing protectionist impulse, and a cumbersome regulatory environment have taken the sheen off the potential of the Indian economy. In contrast, the resilience of the Chinese economy and the continuing economic growth of certain Southeast and South Asian countries in contrast put them in a better position to attract foreign investments and companies.

Finally, despite the growing criticism of international institutions for their failure to provide a coordinated response and the notion of globalization in general being in decline, India continues to reaffirm its faith in multilateralism. The pursuit of multilateralism remains a core tenet of India's foreign policy. However, it is pushing for reforms in the major global institutions, including the UN and WHO, to ensure that reformed multilateralism is inclusive, transparent, and addresses the concerns of the developing countries as well. Despite such enthusiasm and vocalization of its aspirations to lead this change, any large-scale reform of these global bodies will probably happen only once the pandemic is over. In its focus on international institutions and pursuit of a broader Indo-Pacific strategy, India should not neglect the regional institutions in its immediate neighbourhood at a time when such organisations are likely to become even more important.

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# Introduction

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“We are all witnessing a major black swan event that is impacting most of our established practices, norms and regulations, and thus shaping to become the big disruptor.” Harsh Vardhan Shringla, India’s foreign secretary, opined in May 2020<sup>1</sup>. Like other countries, the disruption for India, just like for other countries, has been both internal and to its external strategic environment. Despite the challenge of containing a huge number of COVID-19 cases and an economic slowdown, it has been impossible to turn a blind eye to the churning in the international order since the beginning of 2020.

For India, there is genuine concern that China will step up to redefine or dominate the new post-COVID global order. The mistrust of China that soared as the pandemic broke out seems irreversible now following the (still ongoing) border standoff between the two. The global outrage against China for its role in mismanaging the pandemic notwithstanding the resilience of its economy – and how it contained the pandemic within its borders – will ensure its continuing global prominence. The shortcomings of the West in managing the pandemic and its impact on the economies have, in contrast, been exposed, throwing up questions about its capacity to lead the post-COVID order<sup>2</sup>. Joe Biden’s victory in the US Presidential Elections may have stemmed concerns about a US retreat from global leadership, which was in motion under his predecessor Donald Trump, and China filling that vacuum. Whether the US retains the ability or even the willingness to restore the global balance remains to be seen.

Amidst such global turmoil, there is also a counter-narrative centred on the opportunities before India. As Narendra Modi said in May 2021, “such a big disaster is a signal for India; it has brought a message and an opportunity.” He described “turning crisis into opportunity” as India’s vision<sup>3</sup>. Similarly, Shringla also stressed that the current crisis gives an opportunity to do away with what has not been working and adapt our systems to a changed external environment<sup>4</sup>. These opportunities are at three levels: to reorient India’s policy towards China and recalibrate its other external engagements; to project itself as a new manufacturing and investment hub to take advantage of the shift of production units away from China; and to play a leading role in defining the new world and regional order.

This paper seeks to examine some of the challenges thrown up during the COVID-19 pandemic, how New Delhi has sought to deal with them as an opportunity, and the prospects for success. The paper is divided into three parts: the first explores the trajectory of India’s foreign and security policy; the second examines the prospects for India’s emergence as an alternative manufacturing hub and reducing its dependence on the existing global supply chains; and the third will delve into India’s notions on multilateralism and the existing global and regional institutions.

# The Future of India's Foreign and Security Policy

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India's strategic environment has changed significantly since the outbreak of the COVID-19 pandemic in early 2020. Concerns in India about a possible China-led global order and the mistrust of China have intensified. The pandemic also helped create a far more conducive external environment for India vis-à-vis China. The international outrage against China following the pandemic have been compounded by Beijing's military adventures in the Indo-Pacific. While COVID-19 may have necessitated the need for India to press for reformed multilateralism to resist China dominating the new world order, the border standoff will force India to reconsider its China policy and other external engagements.

Tensions with China started along the Line of Actual Control in late April 2020 as Chinese troops entered India in large and unprecedented numbers occupying large swathes of territory. The frictions escalated in June with casualties on both sides. A large military force remains deployed at several points along the India-China border as of late May 2021. There now seems to be a consensus in India on the need for a reset in its China policy. There are no longer any doubts about China being India's biggest strategic threat.<sup>5</sup> The Ladakh standoff, seen as a premeditated act and part of China's broader imperialistic ambitions and a complete violation of all bilateral border agreements, has eroded the trust and goodwill in India, over the past three decades. The voices within India that have traditionally pushed for greater engagement with China are now likely to be marginalised.<sup>6</sup>

This reset has been suggested over three levels: strengthening India's economy and military to bridge the gap with China, resetting the terms of bilateral engagement, and strengthening India's relations with other like-minded countries.<sup>7</sup> This, however, cannot happen overnight. The external balancing, as argued below, is already underway. While engagement with other countries may help India balance China in its neighbourhood and the Indo-Pacific while allowing it to project its influence in the region, it will not be sufficient for dealing with the challenge posed by China. For that, building its internal capabilities is non-negotiable but this is a long-term process that will be slowed down by the

pandemic's economic impact. As the next section shows, the predictions for India's economic future are bleak, which will further widen the economic gap with China. India's current economic predicament also impedes India's future defence modernisation plans. The initial plans of drastically cutting the defence expenses in light of the pandemic's economic impact were revised following China's military adventures. India spent a higher amount on defence in 2020-21 than what was allocated in the budget because of the emergency procurement of arms and ammunition. However, despite the fresh challenge posed by China, defence expenditure saw only a marginal hike of 1.4 per cent in the budget for the financial year 2021-22, but the overall proportion of defence spending to total government spending saw a small decline.<sup>8</sup> Even capital expenditure, the funds allocated for the purchase of new weapons, has seen only a marginal hike compared to what was actually spent in 2020-21 following the emergency procurements.<sup>9</sup> This reflects the drastic balancing the government has been forced to undertake as other economic sectors also require a substantial financial intervention. Despite the financial constraints, India managed to earmark roughly the same proportion of its GDP for defence expenditure just as before, but the past allocations had also successively failed to meet expectations.<sup>10</sup>

A shift in bilateral engagement with China has already started taking shape. New Delhi's most pressing concern throughout the border standoff has been the restoration of status quo ante, the situation that existed before April 2020. India has so far been unwilling to budge on this demand and has claimed that only a complete disengagement at all friction points and subsequent de-escalation can be the basis for discussing the normalisation of bilateral ties. As of May 2021, a complete disengagement has only taken place at one friction point—the Pangong Lake in eastern Ladakh in February 2021—while the standoff continues at all other friction points. It remains to be seen what would be the new normal in India-China relations once and if this disengagement and de-escalation process is completed. What, however, appears to be clear is a reorientation in India's military posture from a Pakistan-centric one to a

China-centric one.<sup>11</sup> India has already started the process by diverting some military resources from the Pakistan border to the China front. Given the trust erosion and recognition of China as India's biggest external security challenge, India is likely to maintain a high level of military deployment on the China border, at least for the foreseeable future.

India's punitive measures against Chinese investments, mobile apps, and companies operating in India are also instructive of a long-term change in its policy. India's decision to exclude Chinese telecom companies, Huawei and ZTE, from its 5G trials are just the latest example of such measures. Even before the military standoff, there was growing suspicion about Chinese investments in certain sectors and the need to reduce India's economic dependence on China<sup>13</sup>. These considerations drove India's decision to withdraw from the Regional Comprehensive Economic Partnership (RCEP) in November 2019. In April 2020, before the military clashes, India introduced measures to protect its domestic companies from opportunistic takeovers from China economically. The standoff added to the pandemic-induced urgency - given the disruptions to the global supply chains - for India to decouple itself from China. India is likely to downgrade its economic relations with China more in the coming years, but it cannot be too drastic or sudden given the dependence of the Indian economy on Chinese imports and investments. Neither the Indian manufacturing sector is capable of filling this gap, nor are alternative import substitutes at a similar scale or price readily available. The fact that in 2020 itself, China replaced the US as India's biggest trading partner highlights the difficulties in cutting this chord. Moreover, during the second wave of COVID-19 cases in India in April and May 2021, Chinese companies manufacturing oxygen concentrators and other medical equipment also reported a record surge in orders from India. It will take years before India's economic growth and efforts at diversification will bear fruit.

A corollary of the crisis with China is an end to India's efforts of seeking a balance between China and its other external engagements. In the past, India had been cautious in its engagement with the US and the Quadrilateral Grouping or "Quad" (Australia, India, Japan and the US) in the fear of provoking China. As this clearly failed

to deter Chinese aggression, there is a strong impulse within India to pursue these strategic interests more openly and be less deferential of Chinese sensitivities. Traditional concerns about such engagements leading to a loss of strategic autonomy remain. However, the idea of strategic autonomy has to be redefined in the context of China's threats to India's territorial integrity, sovereignty and regional ambitions<sup>14</sup>. India needs to view relations with the US or the Quad as part of a broader strategy of diversifying its external partners to enhance its own capacity to deal with China<sup>15</sup>.

The China crisis provides India an opportunity to recalibrate its foreign policy. It has given a huge boost to Indian voices who have been agitating for closer relations with the US. Even the usual fence-sitters have begun to see greater value in deeper India-US relations<sup>16</sup>. The US has been hailed as a natural partner for India, one with whom it shares a commitment to democracy, rule of law, and human rights. The US leadership is not only seen as being critical but also irreplaceable for ensuring a strategic balance against China<sup>17</sup>.

At present, the US is one of India's most comprehensive economic and security partner<sup>18</sup>. On China, there is now a great degree of convergence, and the US sees India as an indispensable partner in the Indo-Pacific. Even during the current standoff, India procured emergency arms from the US, there was significant intelligence sharing, the two countries held a joint naval exercise in the Bay of Bengal and signed the Basic Exchange and Cooperation Agreement for greater geospatial intelligence in October 2020<sup>19</sup>.

India is keen to build on the recent momentum in ties, especially security cooperation, and is confident that the bilateral ties will continue to prosper even under Biden, who has continued to reiterate the importance of deeper India-US strategic relations. The visit of US Defence Secretary Lloyd Austin in March—this early in Biden's tenure—also indicates the importance the US places on its security cooperation with India.<sup>20</sup> Biden will be more predictable, less transactional and less volatile as compared to Trump<sup>21</sup>. Trade and immigration-related issues will also be less contentious. The relations, however, will not be free of challenges. India's domestic socio-political developments, for instance, will come under greater

spotlight. Biden, during a call with Modi in February 2020, emphasised that a shared commitment to democratic values is the bedrock for the US-India relationship.<sup>22</sup> While the perceived subversion of democracy in India is unlikely to threaten the existing momentum significantly, it could require careful diplomatic manoeuvring. India may also focus more resources on defending its territorial integrity against China fulfilling the American expectation of a maritime balancing of China<sup>23</sup>. Such differences in the security threat perceptions would also have to be managed. India may also be forced to balance its relations with both the US and Russia if the Biden administration remains adamant about sanctioning countries procuring Russian weaponry. India, as of May 2021, remained committed to the purchase of a Russian missile delivery system. Finally, despite the bipartisan consensus in the US about the challenge posed by China, Biden may not be as confrontational with China as compared to Trump. In fact, he may even look for accommodation with China on certain issues. Any US attempts to re-engage with China will undoubtedly have an impact on India's external balancing strategy and may even further embolden China<sup>24</sup>.

India is also not keen to put all its eggs in the American basket. Its external balancing strategy includes seeking closer engagement with like-minded middle powers in the region. This is part of India's efforts to diversify its partnerships, deepen its influence in the Indo-Pacific, and work towards a multipolar Asian regional order. Given its global aspirations, India should take on the responsibility of bringing more countries together to formulate a strong response to a common challenge. Within the region, there is already significant enthusiasm about exploring bilateral and minilateral arrangements to balance China<sup>25</sup>.

India will seek closer political and security engagement with ASEAN countries, the European Union and its individual member countries like France and Germany, and even Russia. India has also moved to strengthen bilateral relations with Australia and Japan, other members of the Quad, with whom it already enjoys strong ties. In 2020, with China in mind, India finalised long-pending bilateral agreements with both for the reciprocal use of each other's military bases for logistics support.

The supply chain initiative resilience agreed upon by the Australia-India-Japan initiative in September 2020 and launched trilateral is a significant step towards providing an alternative to China's control of the regional supply chains.<sup>26</sup> India has also shown a willingness to depart from its earlier reluctance to join exclusive sub-groups, India-Australia-France trilateral initiatives in the region.<sup>27</sup> The real challenge for India would now be to ensure that it does not allow such momentum to dissipate as has often been the case in the past.

Finally, the growing importance of the Quad in India's strategic calculus needs to be considered. Revived after a decade-long hiatus in 2017, the Quad was elevated to a ministerial-level dialogue in September 2019, and the first Quad Summit was held in March 2021. Some have suggested that the Quad may become India's most important multilateral grouping in a post-COVID world<sup>28</sup>. Although India has emphasised that it does not prioritise one grouping over the other, it is now more open to proactively engaging with it. In September 2020, India's Chief of Defence Staff Bipin Rawat said that India wants the Quad to become a system to "ensure Freedom of Navigation and Freedom of Navigation Operations" in the Indian Ocean and the broader Indo-Pacific. In a veiled reference to China, he claimed that the Quad is a good arrangement to prevent any other nation singularly trying to dominate the oceans<sup>29</sup>. India's decision to extend an invitation to Australia for the Malabar Naval exercises in November 2020 is a further reflection of this changed posture<sup>30</sup>. India will continue to strengthen bilateral ties with Quad members, but there will also be more multilateral collaboration through regular political and security dialogue and greater military exercises.

New Delhi's moves echo a national sentiment in favour of playing a more active role as part of the Quad to balance and contain China. The militarization of the grouping is seen as critical for enhancing India's defence capabilities and to tie down China by targeting its sea lines of communication.<sup>31</sup> The invitation to Australia for the

Malabar exercises was welcomed as a long-overdue measure towards greater militarization. Concerns in India about becoming part of a formal alliance seem unfounded as the Quad is far from being a formal organization or a military pact. It is best understood as a group of democracies geopolitically aligned over growing concerns about a common security challenge.<sup>32</sup> It may also make it more appealing to countries in Southeast Asia, many of whom remain wary of antagonising China and do not want to get caught in the middle of its rivalry with the Quad countries. India is also not keen on a greater institutionalisation of the Quad, preferring a more flexible arrangement that can also involve other regional countries.<sup>33</sup>

The Quad's benefit for India and the region lies in its framing. Defined simply as an anti-China force, it may remain just a platform for signalling and posturing against China. However, a more positive agenda centred around collective action on core issues

confronting the region – humanitarian assistance and disaster relief, cyber security, counter-terrorism and conspiracy, and connectivity - could shape the Indo - Pacific to the vision of the four countries.<sup>34</sup> A start in this respect has already been made through active engagement on such issues since September 2019. At the Quad Summit in March 2021, for instance, there was a strong focus on the need for collaboration on COVID-19 vaccine production, emerging technologies, quality and sustainable infrastructure development, and climate change.<sup>35</sup> The recent momentum has ensured the emergence of the Quad as a regular forum for security and political dialogue. It is only likely to grow further from hereon, but its effectiveness would depend on the continued commitment of its member states, including India.

## An Alternative Manufacturing and Investment Hub?

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In May 2020, Modi announced the *Atmanirbhar Bharat Abhiyaan* (Self-Reliant India Mission). In the context of global supply chains, this policy initiative is meant to reduce India's overdependence on other countries, especially China, for imports and become self-reliant through the promotion and upgradation of its own manufacturing sector. The slogan "vocal for local" aptly captures the emphasis on local production, markets and supply chains.<sup>36</sup> However, India also wants to emerge as a new manufacturing hub for the rest of the world, something that Modi described as a shift away from just "make in India" to "make for world".

India believes that COVID-19 is an opportunity to play a big role in the global supply chains. Government officials have called it a blessing in disguise as it would force India to undertake drastic measures to overhaul its economy in general and particularly its manufacturing sector.<sup>37</sup> As the global community realizes the dangers of overdependence on China, and have been exploring options to move their production units outside of China even before the pandemic, India is keen to seize the opportunity to project itself as an alternative manufacturing and investment destination. The official narrative is that *Atmanirbhar Bharat* is the perfect frame to facilitate this transition. Dismissing the notion that this is an inward-looking strategy, India has stressed that it will continue to seek active participation in the post-COVID global supply chains and encourage foreign direct investments (FDI).<sup>38</sup> It wants to project *Atmanirbhar Bharat* as an effort towards building up India's internal capacities so that it not only ensures self-reliance but also allows India to engage with the global community from the position of strength, be competitive, and provide quality products to the world.<sup>39</sup>

The realisation of such a vision, however, will be an extremely long and arduous task. For starters, India's manufacturing sector remains underdeveloped. This will impede India's transition, particularly for sectors such as pharmaceuticals, chemicals, electronics,

machines and automobiles that are heavily dependent on other countries for finished products or raw materials and chief components. Images of critical medical equipment being flown in to India from all corners of the world during the second wave of COVID-19 cases seemed to underline this fact further. Here, the sheer scale of dependence on China is undeniable. For instance, 70 percent of electronic components and medical ingredients, 20 percent of auto components, 36 percent of electrical machinery, and 45 percent of consumer durables come from China.<sup>40</sup> Such sectors will struggle to reduce its dependence on imports in the short-term as domestic production cannot scale up in the short-term.<sup>41</sup> These are also the sectors that the government has especially earmarked for improvement.

Modi's previous attempt at turning India into a global manufacturing hub through his Make in India campaign had failed to achieve the desired results. The share of the manufacturing sector in India's GDP fell from 15 percent in 2014 to 14 percent in 2019. The government's stated objective of making the Indian manufacturing sector 20 percent of India's GDP by 2025 would require an annual growth rate for the sector to far exceed what it has achieved so far.<sup>42</sup> The poor state of India's physical and social infrastructure, bureaucratic red tape, a complicated regulatory framework, high import duties, and a lack of land reforms will continue to stifle this sector. In the absence of a large-scale overhauling of these structural barriers, India's manufacturing sector will continue to lag behind. India also needs to increase its resource allocation for skill development to increase labour productivity and research and development, so that technological growth necessary for achieving this self-reliance in manufacturing can also be indigenously developed.<sup>43</sup>

India may also currently not be the most attractive alternative for companies seeking to move their production units out of China. Of the 56 companies that undertook such relocation between April 2018 and August 2019, only three came to India, with

Taiwan, Vietnam and Thailand proving to be more attractive options.<sup>41</sup> As per the Where Will They Go index prepared by Dutch Rabobank to analyse which countries will benefit from a relocation of production units, India ranked behind Thailand, Malaysia, Vietnam and Taiwan.<sup>45</sup> It should also be noted that the shift of production units from China may not be as substantial as was once expected. The resilience of the Chinese economy and the current cash crunch of companies may prevent this transition in the short-term or at least in a very substantial manner.<sup>46</sup>

A far more business-friendly environment in these countries is naturally a key factor. In contrast, foreign companies have found India's regulatory uncertainties – including a retrospective tax, individual states renegeing on contractual obligations, and sudden rule changes for certain sectors – as a considerable threat to their operations in India.<sup>44</sup> This is in addition to the other gaps identified above. The settlement of a tax dispute with Vodafone in 2020 through international arbitration, and the government's tussle with social media groups like Twitter and Facebook in early 2021 over its new digital laws Toyota's threat – though subsequently retracted – to scale down operations in India are just some recent examples of the difficulties incurred by foreign companies to do business in India. Although FDI inflow has increased in India, even during the pandemic, the rate of such increase has stagnated over the past few years.<sup>48</sup> In any case, the FDI inflow into India's manufacturing sector only accounted for 0.6 percent of the GDP, with the major bulk of it going towards the services and technology sectors.<sup>49</sup>

These countries, unlike India, are also far better integrated with the major supply chains, which makes it easier to export goods produced in these countries. Moreover, there are growing concerns that *Atmanirbhar Bharat* may make India more inward-looking in the future. This notion has been buttressed by India's decision to opt out of RCEP, a 14-member multilateral trading arrangement, and a noticeable increase in India's protectionist impulse since 2014,

evident from the high tariffs that impact nearly 70 percent of all imports.<sup>50</sup> As India shuns such global trading arrangements and seems to be moving towards import substitution, it may remain on the margins of the global and regional supply chains, rather than become a major hub as per its stated objective.<sup>51</sup>

In November 2020, India's Foreign Minister S. Jaishankar argued, while defending India's decision to stay out of the RCEP, that such agreements are the main reason for the country's growing trade imbalance and deindustrialisation.<sup>52</sup> India has not signed any free trade agreements since 2012. There, however, now seems to be a new sense of willingness in India to conclude such India and the Geopolitics of COVID-19 agreements with the US, the European Union, and the UK. While New Delhi agreed to resume long-stalled discussions over these trade agreements with the UK and the EU during virtual summits held in early May 2021, the finalization of such agreements will still take some time.

Another factor favouring Southeast Asian countries, and even Bangladesh, is their economic resilience during the pandemic as compared to that in India. The Indian economy contracted for two successive quarters in 2020-21 and is predicted to shrink by nearly 8–10 per cent overall in the 2020-21 financial year. Moreover, it is expected that it could take 2-3 years for the economy to reach its pre-COVID levels and continue to grow at a sluggish rate even after that.<sup>53</sup> Even pre-COVID India's economic growth had slowed down, registering an increase of only 4.2 percent in 2019-20, the lowest in 11 years. If India's pre-COVID aspirations of becoming a 5 trillion economy by 2025 had seemed fanciful, now expecting this to only be delayed by some years would be the most optimistic scenario. A characteristic feature of the pre-COVID downturn was a fall in wages and growing unemployment resulting in lower consumer spending. Post-pandemic, India's already slowing consumption of discretionary items is likely to take a further hit. One of the reasons China was an

attractive location for global companies was that it was also a huge consumer for its final products.<sup>54</sup> This is something that India may not be in a position to offer at this stage.

None of this is to say that the Indian economy cannot bounce back and fulfil its potential to become an alternative production unit and market to China. The demographic factors still remain favourable with India poised to take over from China as the world's most populous country by 2030. It also remains the only country that can produce at the same scale as China. A number of big, global corporations such as Apple and Google have also declared their intentions of expanding their presence in the country despite the current economic situation. India has also taken steps to encourage the manufacturing sector and FDI inflows, including labour reforms to increase flexibility in the labour markets, improve working conditions and

simplify the labour registration process. It is also seeking to pool together land twice the size of Luxembourg across the country to reduce land acquisition barriers for potential manufacturers and investors.<sup>55</sup> A number of state governments have also been pushing for fast-track clearance, tax incentives, and developing industrial townships and parks.<sup>56</sup> For new manufacturing companies, the corporate tax rate has been slashed by 15 percent, and a production-linked incentive scheme has also been introduced for 10 sectors this year where companies will be rewarded based on their sales. India has also been systematically relaxing its FDI rules and opening up more economic sectors to foreign investments. All these are important steps but are only a start in the right direction. India will have to pick up the pace of its economic reforms, improve its regulatory framework, and upgrade.

## India and Multilateralism

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The COVID-19 pandemic has highlighted the necessity and urgency of collective global leadership and greater international cooperation. However, international institutions in their current format are in no position to spearhead this charge. The failure of the international community to mount a coordinated response or to even hold a serious discussion regarding the pandemic's origins have raised questions about the relevance of such institutions. Even pre-Covid, the multilateral order was strained due to insufficient financial support and political guidance, and the increasing politicization of international institutions by the great powers.<sup>57</sup> The existing system is crying for change, and the pandemic may have provided that opportunity.

This is the narrative prevalent in India. While remaining cognizant of the failure of the current global system, multilateralism is still seen as the way forward to deal with the current and post-COVID challenges. The pursuit of multilateralism has been a key aspect of Indian foreign policy since independence and will continue to remain a future priority.<sup>58</sup> Modi, for instance, while acknowledging the limitations of the international institutions exposed by the pandemic, also asserted India's firm belief that the "path to achieve sustainable peace and prosperity is through multilateralism". S. Jaishankar similarly noted that while multilateralism did not rise to the occasion, the pandemic underlines the need for the international community to work together much more sincerely in search of collective solutions.<sup>59</sup> Despite India's growing engagement with minilaterals and plurilaterals, none of them are meant to replace the existing global multilateral order, which alone can be inclusive enough to establish global norms.<sup>60</sup>

India, however, is not blind to the need for reform. It has been pushing for reforms in the UN Security Council and Bretton Woods Institutes, even pre-COVID.<sup>61</sup> The pandemic has provided New Delhi with an opportunity to pursue this agenda with renewed vigour and play a leading role in shaping the new emerging global order. Reformed multilateralism has become the mantra for the

Indian government, something that it has consistently advocated at different multilateral fora. It wants reforms to focus on making global institutions more inclusive, transparent, and representative of the needs of the Global South rather than remain focused on the agenda of the developed countries.

Many believe that given India's growing clout in the international system, it is well-placed to effect this change. It can help shape the discourse and new agenda while simultaneously serving as the bridge between the developed and developing countries. This is a test of India's credentials and ambitions to be a major global player. The urgency for India to assume a leadership role and work with like-minded countries to reshape the multilateral system is compounded by the need to balance China's growing influence over these international institutions. India, like many other countries, is concerned that China is staking a claim to either revamp the existing order or emerge as its new defendant. In either scenario, a China-dominated multilateral order is not in India's interests.

The World Health Organization (WHO) presents an ideal case study to understand India's views on multilateralism. Despite the global outrage against WHO, including in India, New Delhi continues to endorse its importance and the need to strengthen it. A weakened WHO has strategic implications.<sup>62</sup> The US decision to withdraw from the WHO in mid-2020 gave China the chance to fill the void, by pledging 2 billion US dollars and to send doctors and medical supplies to developing countries.<sup>63</sup> India has been against the idea of any one country – be it the US or China – dominating the agenda of international institutions. However, at present, the possibility of China dominating the global order is a far more consuming concern. The pandemic already made the danger of such Chinese influence abundantly clear as China led the WHO to mischaracterize the severity of the health crisis in the initial stages and subsequently delay endorsing the necessary protocols.<sup>64</sup>

The possibility of China using a weak and discredited

WHO as an opportunity to work outside of the existing multilateral order and position itself at the centre of an alternative global public health mechanism is equally concerning.<sup>65</sup> It has already resurrected the Health Silk Road (HSR) and provided medical aid to countries around the world showing its capacity to handle such a burden by itself.<sup>66</sup> The HSR serves a long-term objective of spreading its influence among the recipient countries. At a time when resources are scarce and priority for highways and ports less, the HSR will help to reinforce China's Belt and Road Initiative by shifting focus to critical public health infrastructure in countries in dire need of these critical assets.<sup>67</sup>

Biden's decision to rejoin WHO is a blessing for India. A more proactive American engagement with WHO and other international institutions, will help balance China's influence. However, this will be insufficient for ensuring the long-term reforms that are badly needed. That would have to be a multilateral cooperative process with greater participation of developing countries. India is particularly insistent that developing countries should have a bigger say in setting WHO's agenda. In December 2020, it put forward a nine-point reform agenda demanding new crisis-management protocols, affordable and adaptive healthcare systems, and greater transparency in WHO's governance and use of funds.<sup>68</sup> India had assumed leadership of WHO's Executive Body in May 2020 for one year. Its unwillingness to use this position to push for Taiwan's reinstatement to WHO or criticise China for its role in the pandemic reflected India's seriousness about using this opportunity constructively. At the same time, India remained committed to the idea that WHO reforms can wait as containing the health crisis is a more pressing priority.<sup>69</sup> India seems content just with lending its voice to the growing demand for the need for reforms and seeking out like-minded countries to initiate such debates – just as it has for reforms in other institutions - but a more proactive push for ensuring such changes itself may have to wait for a post-pandemic world.

India should also not lose sight of the need to re-energise its efforts towards promoting regional organisations.<sup>70</sup> In a post-COVID world, regional institutions, may assume greater importance as the

pandemic has accelerated the reversal of globalization, discredited global institutions and provoked a move towards more regional supply chains. Against such narratives, the idea of reviving or strengthening existing regional organisations is gaining ground.<sup>71</sup>

Greater integration and connectivity through regional institutions has been a preoccupation of the Indian strategic community for decades. This serves both geopolitical and geo-economic objectives. Greater economic growth in the region through enhanced integration will fuel India's domestic growth. This economic imperative has been strong in both India's Neighbourhood First and Act East policies. India's post-COVID economic recovery would also require a more prosperous neighbourhood and greater regional cooperation.<sup>72</sup> Such platforms also provide India an opportunity to project itself as a regional leader and use them to shape a more cooperative regional agenda, in stark contrast to the neo-imperialist design it believes China is promoting. This has become an even more urgent strategic consideration as India vies for regional predominance with China in its neighbourhood.

The South Asian Association for Regional Cooperation (SAARC) is not a viable platform for achieving these ambitions. Modi's decision to hold a virtual summit with all the SAARC leaders in March 2020 and the subsequent establishment of a SAARC Emergency Relief Fund had generated some optimism about a possible revival. Modi was hailed in some quarters for seeking to reinvigorate an organization that he has largely ignored.<sup>73</sup> Following India's border standoff with China, there were also suggestions about using SAARC to counter China's growing presence in South Asia.<sup>74</sup>

However, more than a year since the virtual meeting, there seems to be very little political will in India to pursue this, India used SAARC in the early days of the pandemic to project itself as a natural leader of the South Asian block and the subsequent medical assistance provided by it to other South Asian countries was also driven by similar strategic considerations. Such unilateral measures were meant to

counter China's COVID-19 diplomacy by using a pre-existing frame without any desire to revive SAARC. Since then, it has received very little attention. Other member countries also do not see the pandemic as a necessary pretext to revive the organization, as evident from their refusal of Pakistan's invitation in September 2020 to hold a summit.<sup>75</sup>

India's lack of enthusiasm towards SAARC is driven by Pakistan's presence. India firmly believes that it hinders regional connectivity, and their bilateral ties have derailed SAARC's working in the past. For instance, Pakistan blocked two of the three proposals for greater regional connectivity at the last SAARC summit held in 2014. The 2016 Islamabad summit was cancelled following India's decision to boycott it because of a cross-border terrorist attack carried out by Pakistani militants against an Indian military base. It has subsequently refused the requests of other SAARC members as well to allow this process to resume. Cross-border terrorism, continues to remain a major obstacle for regional cooperation from India's perspective.<sup>76</sup> Moreover, Pakistan's propensity to raise the Kashmir issue at multilateral forums, and with greater frequency since India abrogated Kashmir's constitutional autonomy in August 2019, may become an additional disincentive for India vis-à-vis SAARC. Even during the virtual summit in March 2020, Pakistan brought up the Kashmir issue, much to India's resentment. The ceasefire announced by India and Pakistan at the Line of Control in February 2021 had fueled optimism about peace prospects in the region. Sustained India-Pakistan engagement may help revive SAARC as well. However, given the recent pattern of India-Pakistan relations, where any progress has been short-lived, a sudden—and highly plausible—breakdown in ties will once again derail SAARC.

Over the past few years, India has shifted focus to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Although this occurred during Modi's first term itself, the invitation to BIMSTEC leaders during the inauguration of his second term in May 2019 laid down a clear marker for this shift.

For India, BIMSTEC is important as it excludes Pakistan and includes only like-minded neighbours truly

committed to regional cooperation.<sup>77</sup> Undoubtedly, an organization free of the India-Pakistan baggage carries tremendous potential for the region. India has been urged to use the pandemic as an opportunity to take the lead in pushing the BIMSTEC countries to develop regional supply chains to reduce dependence on China. Bangladesh, with its economic resilience, has been identified as a critical partner for India to bring the BIMSTEC region together.<sup>78</sup> The Indian government itself has called for BIMSTEC countries to project themselves as alternative manufacturing hubs to China.<sup>79</sup> However, for this, India would need to be more proactive in investing in these economies, building capacities across the region, and being open to the idea of a free trade agreement.<sup>80</sup> India also needs to actively complete critical infrastructure projects and connectivity agreements that can integrate the region better. The India-Myanmar-Thailand trilateral highway, the BIMSTEC Motor Vehicle Agreement, the Kaladan Multimodal Transit Transport Project, and a coastal shipping agreement have all been in the pipeline for a while. However, due to bureaucratic hurdles, insufficient political will, and lack of proper resources, they have failed to make sufficient progress. India has taken positive strides in enhancing its bilateral connectivity with Bangladesh, Bhutan, Nepal and Myanmar. But in the absence of a broader multilateral framework tying them together as part of a larger regional network, BIMSTEC's identity will remain weak.

There has been limited engagement with BIMSTEC over the past year. The 17th BIMSTEC Ministerial Meeting was recently held in April 2021, the first such engagement since 2018. However, the larger thrust of its regional engagement over the past year has been to manage and promote its relations with its neighboring countries but as bilateral or even trilateral efforts and not as part of a larger regional grouping. BIMSTEC is no stranger to a political lethargy that has stymied its momentum in the past. However, as India remains preoccupied with realigning its relations with the US, engaging ASEAN nations, and building on its ties with Australia and Japan, there remains the danger of BIMSTEC being neglected in favour of a broader Indo-Pacific strategy and other multilateral groupings.

## Conclusion

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At both the geopolitical and geo-economic levels, the pandemic has brought home the reality of the challenge posed by China. There are concerns that a post-COVID global order would come to be dominated by China. The promotion of a unilateral system with China at its head will not bode well for India's interests or values. Closer home, India needs to restore the status quo ante while continuing to protect its land borders against future Chinese aggression. China's domination of the supply chains has also caused havoc for the Indian economy. The pandemic has even exposed the vulnerabilities of the Indian economy, particularly evident during the second wave, and the gaps in the existing multilateral order that, in its current form, cannot address the present challenges.

What, however, is undeniable is that the pandemic presents India with an opportunity to reset its existing economic and political engagements. This is not only meant to enable a better response to the China challenge but also lay the ground for a more inclusive and just global and regional order. India's role in redefining the post-COVID order will also burnish its credibility as a major global actor and leading regional power.

India has sought to treat this crisis as an opportunity. It has undertaken economic reforms that can boost its domestic economy and attract foreign investments in an attempt to reduce its dependence on China but also take advantage of companies seeking to move out from China. India's desire to emerge as an alternative manufacturing hub is part of its broader strategic rivalry with China and part of India's mission to base its post-COVID economic growth around its manufacturing sector. It has stepped

up its engagement with the Quad countries bilaterally and multilaterally while also increasing its outreach to other countries in South and Southeast Asia, Europe and Russia. It is seeking like-minded countries in its quest to not only balance China but work towards a broader coalition of middle power countries that can check the hegemony of any one country over global institutions in the future and ensure the emergence of a multilateral, regional order.

But this is a long-term effort and a long journey before the desired results are visible. Overhauling India's structural barriers holding back the economy is not an overnight process. Attempts to undo years of mismanagement will be derailed by the more immediate debilitations caused by the pandemic. The economic competition is more intense as other countries record better economic progress. India also has to show sustained political will and diplomatic energy to ensure that it can take advantage of the new momentum in its recent engagements with like-minded countries. Even then, China's pre-eminent position in the region and within the global community is not going to be easy to undermine, particularly given the economic dependence of not just India but its partner countries as well. India's success in emerging stronger in a post-COVID world would ultimately require not just a long-term vision but also a high dose of strategic realism, greater economic and military capacity, and sustained effort and patience to see through the vision.

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