

# China-India Brief

*A publication of the Centre on Asia and Globalisation*



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*Guest Column*

## Will Pragmatism Prevail in China-India Relations under Modi 3.0?

By Alicia García Herrero

Indian Prime Minister Narendra Modi has returned for a third straight term after his election victory in June. But this time around, his Bharatiya Janata Party (BJP) failed to secure a full majority and had to settle with forming a coalition government with a few other small parties. This unexpected result has made many wonder whether Modi will need to adjust his policies going forward. While it is too early to determine how much pressure Modi will feel from his coalition partners, things are going pretty well so far for the BJP. All key ministries are still under the party's

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The *China-India Brief* is a monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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firm control, and the recently announced budget maintained the strategy of prioritising fiscal consolidation, with the country's fiscal deficit expected to hit a five year low in 2024-2025.

Foreign policy should, in principle, be the least affected by India's new coalition government, not only because the small parties in the coalition do not have a foreign policy agenda, but also because Modi has reappointed the same Minister of External Affairs, Subrahmanyam Jaishankar. In fact, Modi's official visits since the start of his third tenure show how important India's nonalignment stance will continue to be, with an official visit to Moscow right after visiting Italy for the G7 Outreach Summit.

India's nonalignment has an important twist: India considers itself a key intermediary for the Global South, and is unhappy about China's growing influence among those countries. More generally, India has had a long antagonistic relationship with China based on historical grievances, a situation that has only worsened during Modi's tenure. It was during Modi's first two terms that India experienced its worst border incidents with China in decades—the Doklam standoff in 2017 and the deadly clash in the Galwan Valley in 2020. These two events, coupled with China's increasing influence in South Asia and the wider Indian Ocean—regions that India traditionally views as part of its sphere of influence—through the Belt and Road Initiative has raised suspicions in New Delhi about Beijing's intentions, feeding

Modi's wariness and certainly that of his foreign minister. History also explains his government's worries as the Indo-China war of 1962 was precipitated by a series of similar border clashes which ended in India's humiliating defeat due to a stronger People's Liberation Army. Today, the difference in military spending between the two Asian giants is even larger than it was in 1962 which explains New Delhi's anxieties. The addition of Indian provinces in the official map of China in 2023 and the build-up of strategic infrastructure in disputed areas indicate that the risk of conflict remains intact.

All of the above remains highly relevant during Modi's third term, as China's influence in the Global South seems to be as strong as ever, including in India's neighbouring countries, especially Pakistan, but also Bangladesh, Myanmar, Sri Lanka as well as the Maldives. In Pakistan, the ongoing development of connectivity infrastructure under the China-Pakistan Economic Partnership has been a continued source of irritation for India. In the same vein, Myanmar, since becoming an international pariah following its military coup in February 2021, has aligned itself much closer to China and is becoming another big problem for Modi.

Finally, and probably most importantly, Russia's invasion of Ukraine has brought China and Russia much closer. Given India's long-term relations with Russia, its dependence on Russian military equipment, and its desire to stop Moscow siding with



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Beijing against India, Modi has been placed in an awkward position.

On the one hand, India is increasingly tied to the US on security in a series of bilateral and regional agreements (principally the Indo-Pacific and Quadrilateral Security Dialogue). On the other hand, India's historical relations with Moscow, dependence on Russia, and the China factor, have led India under Modi to remain neutralist on the Ukraine war and to criticise Western sanctions against the Kremlin.

A final important point is Taiwan, which has become an increasingly important economic and geopolitical partner for India. Taiwan is a major overseas investor in India's high-tech manufacturing sector, particularly semiconductors. In addition, a partnership with key regional players such as Taiwan, could strengthen India's position against an emerging China-Russia dyad, which could potentially create trouble for India, even at its northern borders.

Support for Taiwan could help India get the US closer within its Indo-Pacific Strategy. Following his election victory, Modi's decision to publicly thank Taiwan President Lai Ching-te for his congratulations on social media—an act that elicited a protest from Beijing—demonstrated the increasing importance of Taiwan to Modi's agenda. The reality is that a number of Taiwanese companies have set up business in India, including Foxconn, notwithstanding its massive exposure to China.

All the above seems to indicate that Modi will continue with his tough position on China in this third mandate but with an important twist in the economic sphere.

Modi's first and second terms have been characterised by protectionism against Chinese imports, as well as foreign direct investment with high profile bans on Chinese mobile apps such as TikTok and others, mainly justified by national security worries.

At the same time, though, India's bilateral trade deficit with China has ballooned since Modi came to power, reaching USD 85 billion, notwithstanding the heavy import tariffs that India has placed on a large number of Chinese goods.

Modi's third mandate seems to be heading towards a different direction as India's annual economic report, which was released together with the budget, recommended courting investment from China. One can think of three reasons for this sudden change of direction.

First, Modi's underwhelming electoral results may be related to his administration's less than stellar success so far at boosting employment in the country. Opening the Indian manufacturing sector to foreign direct investment from China would be a way to not only create more domestic job opportunities, but also produce a wider range of goods that could be exported to reduce the trade deficit.

Second, India has witnessed how much Vietnam and Mexico have profited economically from the de-risking strategies of Western companies. As such, India is keen to position itself as a viable investment destination—one that can attract not just Western companies, but also Chinese companies seeking new manufacturing locations to circumvent US restrictions.

Finally, Chinese investment in India's green tech sector would be a major boost for the country's decarbonisation efforts. Not only would it bring in state-of-the-art

technology, but would also enhance India's access to the critical raw materials needed to manufacture renewables and electric vehicles.

Attracting Chinese FDI will not necessarily be easy for India, as many Chinese companies have tried (from Shein to BYD) without success. But the question is how much of that opening-up will be for real. India's public opinion will not make it easy for Modi to essentially U-turn from his administration's previous stance and could cost him more of his domestic popularity.

This is why Modi may want to become more aggressive, rather than less, on China as far as national security and foreign policy is concerned so as to create room to selectively allow Chinese FDI into India. The sectors which India needs the most are those related to decarbonisation since India needs the most efficient, and cheapest, technology to reach its targets, while still creating jobs in the country, and integrating India into the global supply chains of green manufacturing.

The risk with this strategy is that a more assertive foreign policy alone might not be sufficient to sate the nationalistic anger of India's domestic public. Modi might face growing calls to up the ante by further restricting economic engagement with China. Moreover, it is unlikely that China would remain passive, and would probably respond in kind to India's apparent hawkishness, raising the probability of yet another, more severe, border incident.

All in all, even if Modi, and his economic team, seem to be taking a more constructive stance on China as far as manufacturing FDI is concerned, this more pragmatic turn may not apply to New Delhi's foreign policy stance. China's structural deceleration and India's economic catch-up is bound to continue, adding to the rivalry.

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# Bilateral Visa Policies Between India and China

By Natasha Agarwal

Nations across the globe use visa policies as an effective policy instrument to either facilitate or deter people-to-people exchanges. Notorious have been the stringent and restrictive visa policies of the developed high-income countries towards citizens of the Global South. For example, specific visa policies have been directed towards a section of the Global South citizenry to complement or fulfil domestic labour market shortages. This is evidenced in the signing of the German-Indian Migration and Mobility Agreement where Nancy Faeser **said**, “We are setting the course for qualified young Indians...in attracting skilled workers that we urgently need in the German labour market.”

Evolving global geopolitics has meant that stringent and restrictive visa policies are no longer the prerogative of the Global North. **Evidence** suggests that global travel visa regimes have moved from the North-South global mobility divide to regional and sub-regional levels. Increasingly, nations of the Global South also impose visa rules and regulations on citizens of fellow Global South countries. For example, it was **reported** in June 2024 that in the preceding two to three years, “thousands” of Chinese citizens with ordinary



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passports had had their business and employment Indian visa applications rejected. This has led to many Chinese nationals deciding to not apply for their Indian visas for “fear of rejection.”

## India and China Bilateral Visa Policies

Geopolitical turbulence means that India and China, independently and collectively, have the potential to change the discourse on global economics and politics. Yet, the use of discriminatory visa policies to restrict talent mobility between the two Asian behemoths sharing a border has been escalating. For example, China has chosen the path of “**broader before border**” (i.e., focusing on improving overall bilateral ties rather than managing the border issue) and has been liberalising its visa regimes towards India. This has facilitated, as reported, the travel of **180,000 Indians** with ordinary passports to China in 2023. Yet, **anecdotally**, it appears that Indian

government officials and Indian exporters/manufacturers have had their visas to China blocked or delayed, while Indian importers have encountered fewer problems receiving their Chinese visas.

On the other hand, India has chosen the path of “**border before broader**” (i.e., prioritising the border issue over bilateral ties) and has deployed restrictive visa policies towards certain Chinese nationals. For example, while the Indian government **apparently fast-tracks** visas for Chinese nationals who are associated with projects that fall under India’s Production Linked Incentive (PLI) scheme, Chinese nationals involved in non-PLI projects continue to face either **delays** or even **rejections** of their visa applications. Moreover, there is a discriminant use of India’s e-visa policy. Chinese nationals as well as applicants from other countries residing in the People’s Republic of China, cannot apply for their Indian visa online. This further brings to the fore India’s inequitable visa practice towards China.

Discriminatory visa rules and regulations across the border have implications for both India’s and China’s economic growth and development. For example, Indian businesses have been forthcoming in expressing their discomfort with how India’s visa policy towards Chinese nationals has negatively impacted Indian businesses **domestically** as well as **internationally**. To overcome visa hurdles, businesses have been **shifting** their manufacturing bases to other Southeast Asian economies.

## Research Evidence

My own **studies** on India’s **e-visa policy** have highlighted the irregularities and shortcomings of the policy, arguing that the supposedly liberalised e-visa policy proved restrictive on implementation. Moreover, **two studies** show the negative impact of visa restrictions on tourist inflows and economic welfare surrounding the 1989 Tiananmen Square Incident and the 2008 Beijing Olympic Games.

Causal evidence from cross-country **cross-sectional** and **panel studies** indicate that unilateral or reciprocal restrictive visa policies can deter and spatially divert foreign citizens, international trade in goods, and foreign direct investments (FDI).

## Bilateral Visa Liberalisation—Policy Recommendations

Cross-country studies corroborated by anecdotal evidence suggest that India and China should work towards establishing liberal and non-discriminatory bilateral visa policies. Accordingly, visa discrimination should end across the nationality spectrum. For example, there should not be a different entry and exit rule for Indian and Chinese nationals when compared to foreign nationals, say a US or British citizen. To this end, it is about time India also reinstated the e-visa policy for China. Moreover, visa discrimination should also end amongst Indian and Chinese nationals. Both Indian exporters and importers should be treated equally when it comes to receiving their Chinese visas. Likewise, Chinese nationals, irrespective of their association with

projects under India's PLI scheme, should not face discrimination in getting their Indian visas.

Besides, both countries should work on streamlining the various permutations and combinations of the multiple dimensions of the visa policy. Again, streamlining should occur across the nationality spectrum, as well as amongst Indian and Chinese nationals. These dimensions include the type of visa, visa fees, duration of the visa, duration of stay per visit, number of entries allowed on a visa, number of times visas are issued in a year, visa entry airports, conversion of visa categories and extension of a visa while in the destination country. For example, streamlining the validity of Indian business visas which, as **reported**, for Chinese nationals is valid for up to three months, whereas for non-Chinese foreign nationalities is valid for five years.

Other dimensions of a visa policy that can prove restrictive in nature also include the process and procedure to obtain a visa including the visa application forms, information on the supporting documentation required while submitting a visa application form, access to visa application centres or consular services, and appointments needed to submit the visa applications. For example, in September 2023, China **simplified** its visa application forms.

To apply for a visa, an applicant needs information. Both the countries on their respective embassy websites should provide details pertaining to the various visa

categories including documents required to submit a visa application, duration of visas, amongst others.

Lastly, no policy can be optimally designed unless there is data. Both countries should release data on bilateral people-to-people flows to advance research on the economic impact of bilateral visa hurdles.

## Conclusion

An optimal economic engagement between India and China should involve a refocus on one of the most important conduits of economic growth and development, i.e., people to people-to-people exchanges or as economist call it the "human capital." Such exchanges stand to benefit both countries as mutual interactions not only facilitate bilateral economic exchanges but also promotes multilateral economic exchanges, e.g., increased FDI inflows because of the greater availability of skilled Indian and Chinese workers within a country's boundaries. Besides, competitive collaboration between India and China has the potential to advance international development projects, particularly in the Global South.

While foreign policy and security stalwarts argue for a **cautioned** approach in opening borders for Chinese nationals, businesses **across** different **industries** and **industry lobbies** argue for opening up to the flow of human capital. After all, human capital makes financial capital productive. Accordingly, both India and China should work on liberalising their bilateral visa policies.



Multi-dimensional liberalisation of visa policies across (sub) regional as well as intergovernmental groupings is the way to go. Examples include visa-free travel, visa on arrival, or even just express immigration lines for SCO and **BRICS+** member states.

As Singapore's Prime Minister Lee Hsien Loong **noted**, "We need to focus on attracting and retaining top talent, in the same way we focus on attracting and retaining investments."

Natasha Agarwal has a PhD in Economics from the University of Nottingham, United Kingdom. Her work can be accessed at <http://www.natashagarwal.com>

## News Reports

### Bilateral relations

#### **India and China agree to work urgently to achieve the withdrawal of troops on their disputed border**

Associated Press, July 26

Indian External Affairs Minister S. Jaishankar met his Chinese counterpart, Wang Yi, on the sidelines of the ASEAN meetings in Laos, where they stressed the need for an early resolution of outstanding issues along their disputed border.

#### **India unveils light tank designed for operations near the China border**

Defense News, July 15

India unveiled a prototype Zorawar light tank this month, as defense officials seek nimbler armored fighting vehicles suitable for the mountainous terrain along the border with China.

#### **China says India has no right to develop contested border region**

Reuters, July 10

"South Tibet is China's territory," a spokesman from the Chinese foreign ministry said in a statement.

#### **China-India border dispute 'not in either side's interest', foreign ministers agree**

South China Morning Post, July 4

In talks in Astana, Wang Yi and Subrahmanyam Jaishankar say the issues between the two Asian giants should be resolved as soon as possible.

### China and India in the Region

#### **Quad foreign ministers take aim at China, vow to step up maritime cooperation in Indo-Pacific**

The Straits Times, July 30

Beijing was clearly the elephant in the room at the eighth Quad foreign ministers' meeting, even if China was not explicitly named in the joint statement after the meeting on July 29.

#### **Will Nepal's new coalition government tip the scales of India-China rivalry?**

South China Morning Post, July 21

China and India watch closely to see if changes to Nepal's government will affect its affiliations with the neighbouring powerhouses.

#### **India PM Modi tells Putin 'war cannot solve problems'**

The Business Times, July 9

A growing relationship between Moscow and Beijing is straining Russia-India relations.

#### **India is a political friend, China is a friend for attaining development: Bangladesh Minister**

The Hindu, July 7

Ahead of Bangladesh Prime Minister Sheikh Hasina's visit to China, the senior leader in the ruling dispensation said China had contributed to many development projects in Bangladesh.

## Trade and Economy

### **India debates increased Chinese investment: can benefits outweigh geopolitical risks?**

South China Morning Post, July 25

Analysts said the chief economic adviser's call to attract more Chinese FDI should be heeded if India hopes to achieve its growth objectives.

### **India closes in on China as largest emerging market**

Financial Times, July 24

Rise to almost a fifth of global stock benchmark quandary for fund managers concerned at high Indian valuations.

### **India's China loophole concerns fuel ASEAN free trade deal rethink**

South China Morning Post, July 22

New Delhi's review of zero-duty tariffs under its trade pact with ASEAN comes amid domestic concerns about cheap Chinese imports.

### **IMF's economic view: Brighter outlook for China and India but tepid global growth**

Associated Press, July 16

The IMF has upgraded its economic outlook this year for China, India and Europe while modestly lowering expectations for the United States and Japan.

## Energy and Environment

### **Remnants of Typhoon Gaemi trigger flash floods in northeast China**

Channel News Asia, July 28

Continued heavy rainfall from Tropical Storm Gaemi triggered flash floods in northeast China on the border with North Korea and brought railway disruptions and landslides to other parts of the country, state media reported on Sunday (July 28).

### **China, India Ask Rich Nations For 'Trillions' in Climate Finance**

Asia Financial, July 25

A bloc of four developing countries—China, India, Brazil and South Africa—has accused wealthy nations of a lack of transparency in their approach to climate financing while seeking to “dilute their legal obligations” to help poorer economies.

### **Coal consumption peaks as India, China ramp up electricity production**

The Economic Times, July 24

The IEA noted that coal usage worldwide surged by 2.6 per cent in 2023, reaching a historic high, driven predominantly by significant increases in China and India.

### **India to drive food demand as China's appetite wanes: report**

Nikkei Asia, July 9

Reducing waste is critical as climate risks grow, says UN agency and OECD.

## Analyses

### **India–China relations under the Modi 3.0 government**

IISS, July 23

*By Antoine Levesques, Research Fellow for South and Central Asian Defence, Strategy and Diplomacy, IISS*

India is gambling that it can both steal a page from China's playbook, earn China's consideration and maintain stability on favourable terms.

### **Modi's China Bind**

Foreign Policy, July 16

*By Sushant Singh, Lecturer at Yale University*

India is becoming more dependent on China economically, but the prime minister's base demands a hardline approach.

### **China, Russia See SCO at Counterweight to NATO but India Is Ambivalent**

United States Institute of Peace, July 11

*By Carla Freeman, Senior Expert, China, Mary Glantz, Acting Director, Russia and Europe Center, and Daniel Markey, Senior Advisor, South Asia Programs*

Both Russia and China see the SCO as a key diplomatic platform to construct an alternative to the U.S.-led international order.

### **Is there going to be an India-China deal?**

Brookings, July 2

*By Tanvi Madan, Senior Fellow in the Center for Asia Policy Studies in the Foreign Policy program at the Brookings Institution in Washington, D.C.*

India is unlikely to ease its efforts to compete with and deter China, especially by strengthening its capabilities and partnerships. Moreover, Modi will not want Beijing to believe that he is weaker after the Indian election.

## Books and Journals

### Full speed ahead: why AUKUS works for India

Perth USAsia Centre, July 2024

*By Yogesh Joshi, Research Fellow at the Institute of South Asian Studies, National University of Singapore and a Global Policy Fellow at the Wilson Center, Washington DC*

Over the almost three years since its historic announcement, the AUKUS agreement has elicited a broad range of regional responses. While some countries have welcomed the strategic alignment that AUKUS brings, others share concerns over increased regional instability, the emergence of antagonistic security blocs, and nuclear proliferation.

To guarantee the security that the pact promises, Australia and its fellow AUKUS partners will need to understand the region's perspectives.

This series is designed to provide insight into regional responses to AUKUS, more than two years on. It will delve into the concerns, qualms, and avenues for opportunity in seven Indo-Pacific countries, through the eyes of regional authors.

The final report in this series by Dr Yogesh Joshi, Research Fellow at the National University of Singapore, explores India's response to the AUKUS pact.

Although India's official response to AUKUS has been conservative, its actions suggest that it welcomes the pact in the Indo-Pacific.



For India, AUKUS' strategic messaging aligns well with its national interests. Continued US-China competition will bring both diplomatic and strategic benefits, not least ensuring the US' continued commitment to the region.

The security pact also assuages India's concerns over Chinese expansionism. Enhanced Australian naval capabilities will leave the Chinese People's Liberation Army Navy more invested in the South China Sea and its regional waters and less focused on the Indian Ocean – India's regional priority.

Finally, India will benefit from AUKUS' defence technology cooperation, as it bolsters competition among technology vendors, enhances India's bargaining power, and opens the door to possible future agreements with the US.

## Our team



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## THE CENTRE ON ASIA AND GLOBALISATION

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The Centre on Asia and Globalisation is a research centre at the Lee Kuan Yew School of Public Policy, National University of Singapore. It conducts in-depth research on developments in the Asia-Pacific and beyond, and aims to provide academics, decision-makers, and the general public with objective analysis on issues of regional and global significance. The Centre's motto "Objective Research with Impact" reflects its commitment towards ensuring that its analysis informs policy and decision makers in and about Asia.

## OTHER CAG PUBLICATIONS

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- *Partnership or Polarization? Southeast Asian Security between India and China* edited by Evan Laksmana and Byron Chong (Contemporary Southeast Asia, 2023)
- *Asian Conceptions of International Order: What Asia Wants* edited by Kanti Bajpai and Evan Laksmana (International Affairs, 2023)
- *How Realist Is India's National Security Policy?* edited by Kanti Bajpai (Routledge, 2023)
- *Deterring Conflict and Preserving Peace in Asia* edited by Drew Thompson and Byron Chong (Centre on Asia and Globalisation, 2022)
- *What Can the United States Learn from China about Infrastructure?* by Selina Ho in *The China Questions 2* (Harvard University Press, 2022)
- *India Versus China: Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 2021)
- *Winning the Fight Taiwan Cannot Afford to Lose* by Drew Thompson (Strategic Forum, 2021)
- *Routledge Handbook of China-India Relations* edited by Kanti Bajpai, Selina Ho and Manjari Chatterjee Miller (Routledge, 2020)



Compiled and sent to you by Centre on Asia and Globalisation  
and the Lee Kuan Yew School of Public Policy, National University of Singapore

*China-India Brief is supported by Wilmar International Limited*

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