China is a Priority for India: S M Krishna

P. S. Suryanarayana

India’s External Affairs Minister affirms pursuit of ‘enlightened self-interest’.

India will, “as a self-confident nation”, engage China on all issues of convergence and divergence, according to India’s External Affairs Minister Mr S M Krishna. On a different front, India’s dialogue with Pakistan “is not a question of setting redlines” but “Pakistan must fulfil its stated commitments on [New Delhi’s] terrorism-related concerns”.

These and other aspects of New Delhi’s current foreign policy posture have been affirmed by Mr Krishna in an interview to P S Suryanarayana, Editor (Current Affairs), Institute of South Asian Studies (ISAS) in Singapore.

In this inaugural ISAS Interview, Mr Krishna indicated that an experts’ meeting would be held in New Delhi on 19 March 2012 to study the feasibility of setting up a South-South Development Bank. China and India, in association with Brazil, Russia, and South Africa, have taken the initiative to discuss such a bank as a BRICS-led project. India will host a BRICS summit this year.

As for the big picture of India’s worldview, Mr Krishna’s position is that nonalignment remains a cornerstone of India’s foreign policy, especially as a matter of “enlightened self-interest”. He has, however, steered clear of answering questions in such terms as neo-nonalignment with reference to the United States and China at the global level and with
reference to Saudi Arabia and Iran in West Asia (Middle East). He also steered clear of describing India’s current policy towards China in the post-modern political idiom of “trust but verify”.

**Q1:** Your Excellency, India has acted in a statesman-like manner by responding positively to China’s recent initiatives for the establishment of a new Working Mechanism on border affairs and for dialogue on maritime security. Are you, therefore, entering a qualitatively new phase of relationship with Beijing – a phase in which New Delhi will trust China but verify its “real intentions” towards India?

**Mr Krishna:** China is a priority in India's foreign policy. We share a Strategic and Cooperative Partnership with China.

Naturally, as between any two large countries, there are areas of convergence as well as fields of divergence between our nations. This is not unnatural in relations amongst major powers.

*The Government of India will work with China in areas such as trade, investment, cultural exchanges, science and technology cooperation where both countries stand to gain from each other. We will continue to engage China in a constructive and forward-looking manner so that both countries can achieve a win-win situation.*

*It is true that there are some differences between our countries such as on the boundary question. Here we will maintain dialogue with China with the objective of minimising such differences or bridging them. As a self-confident nation, India will continue to engage China on all these issues.*

**Q2:** In broad outline, please trace New Delhi’s latest roadmap for dialogue with Beijing. What are the prime areas of India-China convergence and divergence, with particular reference to bilateral issues like the border dispute and water sharing as well as global concerns like climate change and trade talks?

**Mr Krishna:** I have just outlined our approach in relations with China. India will engage China on all issues, matters and subjects which are of importance to our countries. We will do so as equals and as partners in development and progress. *As our PM [Prime Minister Manmohan Singh] has stated on many occasions, there is sufficient space in the world to meet the development aspirations of both India and China.*

**Q3:** Of national interest to New Delhi and Beijing, will the BRICS forum – which consists of Brazil, Russia, India, China, and South Africa – set up a South-South Bank to chart an autonomous course during the current global financial crisis? Please give an update, specifying whether such a bank is being planned as a geo-economic alternative to any of the existing international financial institutions.

**Mr Krishna:** Some of the BRICS economies and also some other emerging economies have a large savings base and part of it is not utilised domestically. This leads to movement of savings to advanced countries by way of foreign exchange reserve investments in treasury and other highly-rated instruments in advanced economies.

Professor Joseph Stiglitz and Nicholas Stern, in their paper, *International Development Bank for Fostering South-South Investment* on setting up a South-South development bank, have argued that a financial intermediation system should be set up for recycling emerging-
economy savings for meeting investment requirements in emerging and developing economies. They maintain that a South-South development bank would be most appropriate for such an intermediation role.

At the G-20 Summit in Seoul, our Prime Minister had also mooted the idea of recycling surplus savings into investment in developing countries to address not only the immediate demand imbalance, but also to help address developmental imbalances.

BRICS is considering if the idea of a BRICS-led South–South Development Bank can be taken forward in a sustained manner.

We already have institutions at the regional level like ADB [Asian Development Bank], AfDB [African Development Bank], IADB [Inter-American Development Bank] and EBRD [European Bank for Reconstruction and Development] that complement the efforts of global multilateral institutions like the World Bank. The setting up of BRICS-led South-South bank would, therefore, not be an aberration to the global financial architecture and, at the same time supplement the effort of other multilateral institutions in meeting the investment requirement of BRICS and other developing countries.

An experts' meeting is taking place in New Delhi on 19 March 2012 to examine the feasibility of this concept.

Q4: From New Delhi’s standpoint, how real is Pakistan’s newly-announced move towards giving India the mandatory trading status of a ‘most favoured nation’? Addressing a Singapore audience a few years ago, the then Pakistani Prime Minister Shaukat Aziz had insisted that normal trading ties with India would not be possible because of a persistent “trust deficit” in the relations between the two countries. So, does the new Pakistani move encourage New Delhi to trust Islamabad but verify its real intentions towards India?

Mr Krishna: On February 29 [2012], Pakistan’s Cabinet has approved moving from a ‘Positive list’ to a ‘Negative list’ of items for trade with India and also decided, in principle, to phase out the Negative list of items for trade between Pakistan and India by December 2012. Once the Negative list is phased out by December 2012, as stated by Government of Pakistan, the process of trade normalisation between the two countries will be completed.

We have consistently maintained that enhanced economic and commercial cooperation between India and Pakistan is a win-win proposition for both countries and would help us in addressing our common developmental challenges. It would also contribute towards bridging the “trust deficit”.

Q5: With Islamabad appearing to de-link its India-trade from the Jammu and Kashmir issue, what are the new redlines, if any, that New Delhi would expect Pakistan to respect before normal relations can be established?

Mr Krishna: It is not a question of setting “redlines”. We have consistently conveyed to Pakistan that we desire a friendly and cooperative relationship, in an atmosphere free from terror and violence. We believe that for our relations to be fully normalised, Pakistan must fulfil its stated commitments on our terrorism-related concerns.
**Q6:** In the big picture of foreign policy, does India intend to move towards neo-nonalignment of not taking sides with reference to the United States and China on the global stage and also with reference to Saudi Arabia and Iran in West Asia?

**Mr Krishna:** It has been India's consistent policy to judge issues based on their merits and their effect on India's interests rather than aligning with one group or another. This was also reflected in our policy of non-alignment which remains a cornerstone of India's foreign policy. [India's first] Prime Minister [Jawaharlal] Nehru used to call it a policy of 'enlightened self-interest'. Today, this policy has enabled us to work with all the major powers without exception, in accordance with our national priorities. We are committed to uphold the core values of this policy such as respect for sovereignty, territorial integrity and non-interference in the internal affairs of States.

**Q7:** In East Asia, what are India's priorities in the latest context of the US and Russia having entered the East Asia Summit process? Also, what is the significance of the new process of US-India-Japan trilateral dialogue relative to the better-established China-India-Russia trilateral forum?

**Mr Krishna:** We welcome the entry of United States of America and the Russian Federation into the East Asia Summit. We believe that their presence reflects the growing significance of East Asia in global affairs.

The East Asia Summit is a Leaders-led forum. It has a significant role in building an open, inclusive and transparent architecture of regional cooperation in the Asia-Pacific to enhance peace, stability and progress in the region. India supports the ASEAN as the driving force in the EAS process.

We are working closely with EAS member-states towards a Comprehensive Economic Partnership in East Asia (CEPEA). At the 6th EAS last year, on November 19, 2011 in Bali, Indonesia, Prime Minister announced India's intention of hosting an EAS Workshop in 2012 on Disaster Management and Relief in case of an earthquake. We are also giving priority to other trans-national and non-traditional issues such as terrorism, piracy, maritime security etc.

One round of the India-US-Japan Trilateral Dialogue has taken place in December 2011. This Dialogue is at the official level. The three countries are all members of the East Asia Summit process and have shared interests in the region. The Trilateral Dialogue will explore ways and means so that the three countries can work together in the region. Possible subjects for cooperation include disaster relief, maritime security, counter-terrorism and assistance to developing countries.

**Q8:** (In the Indo-Pacific region) Does India have plans to seek commercial and naval access to the Sri Lankan coastline to match China’s presence at Hambantota?

**Mr Krishna:** India and Sri Lanka share a common cultural and civilisational heritage and an extensive people-to-people interaction that has provided the foundation to build a vibrant and multi-faceted partnership encompassing all areas of contemporary relevance, including trade, services and investment, development cooperation, science and technology and cooperation in the field of maritime security.
India is now Sri Lanka's largest trade partner overall and Sri Lanka is one of India's largest trade partners in South Asia. To further strengthen the economic and commercial partnership, both countries are working on a Comprehensive Economic Partnership Agreement (CEPA).