

Russia, China, Japan To Help India With Infrastructure Modernization

by Ramtanu Maitra

Sept. 14—Since Narendra Modi became Prime Minister of India in May, world events have propelled India and Modi into the association of a group of nations that are keen to advance nation-building activities around the world. The most important was perhaps the gathering strength of the BRICS (Brazil, Russia, India, China, South Africa), and their stated intent to push forward large infrastructural developments in the regions where they are located, as well as in many other developing parts of the world. Their objective is to restart defunct economic activities by building up the world's physical economy, and setting the stage for more equitable economic development.

On the flip side of the coin are the nations of North America and Europe—the mixed bag of developed nations. Headed by the Obama-Cameron-Hollande trio, steeped in destructive/self-destructive geopolitics, and floundering under economic recession for years, this group is busy trying to undermine the BRICS nations. But this triumvirate increasingly resembles, in the eyes of the world, inept cowboys who, in their attempts to lasso those whom they label as “rogues,” are, in fact, lassoing themselves. Instead of giving up their dangerous geopolitical games and contributing to the economic recovery process initiated by the BRICS, they are itching to pick a fight, with the hope of undermining the process.

Modi's Mission

Modi emerged on this scene during India's general elections, projecting himself as the “man of development.” He drew the attention of India's youth, who constitute almost 50% of the electorate, and are demanding development to ensure their future. Having succeeded in convincing a vast majority of the electorate that he would indeed put India on a fast developmental path, and take measures to achieve the level of development that China has achieved in recent years, Modi won by a landslide. The victory, however sweet it was, also required him to carry out at a fast clip what he had promised.

Besides the helping hands that were extended by BRICS nations, such as Russia and China, his own initiatives in smaller nations to India's east, and his recent foray to Japan, have helped him to create an environment in which he could indeed put the country on the right track to develop high-quality infrastructure. As *EIR* pointed out more than three decades ago in its report *India: An Agro-Industrial Superpower in 2020*, a modernized infrastructure remains the single-most critical ingredient that would allow India to bridge the yawning gaps among the country's various economic sectors.

Cooperation with Russia

On the sidelines of the mid-July BRICS summit in Fortaleza, Brazil, Modi met with Russian President Vladimir Putin and Chinese President Xi Jinping—two leaders whose support is crucial to kick-start India's infrastructure modernization. According to India's state-owned news agency, PTI, Modi conveyed to Putin his commitment to broaden the strategic partnership between the two nations in the areas of nuclear power, other energy sectors, and defense, besides stepping up people-to-people contacts.

The two leaders reportedly discussed the possibility of India's procuring more nuclear power plants from Russia to ease India's massive power shortages. In December 2012, Russia and India had agreed on an ambitious roadmap for deepening their cooperation in civilian nuclear energy, by jointly constructing 16 to 18 nuclear plants in India, each of 1,000 MW or larger capacity.

PTI reported that Modi invited Putin to visit Kudankulam, where the first Russia-supplied 1,000-MW VVER nuclear plant has gone into full operation, and the second plant of the same make and capacity will be commissioned before the end of this year. Putin, who will be in India in December for the annual Russia-India summit, said he thought a visit to Kudankulam was “a good idea.”

A few days later, Modi received more good news.



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Prime Minister Narendra Modi meets with Chinese President Xi Jinping (left) and Russian President Vladimir Putin (right) on the sidelines of the BRICS summit in Brazil, July 14-15, 2014. China and Russia are stepping up cooperation with India in the vitally important areas of energy and infrastructure.

TheBRICSPost.com reported on Aug. 5 that Russian and Indian officials were negotiating a \$40 billion gas pipeline project from Russia to India. “Russia so far has directed the majority of its oil and gas supplies to the West . . . however, the scenario may be quite different in the coming years especially in the wake of its gas pipeline to China and the one now proposed to India,” an Indian government official said. Putin and Modi are expected to announce a massive natural gas deal during their summit in December, Indian media reports said. Earlier in the year, Moscow and Beijing had struck a \$400 billion deal, under which Russia will supply 38 billion cubic meters of gas to China over 30 years.

Although the route of the expected Russia-India pipeline has not been specified, two possible lines have been cited. Moscow prefers a pipeline to India “through the Himalayas,” which could become the “biggest-ever energy project in history,” Russian Ambassador to India Alexander Kadakin told *The Hindu* (July 20). The article also said that Putin and Modi, during their meeting at Fortaleza, had discussed the pipelines to follow the route of the planned TAPI—the pipeline that will transport Caspian Sea natural gas from Turkmenistan through Afghanistan to Pakistan, and then to India. The project would take an estimated five years and \$40 billion to construct, but has long been hanging fire because of the instability in Afghanistan under the NATO occu-

pation, and the reticence of an equally unstable Pakistan. “We are planning to examine the feasibility of the Indian initiative to construct a land pipeline which would run from Russia’s southern border to India either along the projected TAPI route or through the Himalayas,” Kadakin said.

Cooperation with China

China has been watching Modi’s rise. While he was chief minister of the Indian state of Gujarat (2001-14), Modi visited China a number of times, and brought in Chinese investment to his state. In the process, he got to know some of the Chinese leaders. Some in China believe that Modi will seek to learn from Chinese growth, and will focus on integrating the two economies. “Modi will have a major impact on China-India relations,” says scholar Wang Dehua. “For China, it will be good news—because he will put the focus on economic relations.”¹

Modi’s economic stewardship of Gujarat, which grew rapidly during his tenure, was widely cited in Chinese coverage of the Indian election, and the concept of Gujarat as India’s “Guangdong” province—referring to the southern Chinese province in which economic reforms were tested under the late leader Deng Xiaop-

1. Jonathan Ward, “Chinese Analysts Interpret Modi’s New India,” *China Brief*, June 19, 2014.

ing—has been circulated alongside the idea that Modi's India will chose the “Chinese model” for growth.

It seems that Modi's prior exposure in China and the favorable impression he created there are ready to pay dividends. Perhaps the most important investor in the world, cash-rich China has since expressed keen interest in investing in Modi's infrastructure modernization plans.

Xi Jinping is scheduled to arrive in India on Sept. 17 to work out various Chinese investment projects in India. He will be coming to Modi's home state, Gujarat, and he and Modi are expected to visit Vadhnagar, the village where Modi grew up and which, interestingly enough, was visited by the Chinese philosopher Xuanzang in 641 AD. President Xi's arrival on Sept. 17, the Indian prime minister's 64th birthday, is considered a gesture of respect.

At the time of writing, media reports indicate that the two will sign agreements for large-scale Chinese investments in Indian railroads, setting up industrial parks, and mega-infrastructure projects, including a long-planned river water diversion project, which really never took off, that would transfer water from the water-surplus north to the water-short rivers of India's southern peninsula.

What will be the exact volume of Chinese investments is unknown at the time of writing, but it is to be noted that both sides have carried out extensive preparatory work to make the Chinese President's visit a potential “game changer.” India's National Security Advisor A.K. Doval, who spent almost a week in China in early September, and met with President Xi, as well as former Foreign Minister, and now State Councilor, Yang Jiechi, among other Chinese leaders, told journalists that there would be an “orbital” jump in Sino-Indian relations following this visit.

The visit “will definitely enhance the bilateral political mutual trust, establish a closer partnership for development,” said China's Assistant Foreign Minister Liu Jianchao in Beijing on Sept. 14.

Prior to Doval's visit, Commerce Minister Nirmala Sitharaman had visited Beijing twice, including once early this month, to do the spadework for Xi's visit. Sitharaman held extensive talks with Chinese officials on the package of investments, as well as on measures to address India's growing trade deficit with China.

Beijing has indicated that it will continue discussions with the Modi government on India's participation in the New Silk Road Economic Belt project, which

could bind China and India to resource-rich Central Asia, a trans-Eurasian project spanning from the Pacific Ocean to the Baltic Sea. “If these two countries strengthen cooperation to achieve peaceful, cooperative, and inclusive development, they will benefit the 2.5 billion Chinese and Indian people as well as Asia and the world,” Jianchao told reporters.

In addition to the planned Chinese investments in India's transport, industrial, and water sectors, China and South Korea have offered pressurized water reactors (PWRs) to India. In fact, South Korea made its first such offer earlier this year, and has repeated it at least thrice. India, busy negotiating with France and the U.S. on India's nuclear liability law (which they contest), has not turned it down. According to an unnamed Indian official familiar with the offer, cited by the *Calcutta Telegraph*, “We're not taking up the offers right now, but if there is no progress in our talks with Washington in particular, then we will reach a stage where we cannot wait any longer. . . . Then, we are ready to explore these other options,” the official added.

Modi's Initiatives in India's East

Modi's efforts to bring in investments and develop India's infrastructure include the issue of development corridors through nations that lie east of India, in order to establish a firm land-link with Southeast Asia and East Asia.

Within this short span of his tenure, Modi has already visited Nepal and Bhutan and has sent his Foreign Minister Sushma Swaraj to Bangladesh, Nepal, Myanmar, Afghanistan, and Vietnam. It must have been encouraging for the prime minister to receive the warm welcome accorded him and Swaraj in these countries, whose people and leaders are eagerly waiting for India to establish a mutually beneficial economic link with them.

In Nepal, where his visit led to concrete agreements, Modi offered a \$1 billion loan to the government, and on Sept. 4, Nepal and India signed a landmark Power Trade Agreement (PTA), designed to boost energy ties between the two energy-starved nations. The agreement will enable Indian investors to develop Nepal's 40,000 MW or so of hydropower potential. The Indian Energy Ministry has already given permission to promoters of Upper Karnali GMR Energy Limited and Arun III Sutlej Hydropower Corporation Limited, to sell electricity generated in Nepal to India. Moreover, the two countries have agreed to expand their power trade to regions and sub-regions, paving the way for



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Prime Minister Modi and Japanese Prime Minister Shinzo Abe in Kyoto, Japan, Aug. 31, 2014. Japan wants to introduce its Shinkansen system (bullet trains) to India. Modi's approach is to work with all countries that are willing to contribute to his development program.

Nepal to conduct power trade with Bangladesh and Pakistan through India. Bangladesh has already proposed to buy 5,000 MW from Nepal.

Did Modi Activate Japan in South Asia?

Modi's Aug 31-Sept. 3 visit to Japan was another crucial ingredient in his quest for modernized infrastructure. As a personal friend of Japanese Prime Minister Shinjo Abe, Modi was eagerly awaited in Japan. Japan is India's fourth-largest investor, with cumulative foreign direct investment (FDI) of about \$16 billion in the last decade and a half. The Indian automobile sector owes a lot to Japanese investments in terms of development of advanced supply chains, growth in ancillary units, and technology transfer. In 2011, India and Japan signed a Comprehensive Economic Partnership Agreement.

During Modi's visit, Japan reportedly promised investment and financing for India's infrastructure sector of around \$35 billion over five years. "Lauding Prime Minister Modi's vision for development of world class

infrastructure in India, including a High Speed Railway system, Prime Minister Abe expressed his hope that India could introduce the Shinkansen system [bullet trains] on the Ahmedabad-Mumbai route," said the joint declaration of the two leaders. Abe expressed his "readiness to provide financial, technical, and operational support to introduce the Shinkansen system, for which Prime Minister Modi expressed his appreciation."

The declaration also said that the leaders welcomed progress in the ongoing flagship projects of India-Japan economic partnership, such as the Western Dedicated Freight Corridor (DFC), Delhi-Mumbai Industrial Corridor (DMIC), and Chennai-Bengaluru Industrial Corridor (CBIC), and committed themselves to accelerate their implementation.

Modi also succeeded in conveying to Abe the importance of greater Japanese investment in India's economically weaker eastern neighbors, particularly in the infrastructure sector.

Abe, accompanied by dozens of top corporate executives, arrived in Bangladesh Sept. 6, and confirmed plans to invest in the construction of an industrial district around the Bay of Bengal. Bangladesh, which described Abe's tour as a "milestone" in relations, hopes to win Japanese investment for infrastructure projects which include a railway bridge and a tunnel under the mighty Brahmaputra River.

Uranium from Australia

One of the other important successes for Modi in recent days occurred when Australia, after years of reticence, signed a deal in early September to sell uranium to India. While imported reactors from Russia, China, France, and South Korea, for instance, could provide some immediate relief from India's vast power shortage, Modi should realize that this could only act as a supplement to India's six-decade-old indigenous efforts to generate power using its own reactors.

Modi has seemingly acknowledged the crucial role of India's nuclear power program for the nation's future

power requirements. He visited the Bhabha Atomic Research Center, India's premier atomic energy research and development center, on July 21. He must have come to realize that for the Indian program to develop the necessary potency, it has to move quickly to the second stage, involving extensive use of breeder reactors, before it could get to the third stage—at which a multitude of indigenous advanced heavy water reactors (AHWRs), using India's abundant reserves of thorium as fuel, could be made operational.

However, in order to put an unlimited number of thorium-fueled reactors on line, India needs to produce and store large quantities of plutonium-239. AHWRs, which are designed to be the mainstay of India's power generation, will require plutonium-239 to trigger reactions that convert fertile thorium-232 to fissile uranium-233. The second stage of India's atomic power program is the fast breeder reactor, whereby India plans to generate the large amounts of plutonium-239 needed for the third-stage AHWRs.

Some plutonium now gets produced in the first stage Pressurized Heavy Water Reactors (PHWRs), but that would not suffice. A 500-MW prototype fast breeder reactor will be commissioned next year, and will pro-

duce plutonium-239 from uranium-238. More breeder reactors will follow. However, the problem lies in the fact that India does not have enough uranium-238 reserves to develop the plutonium it requires.

On Sept. 5, Australian Prime Minister Tony Abbott, visiting India, signed a uranium deal with Modi, assuring that India will receive uranium in large quantities. Australia has about one-third of the world's recoverable uranium resources and exports nearly 7,000 tons of it annually. It was evident from Abbott's statement that Australia finally decided to sell uranium to India because he is convinced that Modi is keen to develop atomic power in order to meet India's huge energy shortages.

It has become clear from the way Modi has proceeded in the early days of his tenure, that his domestic or foreign policy will not be centered on any particular group of nations' political ideology, but will try to be all-embracing. His foreign policy will be what he calls *Vasudhaiva Kutumbakam*—a Sanskrit phrase which shows up in the ancient Hitopadesha parables—which means “the world is my family.” In other words, his approach will be to work with all countries that are interested in becoming a part of his economic development program, and are willing to contribute to it.

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