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Related Categories: Energy Security; International Economics and Trade; Public Diplomacy and Information Operations; Terrorism; China; Iran; Pakistan

INDIA, U.S. BOOST DEFENSE TIES

In the wake of Narendra Modi's long-awaited visit to Washington, a flurry of new deals have sent a clear signal that the U.S. and India are ramping up defense and military cooperation in an effort to maintain stability in the Indo-Pacific. Among the most important accomplishments was a new deal struck by U.S. defense firm General Electric with Hindustan Aeronautics Limited "to produce fighter jet engines for the Indian Air Force" - an arrangement that, if approved by Congress, will provide Delhi with the final component to enable it to manufacture fighter jets domestically. The sharing of military technology is also symbolic, highlighting the level of trust between the two countries.

The new understandings between America and India extend far beyond fighter jets, however. The Pentagon and India's Ministry of Defense also established a Joint Indo-U.S. Quantum Coordination Mechanism and finalized INDUS-X, an arrangement aimed at boosting technology and defense innovation and collaboration between the private sector, research institutions, and the government. Among other things, Delhi also agreed to purchase 31 U.S.-manufactured MQ-9B *SeaGuardian* drones, "join[ed] the U.S.-led Artemis Accords on space exploration, to work with NASA on a joint mission to the International Space Station in 2024," and announced a new multi-million dollar U.S.-financed chipmaking facility to be built in Gujarat, India. Cumulatively, the deals reflect a critical shift in defense and technology collaboration between the world's two largest democracies, intended to counter China's military aggression in the Indo-Pacific. (Reuters, June 22, 2023; Reuters, June 22, 2023; White House, June 22, 2023)

PAKISTAN CASHES IN ON RUSSIA'S ENERGY SELL-OFF

Since the end of World War II, the U.S. dollar, linked to the planet's largest economy and one of its most stable, has been the most widely used currency for international trade. Oil, like many other market commodities, is priced and sold overwhelmingly in dollars. However, in recent years, China's expansion into global markets has made its national currency, the Yuan, increasingly popular in international trade. Now, the Yuan is facilitating Pakistan's efforts to take advantage of the energy opportunity provided by the Ukraine war. Last month, Pakistan purchased its first tranche of discounted Russian crude using the Yuan. The acquisition marked Pakistan's emergence as a new market for Russia, which has increasingly been shut out of Western economies as a result of its aggression against Kyiv. Pakistan, meanwhile, is weathering a worsening economic crisis, and is aiming to get one-third of its total oil imports from Russia, using the steep discount to sustain its cash-strapped economy. Importantly, Pakistan's import of Russian crude, paid in Yuan, reflects one example of China's growing influence over markets in the Eastern Hemisphere. (*South China Morning Post*, June 13, 2023)

COUNTERTERRORISM WORRIES PUSH CHINA, IRAN, PAKISTAN TOGETHER

In an effort to address recent deadly attacks by Pakistani insurgents on Chinese nationals, China, Pakistan and Iran held their first trilateral counterterrorism and regional security meeting in early June. The three countries have common concerns over Baluchistan, a Southwestern Pakistani province that borders Iran and which is rich in natural resources, home to the Gwadar deep-water seaport, and a central piece of the China-Pakistan Economic Corridor (CPEC). Outlawed ethnic Baluch groups have long waged a low-level insurgency in attempts to undermine the CPEC, which they believe will deprive the local Pakistani population of its resources. Islamabad claims these militants take refuge in Iran, from where they are coordinating their cross-border attacks on Chinese nationals in the Baluchistan region – a charge that the Islamic Republic denies. Nevertheless, Pakistan's Baluchistan borders Iran's southeastern Sistan-Baluchistan province, where Sunni-Muslim militants wage attacks on the Shiite majority, all while Taliban control over neighboring Afghanistan continues to deteriorate. (*Voice of America*, June 7, 2023)

NEPAL WORKS TO IMPROVE TEPID TIES TO INDIA...

In a much anticipated four-day visit in early June, Nepalese Prime Minister Pushpa Kumar Dahal met with Indian Prime Minister Narendra Modi in New Delhi, resulting in a number of signed trade and infrastructure deals between the two countries. These included agreements on a trilateral power export of 40 megawatts from Nepal to Bangladesh via India, as well as a railway line connecting Kurthar, India to Bijalpura in Nepal. Nevertheless, there is an overarching sentiment that this visit was underwhelming in many areas.

In recent years, relations between the two countries have been strained. A main point of contention comes from the disputed region of Kalapani, where the Kali River was agreed upon as the Western border of Nepal in 1816 by then-British India and Nepal. Disputes over control of the region have intensified, as neither country is able to agree upon the origin of the river, and the problem is further exacerbated by the region's inconvenient location between India, China, and Nepal. Dahal's meeting with Modi skirted many important conversations regarding the border dispute and the growing presence of China in Nepal, leaving much of the problem unresolved. (*South China Morning Post*, June 7, 2023)

...AS DELHI FLEXES ITS MARITIME MUSCLE

India is emerging as a formidable strategic player in the Indo-Pacific, with two instances this past month highlighting its maritime capabilities in the region. First, on June 15th, India successfully demonstrated the simultaneous operation of two aircraft carriers, with the *INS Vikramaditya* and the *INS Vikrant* jointly leading the exercise "with more than 35 aircraft and an array of surface ships and submarines." In recent history, only the U.S. Navy has successfully pulled off a similar exercise. Later in June, the Indian Navy gifted a domestically built active warship, named the *INS Kirpan*, to Vietnam. The *INS Kirpan* is the first ever corvette given to any country by India, and symbolizes a strengthening of ties between Hanoi and Delhi, both of which are concerned over China's assertion of power in the Indo-Pacific and claims in the South China Sea. (*CNN*, June 15, 2023; *Reuters*, June 28, 2023)