Institute of Chinese Studies
ICS
中国研究所 DELHI

OCCASIONAL PAPER

No. 16

September 2017

China's Belt and Road Initiative (BRI): Implications, Prospects & Consequences: Impact on India & its China Diplomacy

Kishan S Rana

ICS OCCASSIONAL PAPER NO. 16

China's Belt and Road Initiative (BRI): Implications, prospects & Consequences: Impact on Indian & its China Diplomacy

Author: Kishan S Rana

First published in 2017

Institute of Chinese Studies
8/17 Sri Ram Road, Civil Lines
Delhi 110 054, INDIA
Ph.: +91-11-23938202; Fax: +91-11-23830728
Email: info@icsin.org
Website: www.icsin.org

ABOUT THE AUTHOR

Kishan S Rana holds a BA (Hon) and MA in economics from St Stephen's College Delhi and was a member of the Indian Foreign Service from 1960-1995. During his career he served in the Indian Embassy, Beijing (1963-65, 1970-72), worked on China at the Ministry of External Affairs (1965-67, 1972-73), and was Ambassador and High Commissioner to Algeria, Czechoslovakia, Kenya, Mauritius, and Germany as well as consul general in San Francisco. He served on the staff of Prime Minister Indira Gandhi from 1981-1982 and speaks Chinese and French. Amb. Rana is currently Professor Emeritus, DiploFoundation, Malta and Geneva; Emeritus Fellow, Institute of Chinese Studies, Delhi and Book Review Editor for the ICS journal China Report. He has also been Archives By-Fellow, Churchill College, Cambridge, Public Policy Scholar, Woodrow Wilson Centre, Washington DC, guest faculty, Diplomatic Academy, Vienna and Commonwealth Adviser to the Namibian Foreign Ministry (2000-2001). He has lectured in about 25 countries at foreign ministry training institutions, ambassador conferences, and at universities.

Amb. Rana is the author of Inside Diplomacy (2000); Managing Corporate Culture (co-author, 2000); Bilateral Diplomacy (2002); The 21st Century Ambassador (2004); Asian Diplomacy (2007); Diplomacy of the 21st Century (2011); India's North-East States, the BCIM Forum and Regional Integration, (co-author, 2012); The Contemporary Embassy (2013); Diplomacy at the Cutting Edge (2015). He is co-editor of Foreign Ministries (2007) and Economic Diplomacy (2011). Two of his books have been translated into Chinese and he has written over 100 articles for academic journals and newspapers.

Contact: kishanrana@gmail.com

China's Belt and Road Initiative (BRI): Implications, Prospects & Consequences: Impact on India & its China Diplomacy[1]

Abstract

The essay examines BRI in terms of China's direct economic, political and domestic interests, the funding arrangements for its projects, including aid and loans, and the potential gains for the countries and the regions that are to participate in the connectivity and infrastructure oriented projects, including the maritime projects. It looks closely at the China-Pakistan Economic Corridor, and the possible connectivity gains that participating countries may obtain among themselves, suggesting that what is being created are 'international public goods', even if China has not yet engaged in participatory, comprehensive and equal dialogue among all that are current and potential beneficiaries of BRI actions. Is China's public posture on support to Pakistan even while it is a sponsor of terrorism viable? It looks at a shifting reaction in different countries over BRI, before examining India's options, including Chabahar port project in Iran, Mausam, and Asian connectivity for our NE States. The essay recommends a flexible Indian posture on BRI, coupled with deeper strategic thinking on foreign policy issues, and re-examination of the BCIM sub-regional cooperation, even while we maintain a reserve for now towards possible Chinese investments in the NE region. Also needed is stronger Indian engagement in its neighbourhood, backed by a rapid implementation of projects to which India is committed, plus more resources for the country's diplomatic establishment.

***Keywords**: 'Belt and Road' Initiative, China-Pakistan Economic Corridor, connectivity, Diplomacy, Indian Foreign Policy, Infrastructure Development, International Public Goods, Maritime Connections.*

Introduction

China's 'one belt, one road' initiative (OBOR), now known officially in China as the 'belt and road' initiative (BRI), and the May 2017 conference in Beijing, called the 'Belt and Road Forum' (BRI Forum), was a major theme in news analysis and commentaries all over the world. Besides staying away from this conclave, India took a critical stance on China's cherished global project that combines major domestic and external long-term goals. Some other countries have also now openly expressed doubt towards what has come across an amorphous, over-ambitious mixture of hard actions and vague future plans. This essay attempts an overview, in the light of emerging information, with the caveat that we still do not know the full contours of BRI, and assessments will need revision, as more information emerges.

[1] This essay has benefited from suggestions made by Ravi Bhoothalingam, Ashok Kantha, and Patricia Uberoi. I remain responsible for its limitations.

A 2015 Conference

In May 2015 I joined an Institute of Chinese Studies, Delhi (ICS) delegation that attended a conference at Nanchong, in Sichuan province; that was the second meeting of a new 'trilateral' track-two dialogue between the think-tanks of India, Nepal and China, hosted by the China East Normal University, which runs a Center for India Studies. The OBOR project became a conference sub-theme. My note on that event, circulated to ICS colleagues dated 18 May 2015, reads in part:

> 'President Xi's 'One Belt One Road' rubric, China's master framework for neighbourhood relations, has become the indispensable mantra for all manner of discussions, sometimes stretched to the point of absurdity. For instance one speaker argued that OBOR should be used analyze the evolution of culture, ethics and even non-violence, 'since these are expressions of its spirit', whatever that means.[2]

Prof. XX gave a very optimistic analysis of China-Pak relations and the new economic corridor they are establishing, from Gwadar to Karakoram. I presented to him a second scenario of an indeterminate outcome and a third one where China would become a factor in Pak internal politics and might badly burn its fingers, besides facing a continuing or sharper terrorism threat in Sinkiang. No one responded to those alternate scenarios. Some Chinese scholars said privately that the action in Pakistan was a gamble. But the open reaction of XX and others was that Chinese diplomacy is now mature enough to deal with complexities of managing investments in Pakistan. One speaker observed that there are currently 10,000 Chinese in Pakistan and not one has faced any injury or threat in the past two years.'

Things have evolved since 2015. The BRI project has extended deep into Africa, Asia, Europe, and even Latin America. It has become the template for China's foreign policy, political and economic, as well as its aid and investment programs. These projects have met with considerable acclaim in the countries where investments are to be made, as well as a swell of doubt and criticism.

As seen from India, China is enmeshed deeper in domestic developments in Pakistan. The value of its total investment in that country, presented under this 'China-Pakistan Economic Corridor' (CPEC) has risen to US$57 billion, going by information published in Pakistan. It is by far the greatest investment project in that country and one of the largest bilateral development schemes anywhere in the world.[3] In the midst of praise in Pakistan, critical comments have also emerged, on the dangers that CPEC poses; incidents of violence and kidnapping have also taken place, targeting Chinese experts. Some countries, recipients of seemingly munificent Chinese largesse, have also found new flaws and potential threats in such bilateral arrangements. This places BRI projects

[2] Chinese scholars also spoke informally of how easy it had become to get sizable funding for projects and conferences, if these could be tied to the OBOR narrative.

[3] Some news reports have mentioned that the total amount of aid given by the US to Pakistan since its inception amounts to US$70 billion.

in a new light. And in faraway Europe too, second thoughts on the wonders of BRI connections have surfaced. Indirectly these echo some of the criticism that India has advanced. Clearly, in a year in which the 19th Party Congress of the Chinese Communist Party is to meet in October 2017, these developments cannot be welcome in Beijing. BRI, which is deeply tied personally with President Xi Jinping, is a collection of projects around a common rubric that took shape with a speech he delivered on 7 September 2013 in Kazakhstan, at the start of his reign, when he first spoke of a 'Silk Road Economic Belt', building it up rapidly into a grand schema (Eslake 2017). Subsequent official Chinese pronouncements and the emergence of the OBOR/BRI narrative shows that it took shape through an intensive process of internal dialogue, guided from the top; a huge amount of domestic capital and intellectual resources have gone into its shaping. Xi clearly treats BRI as nothing less than his long-term legacy.

Unraveling BRI

A McKinsey report summarizes BRI thus:

> 'In 2013, China's president, Xi Jinping, proposed establishing a modern equivalent, creating a network of railways, roads, pipelines, and utility grids that would link China and Central Asia, West Asia, and parts of South Asia. This initiative, One Belt and One Road (OBOR), comprises more than physical connections. It aims to create the world's largest platform for economic cooperation, including policy coordination, trade and financing collaboration, and social and cultural cooperation' (Tian 2016).

China sees BRI and its results in glowing terms. A Chinese comment reads:

> 'In the past four years about 100 countries and international organizations have supported this initiative. Some resolutions UN General Assembly and Security Council refer to it. China's total trade with other Belt and Road countries in 2014-2016 was over US$3 trillion, and China's investment in these countries crossed US$50 billion. Chinese companies have set up nearly 60 economic cooperation zones in 20 countries, generating over US$1 billion of tax revenue and some 180,000 jobs in these countries.'

A report in *The Diplomat* of 11 January 2017 said: 'It (OBOR) will consist of 900 infrastructure projects, valued at about US$1.3 trillion. Other sources have placed the total figure at US$900 billion (Bilal 2017; *The Economist* 2017b). Much of the funding is expected to come from Chinese banks, financial institutions and special funds (Bilal 2017).' Let us consider first what BRI seems to entail, looking to those parts of the *schema maximums* hitherto unveiled:

Direct Chinese Gains

China wants to deploy a significant part of its US$3 trillion of foreign currency reserves. BRI blends overarching external and domestic goals: encompassing the political with the economic and even cultural; the bilateral with the regional and global; and the immediate with the long-term. The conception is adroit and audacious, brilliant and breathtaking, comprehensive and compulsive, decisive and dominant, and so on… Superlatives abound.

That BRI projects serve a *domestic* need for China is clear on several counts. It provides employment for the country's industrial capacity, especially for its capital goods industries, at a time when the cycle of domestic investment has run its course; factories need new orders. It also permits a partial shift in its regional economic gravity centre, for the benefit of interior provinces that have hitherto received unequal gains from the economic reforms that Deng Xiaoping launched in 1979. For the first time these landlocked provinces receive a location advantage. BRI may also help in redressing a little the regional income inequalities that are a real challenge for the Chinese government, inequalities that have propelled the country to the top of the world's Gini coefficient comparisons among major countries. Such inequality carries a latent, looming challenge to national stability. It is open to question if all these aims can be fully harmonized, but a large set of interlocking development, political, social and other goals is evident.

The *external* objectives of BRI are the main focus of this essay. BRI represents a major reframing of China's foreign relations. This point is emerging slowly, and observers have probably not yet fully taken this into account. Consider: China's foreign exchange reserves stand at over US$3 trillion (down from an earlier nearly US$4 trillion some three years back, but that is another story).[4] Even for a country with the world's largest reserves, an investment of US$1 trillion or more is an extraordinary commitment.

Funding Choices

The funding of the BRI projects, taken individually, and in their interlocking connections, is largely to be Chinese, on present evidence; Beijing has a 'Silk Road Fund' that runs to over US$100 billion. Possible exceptions are the funds that may come from the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (run by BRICS), as also perhaps from other multilateral institutions, be it the ADB, World Bank or others. Banking prudence will ensure that such institutions, including AIIB headquartered in Beijing, will stringently scrutinize such project allocations; besides India, which is the second biggest investor in AIIB, the other 70-odd members will ensure this. We may reckon that over 90 per cent of the BRI funding is likely to be Chinese, though this is only a guesstimate for now. China has hitherto shown scant regard to the suggestion – voiced among others by India, Japan and the EU – that wider consultation in the framing of the grand BRI schema should be undertaken.

China has spoken of consulting all the countries involved in BRI, but this has taken shape only of country-by-country or bilateral dialogue, which is natural for projects that involve a single foreign partner. But there has been nothing like a collective consultation, much less open regional discussion on the full parameters of what BRI

[4] China's reserves touched a peak of US$3.84 trillion in 2014, and have since declined to around US$3 trillion.

entails. Further, projects that predate OBOR/BRI have been retrofitted into that grand plan, without prior consultation with others; the BCIM project (involving Bangladesh, China, India and Myanmar) is a glaring example, as we see below. China might believe that it does not need wide regional or continental consultation on the conception, ambit and content of BRI, on the principle of 'he who pays the piper…'.

The May 2017 BRI Forum gathering in Beijing was predicated on such a premise of a single country-directed process, in its organization and its actual discussions. But the deeper reality is that building new connectivity across Asia and its adjoining continental and oceanic regions is not just the prerogative of a single country, however ambitious, far-sighted or well resourced. We can and should view such projects as belonging to 'international public goods', in which those that may not be financial investors also have a stake in the outcome. It is an open question whether Beijing will heed such undercurrents of reserve and adverse comment now emerging even from its friends and BRI project partners. Might it carry out a course correction, or is it too locked into its own narrative to understand the dangers? We simply do not know.

Chinese Aid and Loans

Unraveling Chinese financial arrangements that back its BRI and other projects involve considerable research, in the absence of hard, reliable statistics. Some indicators are: not all the announced loans and credits materialize. One US researcher has found that only about half the announced funds actually materialize; the pledges and actual flows do not match (Wissenbach and Wang 2017). Further, major infrastructure projects are unlikely to produce returns commensurate with the investments (Wissenbach and Wang 2017). China now realizes that some BRI projects are unviable; some of those promoted by its businessmen may be scams and funding scrutiny is being tightened. This was reported by Reuters, quoting Beijing's powerful National Development and Reform Commission, and the State Council, both of which warned against corruption and 'irrational' BRI investments (*The Times of India* 2017b).

Calculations of Regional Gain

Consider the benefits and the likely future responses of the current and future BRI partners. *Central Asia*n states now earning well through the supply gas and oil to China via new pipelines are a ready market for Chinese consumer goods, machinery and infrastructure projects. But with their small populations, they can only absorb finite quantities of all that the Chinese cornucopia brings forth. They would also be concerned about: the potential disruption wrought by Chinese products in their fragile, traditional economies; Chinese imports destroying employment opportunities for their own expanding pools of manpower; excessive right-of-way demands by Chinese the rail networks that push towards Europe; and the balance of long-term advantage and cost for themselves. In *Afghanistan*, the new transport links would translate new two-way proximity; this might mean potential economic gains for all in the region. For China, this also creates a capacity for much deeper engagement in Afghanistan. But India asks: will Islamabad give it transit access across Pakistan, to reach Afghanistan and Central Asia?

As Ambassador Shyam Saran pointed out in his Institute of Chinese Studies lecture of 20 July 2017, Beijing informally replies: that is a bilateral issue between India and Pakistan (Saran 2017). That begs the question: is the grand connectivity schema only for China's benefit? How can China enlist the participation of a major entity such as India if it cannot understand, much less act upon the vital concerns of other states on such a grand regional design?

In Southeast Asia, similar concerns emerge over Chinese right-of-way demands (as some news reports from this region have indicated), as also the financial viability of some of the BRI projects. But overall, these economies are well placed to absorb the investments. In the *maritime Indian Ocean* states, likely to receive port infrastructure, the concerns may be over: the financial viability of the projects; and their share in the benefits in the execution of such projects; such concerns have been voiced in Sri Lanka over the China financed Colombo port expansion (Pattanaik 2015; *ABC News* 2017). Elsewhere, in *Central and East Europe*, BRI funding can easily be absorbed in the economic environment of these countries, and would mainly be welcomed, with few inhibitions. But the overriding local concern would be over the scale of the investments, the inevitably long gestation period for the road, rail and port infrastructure, and the burden of repaying all the Chinese loans, which are mainly not at concessional rates. *Africa* is not left out. A massive railway project covers Tanzania, Kenya, Uganda, Rwanda, Burundi, South Sudan and Ethiopia, all of it to be executed and equipped by Chinese companies. An Indian railway expert notes that despite concessional element in the loans (terms are not public), as with most railway projects direct financial returns are likely to be low, even while 'social returns' will be very substantial, much like the East African Railways built by British colonialists at the end of the 19th century (Debroy 2017).

A precise figure of China's loans and aid to Africa is hard to pin down; a year back it was said that it amounted to US$100 billion, and exceeded World Bank aid. Some are skeptical about China's real intent; a recent story in *The Diplomat* was headlined: 'Why Chinese infrastructure loans in Africa represent a brand new form of neocolonialism: How will African countries repay massive debts to China?' (Su 2017). It argued that African countries would end up making 'in-kind payments', the more so as infrastructure projects intrinsically have long gestation, and offer low financial returns – the same point made by Debroy above. This is a story that will play out in the future. A June 2017 SAIS-CARI John Hopkins University paper cited above makes similar points: 'Much like other Chinese infrastructure projects in Africa, the SGR (i.e. Standard Gauge Railway, inaugurated in Kenya on 31 May 2017) has sparked controversy around its economic viability, corruption, opaque contracting practices, financing arrangements, and community and labor issues' (Wissenbach and Wang 2017).

The China Pakistan Economic Corridor (CPEC) is a special case, given its scale. The bulk of the investment is in power plants and other industrial infrastructure, besides the Gwadar port to Karakoram road and rail link set, originally to cost about US$11 billion. Most of the aid is in loans, so economic returns are crucial. A special protection force of over 12,000 has been created, to protect over 10,000 Chinese technicians who are being deployed, many in strife-torn Balochistan, and other relatively remote regions.[5] China is now by far the largest investor in the country. One consequence: Beijing is now enmeshed in the country's politics, national and regional, on a scale that its diplomats and intelligence agents have not experienced in the past. Already, critical media comment has surfaced, and the country's fractured politics will not make for an easy ride. On a deeper level, such intrusion in local politics will become a 'new normal' for a China that has hitherto avoided public entanglement in its client states. Looking to a plus side, while the Chinese projects have not yet eased the power shortages that cripple industry and daily life across Pakistan, this can happen once they come on stream. But 'there are few direct local beneficiaries in its construction phrase' (Phadnis 2017).

After the exit of PM Nawaz Sharif in July 2017, Pakistan enters a new phase of political uncertainty. China has experience of political convulsions in African states, but navigating through the shoals of Pakistan politics may prove to be more complex than in Africa. Beijing has little compunction in dealing with different internal forces in its investment destination countries, be they rapacious politicians or the military generals, but Pakistan is a more sophisticated environment, with an alert media and civil society, compared with the other countries it has hitherto handled. Another challenge comes from the far from supine business and economic elites, who question the balance of advantage in CPEC projects. An AFP report in early August 2017 asked if Pakistan really gained from these projects, citing a local businessman who alleged that China's friendship 'has no heart'; it spoke of Pakistan's market being flooded with cheap steel and a new imbalance in two-way trade between the two countries (*The Hindu* 2017). A recent article in the leading newspaper *Dawn* by Shahid Kardar, former governor of the State Bank of Pakistan said:

> 'It can be argued, with some justification, that beggars are not choosers and these loans are on terms that are the best we could hope for under present conditions… From the information one has been able to glean, the guaranteed returns range from 17 per cent to 20 per cent in dollar terms on the investment/equity in the power sector (rising to more than 25 per cent if we add on all the exemptions granted on customs duties, both federal and provincial GSTs and other allied taxes)… The generous concessions (not available to domestic investors) showered on the Chinese have surely set a benchmark that other investors could validly demand… What is uncertain is the impact that CPEC could have on our growth rate, given our weak global competitiveness owing to our deformed tax structure, poor governance and lack of skills. It limits our ability to integrate into Chinese-driven value chains. A greater worry would be the possible folding up of many of our businesses, not being competitive. As things stand, without a competitive

[5] Two were kidnapped in June 2017, which led to a public snub by President Xi to the Pakistan Premier who was not received for a private meeting, on the sidelines of an SCO summit held in Astana, Kazakhstan.

> industrial (perhaps even the agricultural sector), we may have to be content with, like the good "rentiers" that we are, simply collecting toll taxes for our much-marketed "strategic location"' (Kardar 2017).

Any large foreign investor faces charges of neo-colonial exploitation, but for China this risk is higher owing to its passion for deploying Chinese workforce on all its projects, relative insularity of its project execution agencies, and high-interest rates on its loans. Despite extensive experience of Africa, and familiarity with project backlash, the scale of the BRI investments will add a new edge to the responses it will confront, in Pakistan and at the other locations. Gateway House, Mumbai has produced an interesting compilation of what it has called 'Geopolitical pushback to China' (Gateway House 2017).

Rail and Road Networks

The inter-country and transcontinental rail and road networks that BRI is to build, for all their novelty, may have limited economic viability, though they will provide a new lifeline to some of the transit states, especially the landlocked. The cost of replacing the varied track gauge that exists can be astronomical. For much of Central Asia, the real economic gain will be through the pipeline networks, which will bring major new revenue streams, for their own exports and via transit fees. As for goods traffic destined to and from these countries, volumes are likely to remain modest, even while new markets and supply sources will be opened up.

For the distant destinations into Europe, rail freight can make economic sense only for high value, low bulk goods, be these smartphones, computer chips and similar items, especially when they have just-in-time requirement. Thanks to differences in gauge and technical norms, the 'regular' goods trains that now run from the UK to China are expensive. Each can carry around 100 containers (TEU, 'twenty-foot equivalent units'); a mega-carrier ship accommodates 19,000. Beyond its novelty, Europe-to-China shipment in 15 to 20 days represents a real business gain only in some situations. On the flip side, once new links are built, the networks harmonized, this route may gain in usage and viability. Tourism is another potential gain, once security is assured, and travel times are reduced. Economics apart, one should not underestimate the cultural, people and political impact of new continental connectivity. That again brings up the notion of international public goods.

Railway tracks are built along land corridors that the implementing agency or owner of the railway line gets as a 'rights of way' from the country where the project is located. The breadth of this land concession can vary, and it creates a huge land bank that the track owner/operator can valorize, as per the terms of the agreement. With the BRI projects, China has the possibilities of building roads, pipelines and power transmission networks, and laying fibre optic cables, in these corridors, as per the topography and other conditions. This last point is vital for an Asia-Europe axis, permitting China to establish an internet link with Europe that is independent of the US managed global internet hubs, as is the case at present. For the country providing the land, the question is how wide a corridor to allow, as also ensuring that it retains sovereignty over the under-land mineral resources. Some published reports speak of disagreements between China and the concerned countries on some BRI projects.

Equally important are the new oil and gas pipeline networks that will be created. For Europe, these additional supply lines will reduce on Russian hydrocarbons and the possible choke points that are currently under Moscow's control. For the Central Asians and the adjoining European states, it will diversify their options for export and transit earnings from energy resources. And of course, it translates into additional influence for Beijing.

CPEC presents its own challenges in terms of its transport logic and economic viability. At a conference held in Delhi in late 2016, one speaker alluded to the huge shipment cost for the Gwadar-Karakoram rail link – he had calculated that compared with the sea route, the cost would be almost 100 times greater. While pipelines on that route would bring oil from the Gulf to Xinjiang at comparatively low cost, the cost and capacity issues in evacuating oil from Xinjiang into the interior and coastal regions of China, the principal energy demand centres, would have to be added to the calculations. Road transport costs for containers carrying other commodities via Pakistan (or along roads in Central Asia) would be very high.

But economic viability is not the only consideration. New trans-Asia connectors give China an escape from its quasi-landlocked status, a security and psychological gain that cannot easily be computed in cost figures. It also offers Beijing relief from the 'Malacca Dilemma', i.e. over-dependence on a single maritime choke point. These elements represent a real security gain from Beijing's perspective.

Another dimension of Asian and Asia-Europe connectivity needs reflection. BRI's putative rail and road network is not all about China. Once operational, it gives new choices to all the countries that lie along these routes to trade with one another, send and receive tourists and to bask in the new opportunities created. A Kazakhstan can send and receive goods and visitors from Armenia; Turkish or Hungarian companies can send container-loads of consumer goods, machinery, and artefacts to Mongolia, without the container traversing a single port. The new networks rearrange economic geography and can produce ways of thinking, plus new business opportunities. Some results may emerge gradually, but connectivity is a game-changer for all, even the small countries. BRI will create new 'global supply chains' which can have far-reaching effect; this needs careful, dispassionate study.

Terrorism

The fact that Pakistan, Afghanistan, Iran and some of the countries of Central Asia are enmeshed in Islamic terrorism also complicates some of the BRI projects for China, facing its own ethnic and religious tensions in Xinjiang. The situation is compounded by China's inability to soften its domestic ethnic policy, which feeds into the resistance it confronts, compounded by the support its dissidents receive, material and moral, from its neighbouring countries. China is unable to speak out against or takes overt actions vis-à-vis the external sponsors of its domestic strife, especially Pakistan. Elevating this issue in public discourse also carries for Beijing a danger of triggering strong antipathy towards terrorism sponsors and their sponsoring countries, from its Han majority domestic publics that have become adept at social media driven activism. This would complicate China's relations with its neighbours, esp. Pakistan. It is not far-fetched to see in this a potential source of domestic tension within China, and a further reason for Beijing's reticence in not naming terrorism sponsors, besides its investment of political and economic capital in Islamabad.

On 22 August 2017 the Chinese Foreign Ministry spokesman said the following in response to President Donald Trump's speech the previous day criticizing Pakistan for its support to terrorism:

> '(On) President Trump's remarks on Pakistan, I should say that Pakistan is at the frontline of fighting terrorism, has made sacrifices in fighting terrorism, and is making an important contribution to upholding peace and stability' (*Business Standard* 2017b).

Fine words of defence apart, one may be sure that Beijing minces no effort in warning Pakistan against its role as one of the global hubs in training Islamist terrorists, some of whom eventually end up supporting of Uighur dissidents in China's Xinjiang. We also see that international politics makes strange bedfellows, wallowing in their paradox.

A related comment: China has been unable to find a path to dealing with its ethnic minorities, especially in Tibet and Xinjiang. Making space for non-Han communities seems, even as a concept, to fly in the face of its 'national minorities' policy that dates to the inception of the PRC. Consider the harsh regulations that apply in Xinjiang: only those over 50 may grow beards, or in relation to the practice of the *Ramadan* fast. How will that mindset of intolerance of diversity and ethnic practices square with increased flows of goods and people of Central Asia, who are strongly of Islamic faith? How will those growing connections impact on the Muslim identity of the inhabitants of Xinjiang?

Maritime Dimension of BRI

The maritime side of BRI is of primary interest to India is centred on the Indian Ocean. In its proximate neighborhood, China has a greatly expanded its permanent presence in the South China Sea thanks to rapid actions undertaken in the past two years to convert shoals and small rocky islands into permanent installations, with airfields and modern harbors, in assertion of sovereignty in a vast ocean stretch, defined by the nebulous 'Nine Dash Line', which has no legal or documentary sanctity. But then did not the UK and the US act in similar or worse disregard of international law in the early 1960s, when Diego Garcia in the Chagos Island group was seized and built into what has become the permanent concrete aircraft carrier of the US in the middle of the Indian Ocean? On that occasion, raison d'état was the only fig leaf that justified the forcible eviction of several hundred of Chagosiose from their remote, ancestral hearths – human rights be damned. Two wrongs do not make a right, but past actions cannot be wished away.

China is constructing its first overseas military base in Djibouti — just a few miles from Camp Lemonnier, one of the Pentagon's largest and most important foreign installations (*The Economist* 2017a). Peter Dutton, professor of strategic studies at the US Naval War College said: "This is what expansionary powers do. China has learned lessons from Britain of 200 years ago" (cited in Jacobs 2017). This is despite the fact that China had asserted till recently that it has no intention to build such bases in foreign countries.

Evolving World Reactions to BRI

The May 2017 BRI Forum was an extravaganza of a kind in which China excels. Russian President Vladimir Putin was the most prominent among the 29 heads of state and government that attended. Both Japan and the US were represented, while India stayed away. It emerged that Singapore's Prime Minister was not invited. A Hong Kong newspaper reported: 'China's decision not to invite Singapore's Prime Minister Lee Hsien Loong to last weekend's Belt and Road Forum highlights the still-strained ties between the two countries, observers say…Of the 10 Association of Southeast Asian Nations (ASEAN) members, only three countries were not represented by their heads of government at the high-level summit in Beijing: Singapore, Thailand and Brunei…' (Jaipragas 2017) Present at Beijing were Malaysia's Najib Razak, Indonesia's Joko Widodo and the Philippines' Rodrigo Duterte.

The European Union, reversing earlier acceptance, moved to a position of reserve during the Belt and Road Forum meeting in Beijing on 11-12 May 2017; 'We made it clear that for Europe the Belt and Road initiative can only be a success if it's based on transparency and co-ownership' according to one high level EU diplomat. An EU trade panel expressed reserve over a statement issued at the end of that Forum meeting, asking for 'guarantees on transparency, sustainability and tendering process' (Phillips 2017). The EU Parliament has also expressed reserve; a July 2016 document said: '…skepticism regarding China's potential hegemonic ambitions has prevailed notably among regional rivals India and Japan as well as the US. Whether OBOR will be mutually beneficial… will depend on the "rules of the game" for joint projects in third countries' (Grieger 2016). But this is unlikely to prevent EU companies, and individual countries, from lobbying for projects and infrastructure that would improve their own economic position.

A Japan Times editorial of 24 June 2017 noted: 'Reversing his position, Prime Minister Shinzo Abe has indicated that Japan is ready to cooperate with China's "One Belt, One Road" (OBOR)…under certain conditions. He is also now willing to consider Japan joining the China-initiated Asian Infrastructure Investment Bank (AIIB)… once doubts about its governance and operation are cleared… it's time that Japan also take steps to rebuild its strained ties with China' (*The Japan Times* 2017). In parallel, Japan has launched its own Africa initiative, as we see below.

India's Options

Let us first consider Indian actions in different neighbourhoods and regions before turning attention to India-China relations, looking beyond BRI.

Other Connectivity Projects

Japan has come forward with its infrastructure plan for Africa, called A newspaper report said: 'Away from the glare of the multi-nation "One Belt, One Road" (OBOR) initiative at Beijing, India and Japan plan to soft launch their own Asia-Africa connectivity project this month. Like OBOR, the Indo-Japanese plan is also predicated on a race for supremacy in the Indian Ocean.'(Bhatacharjee 2017) But the same report elaborates this as mainly a Japanese project, adding: 'The plan as a paper prepared by the Japan External Trade Organisation (Jetro) shows it is still in the drafting stage and at least a year away from being committed to by the concerned countries.' At the African Development Bank (AfDB) meeting held in Ahmedabad in May 2017, Prime Minister Modi announced that India and Japan would work on an 'Asia Africa Growth Corridor' (AAGC). Japan is to commit US$200 billion to this project. 'Three think-tanks - India's Research and Information System for Developing Countries (RIS), Indonesia's Economic Research Institute for ASEAN and East Asia (ERIA), and Japan's Institute of Developing Economies (IDE-JETRO), prepared the vision document for AAGC. They have produced one report on the corridor, and another report is due in a few months… The proposed AAGC seeks to encompass and integrate Africa, India and South Asia, Southeast Asia, East Asia and Oceania.' Further details may emerge when Japanese Premier Shinzo Abe visits India in September 2017. Perhaps the lines of credit that India has advanced to African countries will be linked with this project. PM Modi told the May 2017 AfDB meeting that India 'has so far extended 152 lines of credits worth close to US$8 billion to as many as 44 African countries' (*The Financial Express* 2017).

There is also a Russian International North-South Transport Corridor (INSTC) project, aimed at Russia with the Arabian Sea, which India supports, notionally cutting Mumbai-St. Petersburg transport time from 40 to 20 days, also linking India with myriad Central Asian states (Singh 2017). For India, it avoids any connection with China's BRI, though in practice both would use in part the same rail-links and other infrastructure, especially in Iran. In a way, that appears to square a circle for New Delhi. The catch: little action on the ground at Chabahar, India's only viable point of access. So while nice statements are made from time to time, what is the ground scene? A report in *The Economic Times* of May 2017, written by a correspondent who had visited Chabahar said:

'But then, curiously, one learns from the managing director of Chabahar Free Zone, Abdolrahim Kordi (who studied in Pune and knows India well), that our investments have all been delayed. "It's all on paper and nothing on the ground," he says. The Iranians speculate there is US pressure on India but ask out loud what the alternate route India has to access the region? They say they are not waiting and moving on, but it would be good if India delivered on promises' (*The Economic Times* 2017). Ambassador Shyam Saran said in his speech of 20 July 2017:

> 'One would, however, have hoped that the strategically important Chahbahar port project in Iran and the associated North-South corridor into Central Asia would have been pursued with the single-mindedness they deserve. According to available reports, not much work has been undertaken on the ground so far…' (Saran 2017).

In contrast, on 9 August 2017 *Business Standard* quoted Union minister Nitin Gadkari, who had visited Iran, as saying that India was trying to send 100,000 tons of wheat to Afghanistan via Chabahar, and the civil construction at the port was complete and would be ready for operation in 2018. He added that mechanical equipment for the port is still to be obtained and installed. The contradictions in the above reports leave one perplexed (*Business Standard* 2017a)

From an Indian perspective, Chabahar is simply an entry point to Central Asia. Transporting containers and commodities northward from that port has to involve first the Iranian rail and/or road network and then other rail and road links; some of these may be China-funded BRI projects, the more so when one moves northward to the other states, including Afghanistan the other 'stans' and Russia.

An Asian Network

To the East of India, we are embarked on an Asian Highway, and eventually even an Asian Railway, but things at the Indian end have moved at a glacial pace. On the plus side there is since 2011 a South Asian Sub-regional Economic Cooperation (SASEC), set up by the Asian Development Bank (ADB) in 2001, covers all SAARC countries except Pakistan and Afghanistan, and ADB acts as its secretariat (Asian Development Bank n.d.). This is in part a virtual entity, more in the nature of a collection of projects. But it has significant achievements to its credit; the countries concerned, with ADB help, have implemented 46 projects worth US$9 billion covering connectivity, energy networks and other forms of cooperation. Example: a project that is going well is the ADB-supported segment of the Asian Highway-2 that joins Nepal with Bangladesh through India's Siliguri corridor. It is likely to be finished in 2018, and the work seems to be going ahead well. This road project is part of an 'Asian highway' that is to link South Asia with SE Asia, and matching that, an Asian railway project is also under slow implementation. China is embarked upon its own North-South connector, a Yunnan to Singapore railway line, which will pass through Myanmar of course. Will that not partially overlap with an Asian railway track? Issues of rail and signalling standards and track size will also come up. UN's regional cooperation body, UNESCAP, based in Bangkok, also has a record of solid work.[6] At the first meeting of the BCIM-Economic Corridor Joint Study Group that was held in Kunming, both ADB and UNESCAP were present and made presentations, offering support.[7]

[6] UNESCAP has long worked for the connectivity infrastructure agenda .At BCIM-EC JSG in Kunming (the first) both ADB and UNESCAP were present and made presentations, offering support.
[7] This information comes from an Indian participant at that meeting.

A different kind of connectivity initiative comes from Taiwan, which is embarked on its 'New Southbound Policy', indirectly to lessen dependence on trade with the PRC, which currently is around US$100 billion, 20% of its total trade, and to diversify its economic connections (Glaser, Funaiole and Jin 2017). Of course, Taiwan does not compare in its capabilities with the PRC or match it in its eco-political prowess, but it is interesting that India is one of the priority targets in this Taiwanese policy.

'Mausam' and Indian Ocean Maritime Links

Mausam (the source word for 'monsoon'), a project to re-envision trans-Asian cultural and historical maritime links between India and the Indian Ocean region was put forward by the Indian Culture Ministry in 2013. The Indira Gandhi National Centre for the Arts (IGNCA) is the implementing agency with the Archeological Survey of India and National Museum as associate bodies (Ministry of Culture, Government of India n.d.). Some initially saw it as an alternative to OBOR, but such assessments missed the point, which was to present historical facts, and reimagine past cultural and maritime links in ways that can serve contemporary requirements. Most of SE Asia, West Asia and the entire eastern seaboard of Africa are relevant to that project. During the reigns of Chola kings Rajaraja Chola I (985-1014) and Rajendra Chola I (1012-1044), India carried out extensive trade with SE Asia. My hometown, Porbandar, located on the coastline of peninsular Gujarat, was for centuries a hub for trade with both the Gulf region and with the eastern seaboard of Africa, which many even forget (Berendse 2004).

Indonesia has its own narrative of its maritime history and is using this to reinforce President Jokowi's contemporary project *Jalesveva Jayamah* ('in the ocean we triumph') (Shekhar and Liow 2014). Of course, Chinese admiral Zheng He's voyages to SE Asia, India and Africa are well documented, representing one more ancient India-China connection. *Mausam* is a modest project, aiming at intellectual exchanges and research via conferences and seminar; it is not remotely an investment of infrastructure building project. Rather little about it has emerged in the media in recent months, but *Mausam* remains a relevant track for cooperation and exchanges among different countries, and for the reinforcement of memory and culture.

Also relevant for India is its domestic Sagarmala project, which gained traction with the September 2016 incorporation of the 'Sagarmala Development Company', to develop better India's 7,500 km coastline and 14,500 km of potentially navigable waterways. Even while the country has invested in port development, via public funds and private investments, is it not painful to realize that not a single container major transhipment hub exists along that vast coastline; India relies on Colombo, Dubai, and Singapore for transhipment. We speak eloquently of the fact of peninsular India's central, strategic location in the Indian Ocean, but we have failed to leverage that to national advantage, owing to poor development planning, and inadequate strategic vision. A press report cites the British High Commission as saying in February 2017 that India's port sector has long been constrained by limited capacity, traditional infrastructure, and poor equipment (Manchanda 2017).

Overseas Financing

It is to be expected that ADB and the World Bank may finance some BRI projects, at least in part. One may expect other export banks run by individual countries to come forward too, as and when BRI projects achieve a higher degree of transparency and openness than has been evident so far. China's clout with international financial institutions and banks will also help in this. It remains an open, evolving issue. Indirectly it ties in with the extent to which China accepts BRI as offering international public goods. This also applies to financing from other bilateral sources, and new sources such as the BRICS Bank, the 'New Development Bank', which has its headquarters in Shanghai.

Will China acquiesce in opening BRI projects to funding from other sources? And will other lenders find sufficient clarity to co-finance them? We will get a clearer picture as and when international institutions come forward to join these projects. AIIB and ADB may be among the first. This awaits further development of the BRI rubric.

Conclusion

Let me begin first a *mea culpa*. My ideas and understanding of BRI, like those of some others, have evolved in the past four years, as this grand schema has unfolded and its amplitude and depth have emerged. Some of what is written in this essay are partly at variance with my past observations. In the real world there is seldom finality to what we assess; as new elements emerge, we should re-examine past standpoints.

FIRST: What is the likely outcome of this ambitious project? How should we assess BRI?

A. Even if around half of the BRI projects reach fruition, the impact will be transformational in the connections, infrastructure and facilities that will be created in Asia, Africa, Europe, and in other regions. How long will these be funded, built and operated by China and/or the countries directly touched by the projects? Or will the logic of connectivity, regionalization and globalization open up participation by many other countries and peoples? Consider also; the implementation will stretch across years, even decades.

B. Questions over economic viability, return on investments, and repayment of loans by the borrowing countries and entities are sure to persist. Countries will observe how events unfold. In fact, Indian analysts have shown that with respect to the CPEC some of the numbers just do not add up (Pal 2015; Rajesh 2017; Jacob 2017b).

C. The China-Pakistan Economic Corridor has many facets, but its outcome is outside our influence. Looking at it, and the rest of BRI actions, solely through the optic of transgression into Pakistan-Occupied Kashmir locks us into a rigid dead-end. We can maintain our position of principle and in other regions, be it Central Asia and to the East of India, we can use new connection routes where they serve our interests, treating them as international public goods.

D. A flexible posture also serves the larger interests of our relations with other countries, who would benefit from with options beyond than those proffered by China.

SECOND: We do need to challenge and rectify China's Silk-Road-OBOR-BRI story.

Ambassador Shyam Saran's 20 July 2017 speech, presented a refreshing approach to understanding China (Saran 2017). Of the rich ideas he presented two are especially relevant to this essay. First, in the framing of BRI as a revival of the Silk Road, China ignores the full panorama of history. The voyages of Megasthenes, Ibn Battuta, Marco Polo, and many others travellers testify to the rich, multiple 'belts' and paths of commerce and idea-migration that have traversed Asia and have existed since the very earliest ages.Should we so easily forget that even before the Christian era, Alexander brought a whole army across from what is today's Greece to the banks of the Indus, or that Persian kings had influence that extended all the way to today's Greece? Pliny the Elder wrote in 77 CE of Indian trade with Rome. Indian ambassadors attended the courts of Roman emperors Constantine and Julian (3rd and 4th century CE).

In those and subsequent years, parallel with the Silk Road there also existed the 'Cotton Road' and the 'Spice Route' – linking different countries and sub-regions, crisscrossing the Asian heartland, Europe, as well as Africa and the Gulf Region. Further, India and China were linked by not just their well-known Silk Roads that are two millennia old and enabled Buddhism to travel from its land of origin to China. There were both the well-known route from North India, via Xinjiang as also a Southern Silk Route via Bihar-Bengal to Yunnan, via Myanmar. Buddhist manuscripts and artefacts went to China, and commercial goods came to India (Sen 2004). There also existed in later years a 'Tea Horse Route' (celebrated in places such as Kunming and Dali, between Yunnan and India, via Tibet, which brought Chinese tea from Yunnan to Tibet, artefacts and semi-precious stones from that Tibet to India, and Indian goods to Tibet and to Yunnan. Consider a different link in another part of the world: in the 17th century, the kingdom of Augsburg in landlocked Bavaria, Germany, home to enterprising merchant families such as the Fuglers, carried out extensive ship-borne and land-route commerce with India and Southeast Asia, on which rich documentation exists in Germany. Further, the *caravanserais*, even the remnants of Indian temples that survive in Central Asia testify to an enduring presence, through the Indian merchants that worked and settled in that region as agents of commerce.

Then there are the rich maritime links across Asia, in which India is the Indian Ocean hub. Clearly, a single uniform narrative focused on the undoubtedly rich commercial and idea exchanges that took place along China-Central Asia-Europe axis, does not capture this diversity and plurality of the many-directional trans-Asian linkages. These subjects call for dispassionate, collaborative international research.

THIRD:

A theme echoed from Ambassador Saran is that there was and remains a vital need for China to consult widely all the other countries, that are touched by BRI, or whatever name we use for recreating in modern idiom and context the ancient trans-Asian and continental linkages. True, China is the principal, and in effect so far the only, investor on BRI projects, and it can claim major credit for all that it has undertaken. But it is not sufficient that Beijing holds consultations with individual countries to sign agreements that flesh out the sinews of such new connectivity. The links and networks being built are *international public goods*, and these are going to be used, directly and indirectly by many others, even countries that are remote from Asia, or Europe. There is thus need for extensive, collective consultation, which has not taken place so far. The BRI Forum meeting of May 2017 does not meet that criterion of open, collective and comprehensive consultation.

FOURTH: The Northeast States – India's Cinderella region:

New Delhi views the NE States in the optic of the India-China border dispute, China's tenuous claim to much of the state of Arunachal Pradesh, and a perceived threat from China. In a monograph that Prof. Patricia Uberoi and I jointly wrote in 2012, the executive summary recommended:

> 'Our aim: new lifelines for the NE States, radically improving infrastructure and connectivity. This must be implemented with NE States' ownership of the Look East Policy, hitherto missing. They must link up with ASEAN neighbours, in economic and cultural terms' (Rana and Uberoi 2012).

I should add that some key facts regarding India's NE States are constantly overlooked. Chief Ministers and other leaders view economic development as the strongest antidote to terrorism, spawned by local separatist movements in some NE states, which have much waned in recent years. On 21 March 2013, Meghalaya Governor, RS Mooshhary inaugurated a conference held in Shillong on India's Look East Policy, organized by the Northeast Council. He was blunt on the real nature of the security issue in NER: 'Impoverished and idle people are the greatest threat to security'.

Assam is the oldest of the NE States, with a relatively robust administration, and a natural leader in this sub-region. Its Chief Minister, Sabananda Sonowal said in a June 2017 interview: 'Our long-term strategy is to develop conductive infrastructure, including air connectivity to ASEAN countries, access to seaports through Brahmaputra and opening of international trade routes connecting Myanmar, Bangladesh, Bhutan, China and other countries. We plan to connect the state through a trans-Asian Highway, and trans-Asian real way network. We are also planning to build an industrial corridor in Assam… This will all be world class infrastructure… We also plan to hold a Global Investment Summit in November this year to start an industrial revolution in the state' (*The Times of India* 2017a). Similar views are advanced across the NE region, i.e. their desire to work with all the countries that lie to its east, especially China.

South Korea is much admired by the people of the Northeast, partly through K-Pop music that has a large following. Japan is also viewed with much favour. India long wanted to work with both countries for developing this region. This has now moved forward, and an India-Japan forum, established to work on strategic infrastructure projects in the Northeast, held its first meeting in New Delhi on 3 August 2017 (Bhaskar 2017). It would be worthwhile to also rethink and accept China's selective participation in projects in this region, at a time when many other Chinese investments in the rest of India are moving forward. This ties in with BCIM cooperation examined below.

FIFTH: We should re-examine BCIM with an open mind:

That acronym covers a sub-regional plan to link and derive economic value out of geographic proximity between India's Northeastern States, Bangladesh, Myanmar and the neighbouring areas of China, especially the province of Yunnan. In a way, that is a small-scale precursor of BRI. The October 2012 Rana-Uberoi monograph had urged:

> 'Connecting the NE with neighbouring countries is an imperative for India. At this historic juncture, we should confidently pursue improved relations with Bangladesh and Myanmar, within an overall framework of regional cooperation… Accept BCIM as a valid regional mechanism, and locus of inter-government actions; actively participate in BCIM-11 (February 2013, Dhaka), and propose a parallel Track I dialogue at the senior official level' (Rana and Uberoi 2012).

As it happened, some things moved forward thereafter. In May 2013 PM Manmohan Singh and Premier Li Keqiang endorsed a project to create a 'BCIM Economic Corridor'; a Track 1 dialogue between the four countries was established to work out further action. An introduction I wrote in early 2017 for *China Report* reads:

> 'In 2015, on the eve of visiting China PM Modi told Chinese journalists in an interview: 'Today, a re-emerging Asia must reconnect its many regions and with the world beyond. Like China, India too is seeking to strengthen connectivity to the East and West. India and China are also working together on Bangladesh, China, India and Myanmar Corridor' (Rana 2015). …The India-China Joint Statement of 16 June 2015 declares: 'The two sides welcomed the progress made in promoting cooperation under the framework of the BCIM (Bangladesh, China, India and Myanmar) Economic Corridor. Both sides…agreed to continue their respective efforts to implement understandings reached at the meeting.' This…may have not told the full story. Experts of the four countries have been working since 2015, but it now appears that there has been some rethinking in New Delhi, perhaps over apprehensions over Chinese investments in India's NE States; this project now seems to be on the backburner (Uberoi 2016). At the same time, India has sought investments from other countries into this sensitive region, notably from Japan and South Korea' (Rana 2017a).

In my surmise, two elements have probably been at play on BCIM issues since 2015. First, some among India's policymakers have long objected to the notion of Chinese investments in the Northeast states; notwithstanding the commitment made in May 2013 that policy has probably been reviewed in the light of China's BRI project. Second, China's attempt to place BCIM under the rubric of BRI – though BCIM predates BRI by well over a decade – was not so wise. It has perhaps given a further edge to New Delhi's rethinking on BCIM. Was it necessary for China to try and fold BCIM within a BRI narrative, and that too while it has been fully aware of strong Indian reservations over CPEC? Again, should that not have awaited consultation among the four BCIM country partners?

In net terms, the NE States are one of the spearheads in PM Modi's Act East policy. But New Delhi has for too long acted as the arbiter of the NE, failing to give to this region the right, available to all Indian states, of determining their own development and eco-political narrative. This is too long and complicated a story to pursue in an essay such as this one, but it is a product of a past terrorist movement in several states in the region, and its strategic location vis-à-vis China. A few conclusions emerge if we consider the NE states in a holistic fashion. 1. Should Chinese investments be allowed in the NE states? Some are adamantly opposed. It is evident that China's actions have not engendered confidence that might counter the security-based opposition to such investments. These include its hostile stand on Arunachal Pradesh and its unilateral yoking of the regional BCIM project into its own self-dominated BRI rubric. At the same time BCIM-EC is an agreed four-country project. It would be prudent to hold off a decision on any Chinese investment proposals – none exist at present as far as is publicly known – and decide on this in a measured fashion. But we do not need a decision in advance of any investment proposal. 2. Active encouragement to investments from Japan and South Korea, and from other foreign potential investors, would create a conducive environment for the economic growth of this region. Here too, as far as publicly known, concrete investments are still awaited. 3. In the name of security, we should not stifle growth private investment proposals in this entire region. This deserves mention as even investments from the rest of India (which the people of the NE region call 'the mainland') are also very few and muted. Overall, while scholars and policymakers engage in security-vs.-growth polemics, economic growth in the region depends almost entirely on public funded projects, business investments remain muted and the region does not nearly connect as fluidly with the rest of India as it ought to. Given the special status that the Modi government has given to Indian states (i.e. provinces), should not more consideration be given to the voice of the NE states?

SIXTH: A gulf between promise and performance cripples India's neighbourhood policy:

Indian foreign policy implementation suffers from serious flaws that are entirely of our own making. Project promises made to neighbours are implemented with gross delay or sometimes become dead letters. In a February 2016 article I had urged: 'Instead of focusing just on the number of foreign agreements signed, the government should consider how to improve their implementation domestically (Rana 2016). A former Indian ambassador wrote: 'The real problem, however, is not of MEA's bandwidth, but of a common foreign policy wavelength in the government' (Raghavan 2016). A leading newspaper editorialized:

> 'Many projects that India promises in the region simply fail to take off, or on needlessly delayed… Plans to build a port for Sri Lanka and a pipeline for natural gas for Myanmar were mooted and then delayed or rejected; in both cases the PRC stepped in and took advantage of the opportunity. Even worse is the situation of the infrastructure connecting India's Northeast to Myanmar's Sittwe port, which is long behind schedule because New Delhi has been tardy in fulfilling its responsibilities' (*Business Standard* 2016).

Shyam Saran addressed this in his 20 July 2017 speech:

> 'The limited human and economic resources which we have, therefore, must be re-directed to securing the neighbourhood. If we find that we are spread thin over regions of lesser consequence, then a re-ordering of priorities may be necessary. I have argued in the past that the very asymmetry which India enjoys in the sub-continent should enable it to emerge as the engine of growth for all its neighbours. It must make urgent structural changes to create an empowered vehicle for the expeditious implementation of projects it has committed itself to in neighbouring countries. This alone can restore our badly eroded credibility in the region.'

India's foreign policy imperative is for greater coherence in the execution of external policy, a better resourced Ministry of External Affairs, and far improved collegiality in the functioning of all the agencies that deal with the full gamut of foreign affairs, including the intelligence agencies. In an article published on 26 February 2017, I quoted an Indian Parliamentary report and wrote:

> 'Shashi Tharoor, as chairman of the Parliament's Standing Committee on External Affairs recently reverted to an issue that his committee had flagged in its May 2016 report …(which) stressed that 'with such limited resources that the objectives of India's foreign policy are definitely going to be compromised' at a time when MEA has to manage India's expanding international engagement… the total expenditure on 187 Indian missions and posts abroad is Rs.2265, a mere 15 per cent of the total. Yet, this is the cutting edge of Indian diplomacy' (Rana 2017b).

We can no longer afford finger pointing or turf struggle between MEA and other official agencies, as has so often happened in the past. We sorely need 'whole of government' actions, predicated on our national interest.

FINALLY: Our view of the neighbourhood, the world and ourselves:

First, consider current India-China relations and then examine the larger picture.The problem over Doklam at the Bhutan-China-India border tri-junction emerged in June 2017 with China's construction of a road, at a plateau pasture that both Bhutan and

China claim. That road became the start of new border tensions. No one has fully explained the rationale for that road – given that Doklam, whether located on the one or the other side of that frontier, does not connect southward to any other place in Bhutan or India. Did China really need that road? Happily, that issue was resolved on 28 August 2017 with parallel but separately worded official statements in New Delhi and Beijing about a withdrawal of troops by both sides, and an end to that controversy.

Analysts in India and abroad parsed the motive behind China's actions. ICS scholars advanced their interpretation. ICS Director, Ambassador Ashok Kantha has pointed out that the action is similar to China's salami-slicing policies in the South China Sea (Mitra 2017a). Ambassador Shivshankar Menon, who chairs the ICS Advisory Board, saw this as a clear attempt to change the status quo (Mitra 2017b). Jabin T. Jacob, Fellow at the ICS, stressed China's interest in weakening the India-Bhutan relationship (Jacob 2017c). These perspectives help us understand the issue. In my view, a deeper intent behind the entire Doklam crisis, given its contrived and indirect shape, probably was to deliver payback for India's gesture in staying away from the BRI Forum of May 2017, and perhaps also its pronouncements at that time. Diplomatic signals are just that because they need interpretation, but they have also to be understood by the intended recipient, and by others.

Now that this phase of border tension has been managed, which is clearly in the interest of both countries, a deeper question persists for India: can we afford to lock ourselves in zero sum calculations in dealing with China?

Zorawar Daulet Singh wrote recently of the divided thinking in New Delhi on China:

> 'The first view is based on an image of intense competition and rivalry and leaves little room for collaboration. The second competing view is based on an image of interdependence where the idea of growth and development cannot occur in isolation from the world's second-largest economy. Both world views have some merit. The problem really lies in India's inability to imagine security more holistically and reconcile geopolitical interests with wider developmental goals… neither of these great powers (US and Russia) is, therefore, likely to buy into a zero-sum Indian interpretation of the initiative' (Singh 2017).

We are not the only country to confront a China challenge. In their own ways, Australia, the major European states, Indonesia, Japan, Russia, South Korea and the US are among the major and significant powers that have to cope with, and adjust themselves to the rapid rise of China to the status of the world's second biggest power, one that is still expanding in eco-political strength at unprecedented pace. The strategy and tactics of each deploy may show some similitude but are also very different. Among all of them, it is perhaps Japan, South Korea and Vietnam whose policies and tactical actions contain elements that are worthy of deeper study in New Delhi, to borrow pointers that might be adapted for better shaping our own responses. In particular, the constancy of dialogue between Beijing and Tokyo, even in periods of great strain in their bilateral relations is striking. When the Chinese media, especially its hyperactive social media, have evoked the history of 'national humiliation' at the hands of Japan to whip up sentiment on their persisting dispute over the Senkaku islands and other issues, Tokyo manages to keep its cool and pursue a range of back-channel contacts with Beijing.

In my view, some of the articles and other analysis published in India on BRI and China-related issues, are tinged with a degree of anger, perhaps a reaction to mendacious comments about India in the Chinese media, plus favourable reactions that China sometimes gets in the global media. What would serve India much better are cool responses that look beyond the day's headline events. We should, by all means, be critical, but surely it is also good to be reflective, not emotional. In July-August this year, the *BBC* embarked on a TV series titled: 'Tales of the New Silk Road' – China has usurped rather well that title and narrative (see, for instance, Jacob 2015, 2017a). The *BBC*'s Prologue to this series declares: '…Some see this new Silk Road as an opportunity, others as a power grab…' (Gracie 2017). My simple point here is that a critical-but-balanced, thoughtful Indian stance would surely command more respect. Even if China does not view many outcomes of BRI as international public goods, nor consult widely as it ought to, we should engage vigorously with other states, not to build an opposing coalition, but to understand perspectives of different countries and factor these into an evolving Indian response. No doors are really closed in such study or re-examination of global or regional issues; the more so on issues directly impinge on our vital, long-term interests.

Our foreign policy decision-making system often privileges hardline postures, as some have noticed in the way we deal with Pakistan, for example. Of course, hard 'realist' perspectives are important and deserve close attention. But we should recall that diplomacy hinges on a comprehensive examination of different viewpoints. It cannot operate exclusively on postures that flow from 'worst case' scenarios. Indeed diplomacy is predicated on a simple, powerful premise that dialogue can resolve, or moderate, most problems, bilateral or regional. Jaw-jaw is better than war-war. In particular, we cannot afford to visualize India as reactive, or lapse into a victimhood posture, as if we are continually dealing with situations created by others. India is an active, agile player in the diplomatic game and we should proactively deal with both adversaries and potential partners. These obvious truths deserve mention because we have not been as dynamic, and *strategic*, in dealing with our neighbourhood as we should be.

Diplomacy today is all about managing complexity. Even among the closest allies, divergences emerge in our 'VUCA world' – i.e. that dominated by volatility, uncertainty, complexity and ambiguity. A profusion of pressing global issues, diverse and urgent, adds further edge to the challenges. No country can afford to let any single issue, or perspective on a particular relationship, to push policy on to a mono-track. As noted by so many, increasingly, cooperation co-habits with competition, contestation and conflict. To permit a single set of issues with China, or even a strategic perspective about the relationship with Beijing, to monopolize global vision and our responses, pushes India into a closed corridor, where options are diminishing, and we find that no other country shares our monochrome vision. Flexibility, adroitness, and comprehensive vision, in both strategy and tactics, serve us much better. We are after all Kautilya's legatees.

REFERENCES

ABC News. 2017. 'Clashes erupt as Sri Lankans protest Chinese Port Deal', 7 January, http://www.abc.net.au/news/2017-01-07/sri-lankans-protest-china-port-deal/8168110

Asian Development Bank. n.d. 'South Asia Sub-regional Economic Co-operation', https://www.adb.org/countries/subregional-programs/sasec

Barendse, Rene. 2004. *The Arabian Seas: The Indian Ocean World of the Seventeenth Century*, Armonk, NY: M.E.Sharpe.

Bhaskar, Utpal. 2017. 'India, Japan join hands for big infrastructure push in Northeast.' *Livemint*, 3 August, www.livemint.com/Politics/8T9Q9wBg1s4JKRwFgChMDO/India-Japan-join-hands-for-big-infra-push-in-Northeast-Indi.html

Bhattacharjee, Subhomoy. 2017. 'Race for supremacy: India, Japan plan alternative to counter China's OBOR', *Business Standard*, 16 May, http://www.business-standard.com/article/economy-policy/race-for-supremacy-india-japan-plan-alternative-to-china-s-obor-117051501273_1.html

Bilal, Saadat. 2017. 'India has nothing to fear from China's Belt and Road', *The Diplomat*, 11 January, http://thediplomat.com/2017/01/india-has-nothing-to-fear-from-chinas-belt-and-road/

Business Standard. 2016. 'Dams and Ports', 7 June, https://www.pressreader.com/india/business-standard/20160607/282037621428366

Business Standard. 2017a. 'Chabahar Port in Iran will be ready next year', 9 August, http://www.business-standard.com/article/pti-stories/chabahar-port-in-iran-will-be-ready-next-year-gadkari-117080801617_1.html

Business Standard. 2017b. 'China jumps to Pakistan's defence after Trump's stern 'safe haven to terrorists' warning', 22 August, http://www.business-standard.com/article/international/china-jumps-to-pakistan-s-defense-after-trump-s-stern-safe-haven-to-terrorists-warning-117082200572_1.html

Debroy, Bibek. 2017. 'A new lunatic express: OBOR projects worldwide are stacking the deck for Chinese enterprises and banks', *The Times of India*, 2 June, http://blogs.timesofindia.indiatimes.com/policypuzzles/a-new-lunatic-express-obor-projects-worldwide-are-stacking-the-deck-for-chinese-enterprises-and-banks/

Eslake, Saul. 2017. 'China's 'Belt and Road Initiative and its implications for Australia', Australia- China Annual Think Tank Economic Dialogue, 18 June, http://www.saul-eslake.com/wp-content/uploads/2017-06-18-OBOR-Beijing.pdf

Gateway House. 2017. 'Geoeconomic pushback to China', August, http://www.gatewayhouse.in/wpcontent/uploads/2017/08/GH_GeoeconomicPushback.pdf

Glaser, Bonnie, Funaiole, Matthew and Jin, Emily. 2017. 'Unpacking Tsai Ing-wen's New Southbound Policy', *The Diplomat*, 1 April, http://thediplomat.com/2017/04/unpacking-tsai-ing-wens-new-southbound-policy/

Gracie, Carrie. 2017. ‘Tales from the new Silk Road’, *BBC*, 15 July, http://www.bbc.co.uk/news/resources/idt-sh/new_silk_road

Grieger, Gisela. 2016. ‘One Belt One Road (OBOR): China’s regional integration initiative’, European Parliamentary Research Service, July, http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586608/EPRS_BRI%282016%29586608_EN.pdf

Jacob, Jabin T. 2015. ‘China’s New Silk Road Diplomacy’, *Organiser*, Vol. 66, No. 46, 17 May, http://organiser.org/Encyc/2015/5/9/Cover-Story--China%E2%80%99s-New-Silk-Road-Diplomacy.aspx?NB=&lang=3&m1=&m2=&p1=&p2=&p3=&p4=

Jacob, Jabin T. 2017a. ‘China in Central Asia: Controlling the Narrative’, *Indian Defence Review*, Vol. 32.1, Jan-Mar 2017, pp. 77-80.

Jacob, Jabin T. 2017b. ‘Deciphering the Numbers: Employment in the China-Pakistan Economic Corridor’, *E-International Relations*, 22 August 2017, http://www.e-ir.info/2017/08/22/deciphering-the-numbers-employment-in-the-china-pakistan-economic-corridor/

Jacob, Jabin T. 2017c. ‘Doklam standoff: Not forgetting Bhutan’, *News18*, 8 July, http://www.news18.com/news/india/opinion-doklam-standoff-not-forgetting-bhutan-1455559.html

Jacobs, Andrew. 2017. ‘China’s neighbouring base in Djibouti worries US’, *The Hindu*, 27 February, http://www.thehindu.com/todays-paper/tp-international/chinas-neighbouring-base-in-djibouti-worries-us/article17374011.ece

Jaipragas, Bhavan. 2017. ‘What new silk road snub mean for Singapore’s ties with China’, *South China Morning Post*, 18 May, http://www.scmp.com/week-asia/geopolitics/article/2094781/what-belt-and-road-snub-means-singapores-ties-china

Kardar, Shahid. 2017. ‘Understanding CPEC’, *Dawn*, 17 July, https://www.dawn.com/news/1345741

Manchanda, Megha. 2017. ‘Sagarmala is the first port of call for specialised firms’, *Business Standard*, 18 August, http://www.business-standard.com/article/economy-policy/sagarmala-is-the-first-port-of-call-for-specialised-firms-117081701128_1.html

Ministry of Culture, Government of India. n.d. ‘Project Mausam’, http://www.indiaculture.nic.in/project-mausam

Mitra, Devirupa. 2017a. ‘Current standoff an attempt by China to change the status quo at tri-junction: Shivshankar Menon’, *The Wire*, 9 July, https://thewire.in/155766/current-stand-off-attempt-china-change-status-quo-tri-junction-shivshankar-menon/

Mitra, Devirupa. 2017b. ‘Six experts views on how India should look at the latest border standoff with China’, *The Wire*, 5 July, https://thewire.in/154449/expert-gyan-india-china-bhutan/

Pal, Satyabrata. 2015. ‘There’s no free Chinese lunch…’, *The Hindu*, 21 May, http://www.thehindu.com/opinion/lead/theres-no-free-chinese-lunch/article7228058.ece

Pattanaik, Smruti. 2015. ‘Controversy of Chinese investment in Sri Lanka’, *Mirror Business*, 12 June, http://www.dailymirror.lk/76113/controversy-over-chinese-investment-in-sri-lanka

Phadnis, Aditi. 2017. ‘Pakistan democracy more than surface deep and messier: Hasnain Malik’. *Business Standard*. 5 August, http://www.business-standard.com/article/international/pakistan-democracy-more-than-surface-deep-and-messier-hasnain-malik-117080501208_1.html

Phillips, Tom. 2017. ‘EU backs away from trade statement in blow to China’s ‘modern Silk Road’ plan’, *The Guardian*, 15 May, https://www.theguardian.com/world/2017/may/15/eu-china-summit-bejing-xi-jinping-belt-and-road

Raghavan, P. S. 2016. ‘In diplomacy, let’s get more focused’, Foundation for National Security Research, 15 July, www.fnsr.org/index.php?option=com_content&view=article&id=15655:in-diplomacy-lets-get-more-focused&catid=276:views

Rajesh, M. H. 2017. ‘China Pakistan Economic Corridor – Current Status with Focus on Energy Sector’, *Journal of the United Service Institution of India*, Vol. CXLVII, No. 607, January-March 2017, http://usiofindia.org/Article/?pub=Journal&pubno=607&ano=2932

Rana, Kishan S and Uberoi, Patricia. 2012. ‘India’s north- east states, the BCIM forum and regional integration.’ Institute of Chinese Studies- Monographs, December, http://www.icsin.org/publications/indias-northeast-states-the-bcim-forum-and-regional-integration

Rana, Kishan S. 2015. ‘India and China: cooperation, competition or contestation?’ *Business Standard*, 16 May, http://www.business-standard.com/article/opinion/kishan-s-rana-india-and-china-cooperation-competition-or-contestation-115051600915_1.html

Rana, Kishan S. 2016. ‘Getting the whole government involved in foreign affairs’, *Business Standard*, 13 February, http://www.business-standard.com/article/opinion/kishan-s-rana-getting-the-whole-government-involved-in-foreign-affairs-116021300844_1.html

Rana, Kishan S. 2017a. ‘India and China in Asia’, *China Report* Vol. 53:2, March, 87-106.

Rana, Kishan S. 2017b. ‘Why India needs smart diplomacy’, *Business Standard*, 25 February, www.business-standard.com/article/opinion/kishan-s-rana-why-india-needs-smart-diplomacy-117022500708_1.html

Saran, Shyam. 2017. ‘Is China-centric world order inevitable?’ Institute of Chinese Studies Lecture Series, 20 July, http://www.icsin.org/activity/show/is-a-china-centric-world-order-inevitable

Sen, Tansen. 2004. *Buddhism, Diplomacy and Trade: The Realignment of Sino-Indian Relations 600-1400*, University of Hawaii Press.

Shekhar, Vibhanshu and Liow, Joseph. 2014. ‘Indonesia as a Maritime Power: Jokowi’s vision, strategies and obstacles ahead’, Brookings Institution, 7 November, https://www.brookings.edu/articles/indonesia-as-a-maritime-power-jokowis-vision-strategies-and-obstacles-ahead/

Singh, Anita. 2017. ‘Russia and India: Reading between the lines’, *Business Standard*, 22 June, http://www.business-standard.com/article/opinion/russia-india-reading-between-the-lines-117062201278_1.html

Singh, Zorawar. 2017. ‘A great wall of paranoia’, *The Hindu*, 18 May, www.thehindu.com/opinion/lead/a-great-wall-of-paranoia/article18475163

Su, Xiaochen. 2017. ‘Why Chinese infrastructure loans in Africa represent a brand new type of Neo-colonialism’, *The Diplomat*, 9 July, http://thediplomat.com/2017/06/why-chinese-infrastructural-loans-in-africa-represent-a-brand-new-type-of-neocolonialism/

The Economic Times. 2017. ‘Inside Chabahar, the Iranian port city that borders Pakistan and where alleged spy Kulbhushan Jadhav was based’, 14 May, http://economictimes.indiatimes.com/news/politics-and-nation/inside-chabahar-the-iranian-port-city-that-borders-pakistan-and-where-alleged-spy-kulbhushan-jadhav-was-based/articleshow/58663212.cms

The Economist. 2017a. 'China goes to Africa', 20 July, https://www.economist.com/news/middle-east-and-africa/21725288-big-ways-and-small-china-making-its-presence-felt-across?fsrc=scn/fb/te/bl/ed/chinagoestoafrica

The Economist. 2017b. 'Why India and Pakistan hate each other', 22 July, https://www.economist.com/news/special-report/21725099-three-score-and-ten-years-after-their-acrimonious-split-india-and-pakistan-remain

The Financial Express. 2017. 'African Development Bank can unleash real potential of India-Africa cooperation', 24 May, www.financialexpress.com/economy/african-development-bank-can-unleash-real-potential-of-india-africa-cooperation/682724

The Hindu. 2017. 'Sino-Pak Highway, a one-way street?' 03 August, http://www.thehindu.com/todays-paper/tp-international/sino-pak-highway-a-one-way-street/article19411384.ece

The Japan Times. 2017. 'Japan and 'One Belt, One Road', 24 June, http://www.japantimes.co.jp/opinion/2017/06/24/editorials/japan-one-belt-one-road/#.WYxgE4rhV2Y

The Times of India. 2017a. 'Assam's vision is to be a gateway to Southeast Asia… open trade routes connecting Myanmar, Bangladesh, Bhutan, China', 12 June, http://blogs.timesofindia.indiatimes.com/the-interviews-blog/assams-vision-is-to-be-gateway-to-southeast-asia-open-trade-routes-connecting-myanmar-bangladesh-bhutan-china/

The Times of India. 2017b. 'China to curb 'irrational' OBOR spending overseas', 19 August, https://www.pressreader.com/india/the-times-of-india-mumbai-edition/20170819/282419874366921

Tian, Jinchen. 2016. 'One Belt One Road: Connecting China and the world', Mckinsey & Company, July, http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/one-belt-and-one-road-connecting-china-and-the-world

Trading Economics. n.d. 'China Foreign Exchange Reserves', https://tradingeconomics.com/china/foreign-exchange-reserves

Uberoi, Patricia. 2016. 'Moving Forward on Parallel tracks? A New Perspective on the BCIM Initiatives', Institute of Chinese Studies *Working Paper*, September, http://www.icsin.org/publications/moving-forward-on-parallel-tracks-a-new-perspective-on-the-bcim-initiatives

Wissenbach, Uwe and Yuan Wang. 2017. 'African Politics meets Chinese Engineers: The Chinese built Standard Gauge Railway Project in Kenya and East Africa', SAIS-CARI *Working Paper*, No.13, June, http://www.sais-cari.org/s/SGR-v4.pdf

ICS OCCASSIONAL PAPER *Back Issues*

ICS Occasional Papers showcase ongoing research of ICS faculty and associates on aspects of Chinese and East Asian politics, international relations, economy, society, history and culture.

Issue No/ Month	Title	Author
No. 15 Aug 2017	Acquisition of Syngeta by ChenChina: Implcations and Lessons for India	Alagu Perumal Ramasamy
No. 14 Jul 2017	China's Global Internet Ambitions: Finding Roots in ASEAN	Dev Lewis
No. 13 Nov 2016	Exploring Trade and Investment Patterns of ASEAN in Africa: Are they limited by the Bigger Asian Powers?	Veda Vaidyanathan
No. 12 Sep 2016	China's Maritime Silk Route and Indonesia's Global Maritime Fulcrum: Complements and Contradictions	Sanjeevan Pradhan
No. 11 Aug 2016	China, US and Rebalancing towards Southeast Asia: The Case of multilateral Arrangements in the region	Renu Rana

Principal Contributors to ICS Research Fund

TATA TRUSTS
Development Partner

सत्यमेव जयते
MINISTRY OF EXTERNAL AFFAIRS
GOVERNMENT OF INDIA

INDIAN COUNCIL OF
SOCIAL SCIENCE RESEARCH

GARGI AND VIDYA
PRAKASH DUTT FOUNDATION

JAMNALAL BAJAJ
FOUNDATION

PIROJSHA GODREJ FOUNDATION

ICS PUBLICATIONS

ANALYSIS

A short brief on a topic of contemporary interest with policy-related inputs.

OCCASIONAL PAPER

Platform for ongoing research of the ICS faculty and associates.

MONOGRAPH

Authored by the faculty, also emerging from research projects and international conferences.

WORKING PAPER

Draft paper of ongoing research.

JOURNAL

In its 53rd year of publication, *China Report* is a quarterly refereed journal in the field of social sciences and international relations. It welcomes and offers a platform for original research from a multi-disciplinary perspective in new and emerging areas by scholars and research students.

INSTITUTE OF CHINESE STUDIES
8/17, Sri Ram Road, Civil Lines,
Delhi-110054, INDIA
Tel: +91 (0) 11 2393 8202
Fax: +91 (0) 11 2383 0728
http://www.icsin.org/
info@icsin.org

twitter.com/ics_delhi
In.linkedin.com/icsdelhi
youtube.com/ICSWEB
facebook.com/icsin.delhi
soundcloud.com.ICSIN
instagram.com/icsdelhi