



The China Symposia

(A series to develop a broader and deeper multi-dimensional understanding of China)

Session on

What does China's Global Economic Strategy Mean for Asia, India and the World?

With a focus on China's 'One Belt One Road' Initiative

30 September 2015

Time: 5:45 pm – 7:15 pm

Venue: India International Centre, New Delhi

The Institute of Chinese Studies in collaboration with the Ananta Aspen Centre and the India International Centre launched 'The China Symposia', first in the series of six events to be held in the coming months. The China Symposia is a series with the aim of developing a broader and deeper multi-dimensional understanding of China. The first symposium was titled 'What does China's Global Economic Strategy Mean for Asia, India and the World', with its focus being on China's "One Belt One Road" Initiative. The distinguished speakers included Ambassador Shyam Saran (Chairman, Research and Information System for Developing Countries and Senior Fellow, Centre for Policy Research), Mr. Ravi Bhoothalingam (Founder and Chairman, Manas Advisory and Honorary Fellow, Institute of Chinese Studies) and Ms. Suhasini Haider (Diplomatic Editor, The Hindu). Ambassador Kishan S. Rana (Honorary Fellow, Institute of Chinese Studies) chaired the one and half hour session.¹

In his opening remarks, **Ambassador Kishan Rana** sought to get a sense of the current state of China by posing a few relevant questions with regards the recent economic slump and the OBOR initiative. He asked whether the economic slump was indicative of the start of a meltdown or perhaps a signal of 'middle income trap' or just a blip on the country's

¹ See the 'programme details' for detailed bios of the speakers and the chair.

economic development? With regards the OBOR, he argued that it is a brilliant move to serve its own interests, and enhance regional connectivity and asked the panelists and the audience members to probe the issue further and to ask what should India do about it?

Ambassador Shyam Saran gave a comprehensive overview of the OBOR initiative, including its maritime silk route and the belt and road strategy. In his view, the China-Pakistan Economic Corridor (CPEC) is significant because of Gwadar port's (Pakistan) strategic importance where both maritime and land routes will meet. He quoted China's Vice Premier Zhang Gaoli, 'OBOR is not about creating a physical infrastructure only, it will give impetus to trade liberalization, increase financial integration and improve people to people ties. It is a systematic project to fulfil development needs of the developing countries. Jointly building OBOR is another advantage of this multilateral initiative'. He emphasised, the Road is tilted to South East Asia and destined to Europe, thus connecting the vibrant economies of Asia and Africa. China is focusing on deployment of key projects in key countries to ensure the export of its high technology goods. The OBOR will also allow China to utilise its unused overcapacity lying idle. The project will entail huge financial underpinnings, supported by the other Chinese initiatives, the Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB) and a dedicated Silk Road Fund. China is also expecting further financial integration with European economies, and has signed an agreement with European Union to this effect.

Drawing on implications for India, he cautioned, 'India should participate selectively and study how it will affect its economy'. He observed that China has created a geo-strategic realm, with Europe at one end and East Asia at another. He proposed that India is the only country that has the capacity to carve-out its own route in the Indian Ocean. However, he also mentioned that recently there has been some talk about India launching a Spice Route, a Cotton Route and even a Mausam project. In this context, he emphasized that India must focus on 'few but strategically key routes and ports along its adjacent seas and islands to safeguard its most important equities' and not spread itself too thinly while responding to the OBOR. Further, as China has demonstrated amazing ambition and imagination, India must also take forward the 'Ganga-Mekong Cooperation' and develop the Andaman and Nicobar Islands into a trading hub.

Ravi Bhoothalingam termed OBOR as a 'prosperity proposition' for India. He referred to current Indian dilemma whether to accept China's invitation to join the OBOR or not. His

presentation delved into the history of the Silk Route and its significance in order to understand its relevance and significance today. He began by giving a brief overview of India's connections to the historical silk route. He mentioned that apart from supplying cotton, spices and textiles, the Silk route was responsible for exporting Buddhism from India to China and elsewhere. He further discussed the economic salience of the route and Indian role in various transactions. He emphasized the usefulness of focusing on the processes as it has lessons for us today. According to him, the merchants from Multan and Sindh were the most active on this route. The secret of their success was building trust with the local people. Their risk management was good and they never believed in rumours. Quoting an editorial published in the *Business Standard* titled, 'Movement of goods in South Asia is 85 per cent costlier than South East Asian countries', he argued that joining OBOR will create additional infrastructural capacities in India. India can also become a knowledge hub, similar to how it flourished during the days of Nalanda and Taxila University that saw movement of scholars across countries.

He suggested 'second mover' approach for India as far as acceptance of China's invitation to join the OBOR is concerned. India should first watch how its neighbours are joining OBOR and if it joins with an 'enterprise venture', it will be win-win for both countries.

Sahasini Haider, a journalist who has travelled on many parts of the OBOR route began her presentation with a question, 'Is it about soft power or an iron fist in a velvet glove?' She recalled the many challenges in India-China relations that came up in the last one year one after another, such as the border skirmishes during President Xi Jinping's visit to India. She explained that her presentation is an attempt to provide a journalistic view of the whole issue given her presence at different junctures in official India-China meetings and leadership visits, which provided her with the opportunity to witness many of the issues closely and track their evolution. Apart from being present in India at the time when President Xi travelled to India last year, she informed that she was also in China when Prime Minister Modi was visiting China earlier this year. The OBOR was an important issue of discussion during both these visits. She also recalled her trip to Tibet in August 2014 as a part of a SAARC journalists delegation where she was asked by one official about how was India disposed towards the OBOR. For her, this indicated their seriousness on the matter early on.

She lamented India's tepid response to the OBOR. India keeps asking for more details on OBOR and China has provided a list of proposed projects that will cover 66 countries and

two-third of world population. She believed, apart from Russia, India will be a big asset for China. Commenting on the CPEC, she reaffirmed that India has every right to object, as it passes through disputed areas. However, she also argued the significance of the corridor for China's quest for energy as currently 80 per cent of its energy imports passes through the 'Malacca Strait'. Now, with pipelines passing through Central Asian countries, its reliance would decrease on existing trade route.

Discussion

During the question and answer session, Ambassador Rana asked all speakers to think about what should India do with regards China's OBOR invitation to India. Amb Shyam Saran emphasized the importance of not losing sight of the strategic dimension of the OBOR initiatives. He suggested that India must start to develop its own strategy while selectively participating in some aspects of the OBOR. Alternatively, India may use Chabahar port in Iran to gain access to Central Asian countries and Russia. He also put forward the idea of developing Andaman and Nicobar Island as 'pivot' for Bay of Bengal. It may be noted that China has also offered to invest in Chabahar port that India is developing in Iran. He concluded that 'OBOR is yet to be rolled out and it may take another 25-50 years before being fully implemented. There is enough room to expand our space'.

To the same question, Ravi Bhoothalingam held that rejecting China's offer to join OBOR, will display India's lack of confidence. Responding to a question on the increasing bilateral trade deficit with China, he suggested, 'India must study its export potential in the Chinese market. There are many commodities that we can produce at more competitive rates than China'. Suhasini Haider stated, 'If we can work as one unit, India must join OBOR'. She believed that the OBOR and Chinese presence in the CPEC could be harnessed to have a positive impact on India-Pakistan relations. In this context, she argued that it is high time to strive for a 'South Asian Identity' by increasing collaboration among South Asian countries'. Replying to a question on 'String of Pearls', she clarified that it is a formulation of think-tanks based in Washington, and that China has never thought of this.

In his concluding remarks, Ambassador Rana stated that we cannot simply exhibit lack of ambition, when opportunity is lying on the table; we should act with vision. Chabahar port can open new gateways to Central Asian countries and other countries are also willing to join this initiative. Further, India must look forward to expedite connectivity with East Asian countries via Myanmar. He acknowledged that there are quite a few challenges, as to how to

connect Northeast India with the rest of India. Further, a single tax regime will bolster trade prospects in India, but it has been grossly delayed. Lastly, he thanked the distinguished speakers and the audience for the vibrant discussion, participation and attention.

About the China Symposia

The 21st century is marked by the unprecedented growth of China, which has made significant progress over the last decade in sustaining and broadening its economic development. According to the World Bank, China is the second largest economy and is increasingly playing an important and influential role in the global economy. In fact, China's leaders have embarked on a conscious strategy to reshape the economy of Asia and the world to their advantage.

Under the leadership of President Xi Jinping, the "One Belt, One Road" is the most far-reaching initiative that China has ever put forward. Through this project, China is planning to alter the region's economic architecture, patterns of regional trade, investment and infrastructure development. The ambitious project plans to connect China with Europe and Africa by road, rail and sea by a network of transport and industrial corridors. This session, first in the series under "The China Symposia", will feature experts from diverse fields who will evaluate the opportunities and challenges for India of China's 'Silk Road' economic strategy.

Disclaimer

This report is a summary produced for purposes of dissemination and for generating wider discussion. All views expressed here should be understood to be those of the speaker(s) and individual participants, and not necessarily of the Institute of Chinese Studies.