2nd India Forum on China @ GOA

CHANGING DRIVERS OF CHINA’S ECONOMY

7-9 DECEMBER 2018

REPORT

Organised by
Institute of Chinese Studies & Konrad-Adenauer-Stiftung

In cooperation with
Goa University
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The India Forum on China @Goa, hosted by the Institute of Chinese Studies (ICS) in collaboration with Konrad Adenauer Stiftung (KAS) and Goa University, is being developed as an annual conference where eminent scholars, practitioners and policymakers hold in-depth deliberations on a topical theme pertaining to China in an Indian setting and keeping in mind Indian perspectives.

The ICS, Delhi and the India Office of KAS had organized the 1st India Forum on China @Goa at International Centre Goa on 15-16 December 2017 in cooperation with the University of Goa to explore the theme of “Deciphering China’s Quest for Global and Regional Leadership”. The 1st IFC @Goa brought together renowned scholars and practitioners from India and abroad to discuss and debate a wide range of issues. Given that it was held shortly after the 19th Congress of the Communist Party of China, the deliberations and outcomes of the Congress too informed the discussions at the Forum.

The 1st Forum explored the relationship between China’s comprehensive national power and its leadership ambitions defined in explicit terms at the 19th Party Congress. Arguments pertaining to China’s ambitious Belt and Road Initiative, its efforts to fashion new institutions like the Asian Infrastructure Investment Bank (AIIB), its growing soft power capabilities and technological prowess, its increasingly expansive definition of the country’s ‘core interests’ as well as nationalistic temperament were considered. The Forum dwelled on the limitations and constraints faced by China in the pursuit of its regional and global aspirations. The geopolitical impact of China’s expanding military capabilities, its evolving security doctrines, and its assertive behavior were examined as well. The implications of China’s readiness to offer the Chinese path as worthy of emulation by other developing countries were also discussed. The report of the conference can be accessed on the ICS website.
Encouraged by the success of the first forum, the ICS and KAS convened the 2nd India Forum on China @Goa from 7 to 9 December 2018 in partnership with Goa University. As this year marks the 40th anniversary of China’s reform and opening up, the theme of the conference is ‘Changing Drivers of China’s Economy’. China’s economic growth has long driven the global economy, boosted global trade, and led its strategic engagement with the world. Domestically, its development strategies have ushered the largest cohort of people out of poverty ever in the world and transformed the lives of its 1.3 billion people. With an economy of $13 trillion, China is closing in on the world’s largest economy, the US, while assuming the reins as the world’s largest trading nation, manufacturer and foreign exchange reserve holder, among other feats, over the past two decades. Recognizing that emerging economies are prone to falling into the ‘middle-income trap’ as also understanding the perils of continued fast-paced growth on sustainability of the development process, China embarked on a determined programme for structural rebalancing for orderly and managed deceleration since 2013. To study the contours of this evolving scenario and determine its outcomes for the world and India, the 2nd IFC @Goa looked at four broad sub-thematic issues of relevance for India and the world under the rubric of ‘Changing Drivers of China’s Economy’.
Structural Rebalancing of China’s Economy: Progress and Spillovers

The legitimacy of the Chinese Communist Party is pegged to its economic growth. After four decades of accelerated growth, the Chinese development process was increasingly perceived by leaders as unsustainable and unbalanced. Multiple rebalancing efforts have since been introduced, based on a long-term strategic programme addressing most sectors of the economy. These include movement from investment to consumption, stressing domestic over external demand, directing coastal-led growth to hinterland hubs, reduction in debt levels, shift from manufacturing to services, enhanced infusion of technology and R&D, and so on. A key intention was also to reduce the role of state owned enterprises (SOEs) and enable greater market freedoms, though in reality the SOEs have again acquired greater salience under Xi Jinping’s state-led development strategy.

This process of rebalancing has expectedly taken its toll on the Chinese economy, which has expanded at below 7 per cent for the last three years – a significant deceleration from the levels of around 10 per cent earlier. Signs of adjustment are apparent in rising consumption levels, slowing investments, and emergence of services for high-wage employment. Tertiary output is beginning to outpace secondary output and the share of exports and investments in the GDP is falling. Nevertheless, China has a long struggle ahead since reforms necessary for smooth rebalancing such as targeting inefficient enterprises and reducing the debt overhang, promise to be tricky. Pockets of troubles have arisen in various parts of the economy such as shadow banking, industrial overcapacity, continued dominance of SOEs, and others.

China's economic rebalancing is expected to have significant international spillovers, including on demand for natural resources, manufacturing supply chains, and so on. In a global economy characterized by complex interdependence, rebalancing by its second largest economy must be subjected to intense scrutiny by all economic agents. The 2nd IFC @Goa had brought together experts to provide perspectives on the implications of the ongoing changes in the Chinese economy for India and other players. How the restructuring will be achieved while dodging the ‘middle income economy trap’ under the scenario of an aging population was debated by the speakers at the Forum. The pressing question of what a confrontation with the US in the economic domain portends for a smooth rebalancing was also discussed.

Xi Jinping’s Innovation-Driven Development Strategy: 13th Five-Year Plan, Made in China 2025, AI 2.0 and More

In his political report to the 19th Party Congress in October 2017, Xi Jinping highlighted the importance of the strategy to revitalize the country through science, education and innovation driven breakthrough, and the strategy of civil-military fusion. In recent months, he has stressed the importance of reducing dependence on foreign technology in key sectors and making China a global leader in innovative scientific development by 2050. The 13th Five-Year Plan initiated major programmes for science and technology for global leadership in 2030. China’s expenditure on scientific research is now second only to the United States.
These targeted policies have delivered a massive rise in the number of patent applications, journal articles on scientific research and expenditure on R&D, apart from creating a more conducive environment for startups and intellectual property rights. ‘Made in China 2025’, with a focus on ten strategic industrial sectors, aims to convert China from just a ‘manufacturing hub’ to a ‘manufacturing superpower’. It targets aligning with the German ‘Industrie 4.0’ to develop new technologies based on digital transformation such as Artificial Intelligence (AI 2.0), additive manufacturing, robotics, new energy automobiles, automation, big data, new materials, biomedicine and so on. This has since been supported by a range of interventions designed to synchronize progress in science and technology with commercialization of R&D.

For advanced nations, hitherto the torch-bearers of technology evolution, these strategies are of concern, especially since they involve transfer of technologies from global investors in return for market access, deemed as unfair practices by them. China insists that its strategy is in line with global norms and would not deter the technological prowess of established tech giants such as the United States, Germany, Japan and South Korea. The latter have highlighted perceived violation of WTO rules and regulations regarding technological substitution. They are also concerned that in pursuit of its goal of grooming ‘national champions’, China is practicing discriminatory industrial policies and leveraging the role of the state and the size of its market. The USA and its allies are now taking concerted steps to constrain the ability of Chinese companies in acquiring stakes in technology-rich firms. Technology has emerged as an important dimension of the intensifying trade and tariff disputes between China and the US.

The 2nd IFC @Goa facilitated a discussion among experts to better understand the nuances of the technology mission of China and its implications for India and the world. The speakers debated on China’s institutional capacity to innovate further; evaluated the progress of the ‘Made in China 2025’ initiative; and examined the implications of China’s growing technological prowess for the ongoing modernization of its armed forces. Can authoritarian, top-down modes of governance adequately facilitate the ambitious innovation missions undertaken by China? In what tech sectors is China poised to surpass the US and the West? Are any of these sectors associated with a broad expansion in total factor productivity? How do trade and investment contestations with the US impact China’s ability to innovate? These are some of the questions that were explored during this segment.

**Belt and Road Initiative: Reimagining External Drivers of Growth?**

Launched five years ago, the BRI, or yi dai yi lu, is the signature initiative of Xi Jinping which has been backed by huge resources. It involves the construction of infrastructure projects around the world, supported by loans and investments from China. It is part of President Xi’s grand strategy under his ‘China Dream’ to connect Asia, Africa and Europe with China for trade and investment under the rubric of the ‘Silk Road Economic Belt’ (SREB) and ‘21st century Maritime Silk Road’ (MSR) made up of overland transport routes, maritime shipping routes and a network of ports. Over 70 countries are now associated with it, comprising half the world’s population and a quarter of the global GDP.

The BRI has created useful infrastructure in recipient countries with several pragmatic considerations linked to a number of agendas – China’s connectivity agenda, the quest for new
growth engines for its slowing economy, utilisation of its surplus capacity, development of new markets, and the desire to develop and stabilise its western regions. However, it is also being seen as a geostrategic initiative by China aimed at shaping its periphery and carving out a continental-cum-maritime space with China as the central player. It seeks to promote economic integration through physical and non-physical connectivity, and gradually extend China’s economic and political influence.

The loans and investments are not without their associated or perceived risks. There are growing apprehensions about the BRI’s modalities, lack of transparency, the risk of the recipient countries falling into a debt trap, the hardwiring of connectivity and the centrality of China (‘All roads lead to Beijing’). Sri Lanka was compelled to hand over Hambantota port to Chinese entities on a 99-year lease due to its inability to service the Chinese debt. Pakistan, where the flagship project of the BRI, termed ‘China Pakistan Economic Corridor’ (CPEC), is being promoted with an expected outlay of $60 billion, is facing severe financial stress, partly due to the CPEC projects. Malaysia has recently cancelled or postponed BRI projects in excess of $22 billion because of doubts about their economic viability and its repayment capacity. The new government in the Maldives has expressed its concerns about the viability of some of the Chinese funded projects and the country’s ability to handle the resultant debt burden.

The progress and reverberations of the BRI was a critical theme at the 2nd India Forum on China @Goa, including in terms of outcomes in India’s neighborhood. These layered dimensions, replete with the economic and political elements of the BRI, was explored by experts at the Forum. Special attention was afforded to the European/Eurasian component of the BRI, the interface between the BRI and the Eurasian Economic Community, and the evolving partnership between China and Russia. In another session, the Forum focused on the role of the BRI in the developing economies of Asia and Africa, with particular emphasis on the unique modalities of the CPEC.

Unfolding Economic and Strategic Contestation: China and the USA

A significant characteristic of global affairs in the 21st century is the introduction of national-strategic competition to the multifarious dimensions of the economic domain. On the trade front, concerns have proliferated in the USA over its burgeoning trade deficits with China, culminating in a spate of tariff impositions and concerns of ‘neo-mercantilism’ and technology disputes. Screening processes for Chinese investment entering the US and EU have been strengthened amidst fears that Chinese capital is a route for enabling the transfer of competitive and sensitive technologies to the Party-State and entities controlled by it. A debate is raging within the Western policy-making ranks regarding the trade-off between free market values and national security.

The resultant tariff ‘wars’ threaten to disrupt the carefully crafted global supply chains of previous decades, while leading to immense negative spillovers for global trade and emerging economies. President Trump has imposed additional tariffs on $34 billion of imports from China in July, adding a further $16 billion import list in August, and escalating with tariffs on $200 billion in September. There are now increased tariffs between 10 per cent and 25 per cent on US imports of $250 billion from China, with plans for increasing tariffs to 25 per cent for all those imports in January
2019, unless there is a breakthrough in the talks on the trade and economic differences between the two countries. The USA has also proposed levies on another $267 billion in imports from China. China had retaliated with tariffs on up to $60 billion of imports from the US. On both sides, the escalating tariffs and economic actions are being seen as part of a larger strategic contest between China and the USA. There is talk of a new ‘Cold War’ as the USA is seen as preparing to jettison the decades-long policy of ‘constructive engagement’ with China and instead treat it as a ‘strategic rival’ and a ‘revisionist power’. The Forum brought expert perspectives on the looming trade and investment disturbances in a broader strategic context and how the world and India will be impacted. The speakers discussed the extent to which trade and investment contestations can spill over into the military-strategic domain, and find expression in the construct of a ‘Free and Open Indo-Pacific’. The Forum also explored what these contestations mean in the context of China’s perceived challenge to the liberal international order. Forum also explored what these contestations mean in the context of China’s perceived challenge to the liberal international order.

**China’s Role in Changing Global Growth Paradigm: Implications for India**

Global growth is back robustly for the first time after the Global Economic Crisis, strengthening on the back of an improving US economy and better management of vulnerabilities in other leading economies. Within this environment, China’s deceleration bears huge significance since it has been a leading growth engine of the world for two decades, particularly since its entry into the WTO. While the IMF expects India to emerge as the fastest growing major economy in place of China, the relative sizes of the two economies imply that China will continue to dominate growth even after slowdown. Nevertheless, implications of the relative slowdown of China’s economy reverberate across areas such as demand and prices of raw materials, presence of a huge capacity overhang in China’s industrial sector, rising wages in China and shifting global manufacturing chains, among others. The rise of a vast sector of an increasingly mobile Chinese population makes it a source for global tourism and consumption. The BRI (discussed above) is creating a China-led network of ports, highways and other infrastructure, and creating connectivities across the land and maritime domains with China as the anchor.

The opportunities for India arise across several domains. It can capture part of the global manufacturing supply chain with greater domestic industrial competitiveness, while additionally leveraging the increased appetite of Chinese investors and overseas tourists. It can also attract higher investments from third countries seeking to move out of China. The emergence of the Regional Comprehensive Economic Partnership (RCEP), which is now on the immediate horizon, will further offer new potential for India, provided it manages its domestic economy with greater strategic foresight. Indian businesses too must calibrate their strategies to respond to China’s economic and technological shifts. On the other hand, the gap between China’s and India’s economies are expanding, particularly in the technology field where China’s determined missions are gaining traction. There are also concerns in India about its strategic space being squeezed by China’s activism and assertiveness in its periphery.

The Forum examined the experiences of the two economies with an intention to understand implications of China’s expanding role in the economic domain and help develop strategic responses for the future of the Indian economy within a changing global economic paradigm.
PROGRAMME

DAY ONE - FRIDAY, 7 DECEMBER 2018

1630-1700 Hours: Registration & Tea/Coffee

1700-1830 Hours

INAUGURAL SESSION

National Anthem

Opening Remarks:
Amb. Ashok K. Kantha, Director, Institute of Chinese Studies (ICS)

Welcome Address:
Mr. Pankaj Madan, Deputy Head of Konrad-Adenauer-Stiftung, (KAS) - India Office

Keynote Address:

Remarks and Introduction of Chief Guest:
Prof. Varun Sahni, Vice-Chancellor, Goa University

Inaugural Address by Chief Guest:
Her Excellency Smt. Mridula Sinha, the Governor of Goa and Chancellor, Goa University (TBC)

1830-1900 Hours: Tea/Coffee Break
A series of shifts across parameters instituted by President Xi Jinping define the structural rebalancing of China’s economy. The dimensions of rebalancing extend to shifting from external growth drivers to domestic forces, less reliance on investments and greater focus on consumption, lower share of manufacturing and building up services, structural reforms on the supply side, reform of the SOEs, pledge of giving ‘decisive role’ to the markets in the economy, enhanced stress on technology, and shift in geographies from coastal-led growth to revitalizing the hinterland. The session will examine the progress in these parameters, discuss challenges in the Chinese economy ranging from debt overhang to growth deceleration, and assess how these will play out for India and the world. How successful has China been in grappling with these challenges? Has China’s growth story landed it in a ‘success trap’? Can China’s high growth continue apace or will the Chinese economy slow down? How will China reconcile the two seemingly contradictory guiding principles of a ‘decisive role for markets’ and the ‘dominance of SOEs’? These are some of the questions that may be covered in the session.

Chair:
Amb. Nalin Surie, Distinguished Fellow, Delhi Policy Group and Former Ambassador of India to China

Speakers:
Prof. Manoranjan Mohanty, Honorary Fellow and Former Chairperson, ICS: Xi Jinping and China’s Success Trap

Prof. Chen Zhiwu, Director, Asia Global Institute and Victor and William Fung Professor in Economics at the University of Hong Kong: The SOE Dominance and its Implications for Structure and Directions of China’s Economy

Dr. Arvind Virmani, President, Forum for Strategic Initiative, Former Chief Economic Advisor, Ministry of Finance, Government of India (GOI) and Executive Director, International Monetary Fund (IMF): China’s Growth Deceleration, Tariff War and Future Prospects

To lead discussion:
Prof. Anoop Singh, Member, XV Finance Commission of India and Former Director, Asia-Pacific, IMF

2030-2130 Hours: Dinner Reception
DAY TWO: SATURDAY, 8 DECEMBER 2018

0900-1045 Hours: SESSION 2

Xi Jinping’s Innovation-Driven Development Strategy

China’s determined focus on attaining global leadership in innovation, science and technology, and research and development is aimed at strategically developing and commercializing its advanced technology engagement. The innovation-driven development strategy is a personal passion of President Xi Jinping, comprising of diverse programs such as the 13th Five-Year Plan which outlines major S&T innovation projects for 2030; Made in China 2025 which identifies ten strategic industrial sectors; the AI 2.0 project which seeks to position China as the world’s primary AI innovation center by 2030; civil-military fusion; and other R&D programs. China’s ambitious state-led strategy in the technology sector has also led to concerns about the pursuit of an ‘industrial policy’ and triggered a measure of pushback by the USA and others. In this session, speakers will outline the contours of this rapidly evolving strategy and explore its impact and implications for India and other countries and the global economy and strategic landscape. It may also throw open questions such as: Can China innovate successfully notwithstanding perceived constraints linked to the nature of its polity and system? To what extent is technological advancement tied up with Xi Jinping’s political position? How prominent is the element of techno-nationalism in China’s innovation strategies? To what extent is China dependent on foreign sources of technology in its drive to innovate? What are the implications of innovation and technology in China’s military modernization?

Chair:
Mr. Ravi Bhoothalingam, Honorary Fellow and Treasurer, ICS

Speakers:
Prof. Krishna G Palepu, Ross Graham Walker Professor of Business Administration, Harvard Business School, Harvard University, USA: Can China Innovate?

Amb. Anil Wadhwa, Former Secretary (East), Ministry of External Affairs and Former Ambassador of India to Italy, Thailand, Poland, Oman: Made in China 2025 - Is it on Track?

Lt Gen. (Dr.) S L Narasimhan, Member, National Security Advisory Board, GOI, Director, Centre for Contemporary Chinese Studies, New Delhi: Innovation and Technology in PLA’s Modernisation

Dr. Manoj Joshi, Distinguished Fellow, Observer Research Foundation: China’s Technology Imperatives

To lead discussion:
Mr. Santosh Pai, Partner, Link Legal India Law Services and Adjunct Fellow, ICS

1045-1115 Hours: Tea/Coffee Break
This session will continue discussions on the ongoing transitions in the Chinese economy, looking at structural balancing, changes and challenges in the provincial-level dynamics. What is the scorecard on China’s structural rebalancing? To what extent do GDP growth targets incentivise over-investment by provincial authorities and impede structural rebalancing? What would a slower rate of growth imply for the legitimacy of the CPC and Xi Jinping? What’s the salience of civil-military fusion in China’s growth strategy? These are some of the questions that may be covered by panelists in the session.

Chair:
Prof. Ashwani Saith, Professor Emeritus, ISS, Erasmus University, Rotterdam

Speakers:
Prof. Anoop Singh, Member, XV Finance Commission of India and Former Director, Asia-Pacific, IMF: Status and Challenges of China’s Structural Rebalancing

Prof. Arthur Ding, Professor Emeritus, National Chengchi University, Taipei: Nexus of National Security, Technology, and New Growth Model of Civil-Military Integration

Dr. Jabin T. Jacob, Associate Editor, China Report, Adjunct Fellow, National Maritime Foundation: Chinese Provinces and Development Strategy: Innovation, Rebalancing and Globalisation

To lead discussion:
Amb. Ashok K. Kantha, Director, ICS

1245 - 1345 Hours: Lunch
Launched in 2013 by President Xi, the Belt and Road Initiative (BRI) was envisaged to meet multiple objectives of building infrastructure overseas, deploying excess Chinese industrial capacity, and linking inland China with new growth geographies, as well as more strategic goals of expanding China’s regional and global footprint and influence. Five years on, the model appears to be evolving in unforeseen ways. The session will explore the BRI’s significance as an external growth driver for China and could possibly explore questions such as: Can China and Russia ‘synergize’ the BRI and the Eurasian Economic Union? How are the perceptions about the BRI changing in Europe? Is the BRI sustainable as a model? What role is the BRI expected to play in generating business for China’s construction companies and in utilization of its excess capacity? What are the implications for India of these developments?

Chair:
Amb. Shyam Saran, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister’s Special Envoy, GOI

Speakers:
Amb. P. S. Raghavan, Convenor, National Security Advisory Board, India, Former Ambassador of India to Russia: Xi’s BRI Meets Putin’s Greater Eurasia: Implications for India

Prof. Aleksei Maslov, Director, Faculty of World Economy and International Affairs / Head, School of Asian Studies, Higher School of Economics, Moscow: Eurasian Initiatives vs. Belt and Road: Sustainability of Chinese Model

Prof. Christian Wagner, Senior Fellow, German Institute for International and Security Affairs (SWP), Berlin: European Perspective and the Changing Discussions on the BRI

To lead discussion:
Ms. Suhasini Haidar, Diplomatic Editor, The Hindu

1515-1545 Hours: Tea/Coffee Break
This session will take stock of the BRI five years after its launch, looking at its progress, challenges and prospects, with special reference to the China Pakistan Economic Corridor (CPEC), its flagship project, and the experience of the ASEAN countries and Africa. What’s the status of the BRI in Asia and Africa five years after its launch? Is there a growing pushback to the BRI in the developing world? Has South-South cooperation in the form of BRI initiatives in Africa prompted changes in North-South cooperation? How should alternatives to the BRI be formulated in order to facilitate greater competition in the global market for infrastructure? How does one ascertain whether a military-strategic element exists in a particular type of infrastructure project? What are the drivers of the CPEC and its likely future trajectory? Questions such as these may be brought up during the session.

Chair:
Prof. Alka Acharya, Professor, Centre for East Asian Studies, SIS, Jawaharlal Nehru University, Honorary Fellow/ Former Director, ICS

Speakers:
Dr. TCA Raghavan, Director General, Indian Council of World Affairs and Former Ambassador/ High Commissioner of India to Pakistan and Singapore: CPEC: New Wine in New Bottles

Amb. Kishan Rana, Emeritus Fellow, ICS and Former Ambassador/High Commissioner of India to Algeria, Czechoslovakia, Kenya, Mauritius, Germany: BRI in Asia & Africa: A Mixed Bag

Prof. Jamie Monson, Director of African Studies, Michigan State University: China’s Belt and Road Initiative in South-South Development: Lessons from Africa

Dr. Tran Viet Thai, Director of the Center for Regional and Foreign Policy Studies, Institute for Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam: Five years of BRI and its Prospects in the New Context

To lead discussion:
Dr. Garima Mohan, Research Fellow, Global Public Policy Institute (GPPi), Berlin

1930-2100 Hours: Dinner hosted by Prof. Varun Sahni, Vice-Chancellor, Goa University
Unfolding Economic and Strategic Contestation: China and the USA President Trump has taken on the Chinese trade juggernaut and imposed additional tariffs on $34 billion of imports from China in July, adding a further USD 16 billion import list in August, and escalating with tariffs on $200 billion in September. There are now increased tariffs of between 10 per cent and 25 per cent on US imports of USD 250 billion from China, with plans for increasing tariffs to 25 per cent for all those imports. Trump has also talked of levies on another $267 billion in imports from China “ready to go on short notice”. China has retaliated with tariffs on up to USD 60 billion of imports from the US. This intensifying trade dispute is more than about trade; it is also linked to a broader strategic competition between China and the USA. Maintaining control and leadership over high end technology trade is emerging as a key frontier in this strategic contestation. No early resolution of these differences is on the horizon, though some hope for a ‘truce’ has been generated with the meeting planned between Trump and Xi at G-20 summit in Buenos Aires on 30 November. The ripple impact of these developments on global trade and supply chains as also on the strategic context will be significant. The session will discuss the ramifications and the likely trajectory of this “economic war” and escalating strategic rivalry between China and the USA. A few of the questions that may be explored during the session include: How will this escalating tussle impact China’s economic restructuring? What kind of punishment is China likely to inflict on US firms doing business in China if there is no ‘truce’ in its trade war with the USA? Will the broader strategic rivalry between China and the USA continue to escalate even if there is some forward movement on their differences on trade and economic issues? Have we entered a qualitatively new phase in the Sino-US relations? Is China challenging the ‘liberal order’?

Chair:
Dr. Jayant Dasgupta, Former Indian Ambassador to WTO and Former Trade Negotiator, GOI

Speakers:
Prof. Chuang Yih-Chyi, Distinguished Professor of the Department of Economics at National Chengchi University, Taipei, Taiwan: The US-China Trade War and China’s Economic Restructuring

Prof. Heribert Dieter, Senior Associate, Global Issues, German Institute for International and Security Affairs, Berlin: The Inevitable Confrontation: China’s Contest of the Liberal Economic Order

Dr. V S Seshadri, Former Ambassador of India to Myanmar and Slovenia, Senior Trade Negotiator, GOI: China and the US: Exploring the Trade Dimension and the Outlook

To lead discussion:
Prof. Jamie Monson, Director of African Studies, Michigan State University

1030-1100 Hours: Tea/Coffee Break
For three decades now, China has been a global growth driver. While its contribution to global growth remains significant, rebalancing of its economy, its ambitious efforts to craft new external drivers for its economic development and advance its strategic ambitions through Belt and Road Initiative, its determined efforts to emerge as a global technology and innovation leader, its escalating trade and technology differences with the USA, likely changes in the global value chains and conclusion of the Regional Economic Comprehensive Partnership (RCEP) are likely to refashion growth forces of the world and India. The implications of these developments for India will be taken up in this session and questions examined during this session could include: What are the implications for India of the new situation that is emerging as a result of the developments referred to above? How does India deal with security and economic dynamics of its engagement with China in this new situation and under the scenario of increasing capability gap? What would China’s growth slowdown and the continued restructuring of its economy mean for India’s economy? What effect would the proposed RCEP have on economic interactions between China and India?

**Chair:**
Amb. Deepa Gopalan Wadhwa, Member, Governing Council, ICS and Former Ambassador from India to Japan, Sweden and Qatar

**Speakers:**
Amb. Shyam Saran, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister’s Special Envoy, GOI: **Dealing with Asymmetry: Balancing Security and Economic Imperatives in India-China Relations**

Mr. Ananth Krishnan, Brookings India: **New Agents of Influence: The implications of ‘Going Out 2.0’ and China’s tech wave on relations with India**

Prof. M Suresh Babu, IIT Madras: **India, China and Global Growth: Some Implications**

**To lead discussion:**
Mr. Siddharth Varadarajan, Founding Editor, The Wire

1230-1330 Hours: Lunch
1330-1430 Hours: VALEDICTORY SESSION

Chair:
Prof. Varun Sahni, Vice Chancellor, Goa University

Summing up of Deliberations:
Dr. Garima Mohan, Research Fellow, Global Public Policy Institute (GPPi), Berlin

Valedictory Address:
Amb. Shivshankar Menon, Chairman, Advisory Board, ICS, Distinguished Fellow, Brookings Institution, Former National Security Adviser and Foreign Secretary, GOI: India and China in the New Situation

Closing Remarks:
Amb. Ashok K. Kantha, Director, ICS

Proposed timings are as follows:

Keynote and Valedictory Addresses – 30 minutes each

Other sessions:
Opening remarks by Chair – 5 minutes
Opening remarks by Speakers – 10 to 12 minutes
Lead Discussant – 5 to 7 minutes
FULL REPORT OF IFC 2

The 2nd India Forum on China @Goa was hosted by the Institute of Chinese Studies (ICS) in collaboration with Konrad Adenauer Stiftung (KAS) and Goa University from 7 to 9 December 2018. Eminent scholars, practitioners and policymakers held in-depth deliberations under the rubric of the theme ‘Changing Drivers of China’s Economy’ and in the context of the 40th anniversary of China’s reform and opening up. The broad themes discussed were – Structural Rebalancing of China’s Economy: Progress and Spillovers, Xi Jinping’s Innovation-Driven Development Strategy: 13th Five-Year Plan, Made in China 2025, AI 2.0 and More, Belt and Road Initiative: Reimagining External Drivers of Growth?, Unfolding Economic and Strategic Contestation: China and the USA, and China’s Role in Changing Global Growth Paradigm: Implications for India.

The inaugural session began with opening remarks by Amb. Ashok K Kantha, Director, Institute of Chinese Studies (ICS) who dwelt on the success of the last forum and underscored the importance of developing an annual platform with the participation of China experts from India and abroad to study trends and developments in China in an Indian setting. He remarked that China is undergoing multiple transitions – politically, economically and diplomatically – the outcomes of which are often unclear, but need to be understood. In this context, IFC has the potential to develop into a platform that facilitates an objective, well-informed, in-depth, structured yet informal, and free dialogue on a major theme pertaining to China by a relatively compact gathering of eminent academics, practitioners and policymakers.

The welcome address delivered by Mr. Pankaj Madan, Deputy Head of Konrad-Adenauer-Stiftung, (KAS), India Office, also touched upon China’s ubiquitous influence in geopolitics, making it imperative to continue developing IFC as a critical forum. He discussed the centrality of China in any conversation on international political economy and the need for a more thorough analysis of the country. He also highlighted the efforts of KAS in India to further this conversation and contribute to it.

The keynote speech was delivered by Prof. Ashwani Saith, Professor Emeritus, International Institute of Social Studies (ISS), Erasmus University, Rotterdam and was entitled ‘Socialism, Pioneer of Capitalism – and Global Power: The Latent Leitmotif of Chinese Development?’. The title of his talk was based on Bill Boran’s book (1980) which argued that imperialism was the pioneer of capitalism. To elaborate, this line of thought contends that imperialism broke down the constraints to capitalistic development and unleashed forces of production leading to a more meaningful capitalist development under the state.

Prof. Saith used the same argument to say that socialism is the pioneer of capitalism for China but ‘with Chinese characteristics’.
Using several examples, he also brought forth the idea that there was a ‘zig-zag pattern’ in Chinese policy making. With respect to the ‘agrarian question’ that was put to test during the period from 1949 to 1978 –

“How do you develop the countryside, what do you do with the peasantry? How do you get agriculture to contribute to industrialization?”

– he argued that rapid changes were put in place in the institutional condition of agriculture, going from very quick reform into different types of cooperatives and a very quick communization of the entire countryside. These changes were extreme and rapid, and contributed to the great leap forward and the great Chinese famine. Later, the new reforms in 1982-83 again entrusted land back into the hands of the peasants. This ‘zig zagging of institutions’ as policy instruments is also evident in the case of the BRI.

Prof. Saith argued that the core function of Chinese policy and all its institutional mechanisms are geared towards “discovering or releasing new forms of accumulation sources”. In the case of the BRI, he argued that institutions and policies are being used very instrumentally for accumulation. Merely looking at the BRI as an outlet for excess capacity in China, for instance, misses out the big picture that BRI is “a long term strategy by the Chinese”. While analyzing the various BRI projects, it is critical to calculate the rate of return on large-scale infrastructural investments, as returns are crucial to ensure that these investments are productive. However, Beijing will need a certain degree of political cover to intervene politically or militarily in order to ensure that the viability, usage and sustainability of these projects remain unaffected. The BRI hence is a ‘high risk strategy’ with a mechanism that limits the influence of other powers in the region. With its transnational linkages, the risk factor extends to not only China and the domestic economies it encompasses, but also the world at large. “If China sneezes at this point in time, the rest of the world would certainly catch a very heavy cold”.

At the same time, he contended, the “synergy and symbiotic relationship between the US and the Chinese economy” could act as an “underlying insurance for keeping some sort of stability in the global framework”.

Thus, with China stepping in, managing the global economy is a “joint issue” in the new order. While China has the capacity to handle its internal constraints – environmental, social and the rest – its ability to maintain a global network at high productivity levels requires Beijing’s political intervention, which given the political opposition it faces, is a daunting task.

**First Session**

The first session was entitled ‘Structural Rebalancing of China’s Economy’ and was chaired by Amb. Nalin Surie, Distinguished Fellow, Delhi Policy Group and Former Ambassador of India to China. Prof. Manoranjan Mohanty, Honorary Fellow and Former Chairperson, ICS, was the first speaker and presented on ‘Xi Jinping and China’s Success Trap.’ The second speaker Prof. Chen Zhiwu, Director, Asia Global Institute and Victor and William Fung Professor in Economics at the University of Hong Kong, spoke about ‘SOE Dominance and its Implications for Structure and Directions of China’s Economy.’ The last speaker in the session, Dr. Arvind Virmani, President,
Forum for Strategic Initiative, Former Chief Economic Advisor, Ministry of Finance, Government of India (GOI) and Executive Director, International Monetary Fund (IMF), gave a macroeconomic analysis of ‘China’s Growth Deceleration, Tariff War and Future Prospects’. The lead discussant for this session, Prof. Anoop Singh, Member, XVth Finance Commission of India and Former Director, Asia-Pacific, IMF, joined the dots between the presentations and drew attention to salient points of debate.

The structural reorientation of Chinese economy is by no means a recent phenomenon. It started at the beginning of the century, the impact of which was visible only by the second term of Hu Jintao’s presidency. The success story that has followed is very clear as per capita income of US$250 in 1980 crossed US$8000 last year. However, this exponential growth has come at a cost, including a range of inequalities: income inequality, urban-rural inequality, regional disparity and gender disparities. “China today is one of the most in-egalitarian societies of the world, even more than the US and India”. Numerous measures undertaken to address many of these problems have failed to make any headway.

China actually is in an unenviable situation, which was described as ‘the success trap’. It was postulated – given that the structural logic of the path of development that has unfolded in China is unlikely to change, it will find itself unable to get out of the ‘success trap’. Therefore, it was argued, the success story and the success trap needs to be contextualized, especially at a time when the Party’s supremacy extends to every realm. The call for aligning of ideology with politics since the 6th plenum (2016) onwards, and the further call for alignment with Xi Jinping Thought in every sphere is something that demands attention. The new military policy under the Party leadership and Xi Jinping’s personal command are also evidence of that. Similarly, the ongoing debate over letting the market play a decisive role in resource allocation, misses the big point – as one speaker pointed out, “If the markets play a decisive role, what is left for the Party to control?”

In addition to the ‘success trap’, China is also faced with what was termed as the ‘agency trap’.

To elaborate, China’s growth story is a result of the reforms it initiated forty years ago, which not only raised China’s status in the world, but also resulted in improved livelihoods and many other successes stories. Further, the party-state in China derives its legitimacy from the legacy of the reforms. Following this line of argument, the path of reforms is irreversible as the party-state finds itself in a situation of ‘agency trap’. While China will be a great modern power by 2050, it will be confronted with many serious social, political and environment challenges – domestically as well as globally – with the success trap continuing in the Xi era”.

The ‘Chinese model of growth’, which has usually been equated with the neo-classical model, was described as ‘predatory party capitalism’. The session dwelled on the history of the evolution
of the China model. China initially adopted the socialist economic model where 100 per cent of the assets were owned by the Party. This percentage decreased gradually and partly shifted to Party members; hence the term ‘Party Capitalism’. Ironically, however, China’s huge economic successes in the past four decades did not particularly reduce its dependency on the outside world, including its access to high technologies and markets for innovation. Additionally, China has had the biggest expansion in credit as a percent of GDP, at 89 per cent compared to the world average of 27 per cent. The World Bank has separately estimated that 40 per cent of the global expansion in credit occurred in China. “The credit bubble, which burst partially in 2015, has revived and is predicted to burst again by early 2019”. The tariff war would act as a trigger for the bursting of the credit and adversely affect China’s ability to manage the credit-bubble burst.

The desire to achieve restructuring to make it less dependent on industries and manufacturing and investments and more dependent on the service sector and private consumption also needs to take into consideration the restructuring of SOE’s. However, there are inherent political contradictions that make it difficult to reform SOEs as they have become important instruments for the Party to control society. Moreover, as the SOE members and executives are appointed by the Party, they are considered to be more reliable and accountable to the Party. Regardless, the role of the private sector in China’s economy has also been evolving. While one speaker stated that the private sector contributes more than 50 per cent of revenue, 60 per cent of GDP, 70 per cent of technological innovation, 80 per cent of urban employment and 90 per cent of new jobs and new firms, another contended that the private sector gets roughly 40 per cent of all debt and other kind of financing, indicating a certain extent of resource misallocation and inefficiency. “What if the 40 per cent financial resources had been allocated to the financial sector? Wouldn’t that make the whole economy more efficient, more productive?” he argued.

**Second Session**

**Mr. Ravi Bhoothalingam**, Honorary Fellow and Treasurer, ICS, chaired the second session entitled ‘Xi Jinping’s Innovation-Driven Development Strategy.’ Speaking first, **Prof. Krishna G Palepu**, Ross Graham Walker Professor of Business Administration, Harvard Business School, Harvard University, USA, raised the fundamental question: ‘Can China Innovate?’ Next, **Amb. Anil Wadhwa**, Former Secretary (East), Ministry of External Affairs and Former Ambassador of India to Italy, Thailand, Poland, Oman, spoke on the topic ‘Made in China 2025 - Is it on Track?’ **Lt Gen. (Dr.) S L Narasimhan**, Member, National Security Advisory Board, GOI, Director, Centre for Contemporary Chinese Studies, New Delhi, was the third speaker and gave a presentation on ‘Innovation and Technology in PLA’s Modernisation’. The last speaker, **Dr. Manoj Joshi**, Distinguished Fellow, Observer Research Foundation, touched upon ‘China’s Technology Imperatives’. The lead discussant for this session was **Mr. Santosh Pai**, Adjunct Fellow, ICS and Partner, Link Legal India Law Services.

The centrality of innovation to Xi Jinping’s Development strategy was put in perspective by a speaker who stated that

“If China is going to grow, it needs to include innovation”.

The sustainability of any kind of decent growth trend will involve ‘cracking the innovation equation’ because China has ridden the curve of productivity growth rate for over 30 years in a spectacular
fashion. Some experts opine that rising labour costs and a new generation with very little interest in toiling in factories forced this new track of development. The manufacturing sector had reached a certain bottleneck, products had reached market saturation and it was hard to keep sales buoyant in sectors requiring little innovation or high tech development. Coupled with this, “China is pursuing state led acquisition of US sensitive tech for strategic reasons”. Also China’s working age population is expected to fall sharply by 2030 as a result of the one child policy. So when this policy was announced in October 2015 the Chinese Ministry of Industry and Information Technology published a roadmap that laid out self-sufficiency targets in key sectors. Interestingly, of the huge amount of funds allocated for research – 350 billion USD – over 47.7 per cent is from the private sector while 21.3 per cent was provided from the government. “What you see in China today is not something which has come up overnight, it is something which has been developed since the 1980s”, argued one of the speakers. Another noted,

“Acquiring technology is always a trait of developing countries; China has made it into a fine art”.

It is important, however, to distinguish between innovation and technological breakthroughs. “For example, Steve Jobs and his team have brought out several new technologies, but very few of them can be classified as innovations”. Broadly speaking, innovation can be classified into two categories: market led and technology led.

Given that China has declared its intention of moving its economy from exports to consumption, it has in place a sophisticated long-term strategy emphasizing development of an indigenous high technology capacity. Towards this end it has begun shifting from being an assembler of high tech components to a maker of supercomputers, aircrafts and is focusing on becoming a world leader in AI, quantum communications, computing, biotechnology, electrical vehicles among others. However, there are reasons to be skeptical of China’s transition into an innovative society. For one, it is an authoritarian regime where freedom of thinking is restricted. The education system is very conforming in its orientation. “As innovation by definition is breaking rules and thinking out of the box, there is a fundamental contradiction about China being innovative”. That said, there are several individual examples of companies that have found phenomenal success with market led innovation. Alibaba, for example, with its Alipay feature succeeded in creating an economy where trust is scarce. The innovation here is the fact that they were successful in “creating trust among strangers so that they are actually able to do business with each other”. One of the many ingredients that China has that could help in this process is its human capital. With Chinese students graduating from the world’s best institutions and returning to China, it is creating a global collaborative innovation chain.
Furthermore, the ways in which the PLA has incorporated this strategy to prepare for future warfare – unmanned, intangible, silent – and transforming ‘informatized wars into intelligentized wars’ was also discussed in depth. This includes developing swarm technologies, high power microwave weapons, laser weapons, and electromagnetic aircraft launch system (EMULS), all believed to be China’s third aircraft carrier. Since the launch of the Mozi (MICIUS) satellite in 2016, there have been reports about improvements made in quantum communications in China. “They have tested Quantum communications between Beijing and Shanghai, as well as, Beijing and European countries, for example, with Rome”. It was pointed out that there is a synergy between research organizations and political and military institutions.

The Civil-Military Integration has facilitated the seamless transfer of thousands of copyrights and patents between the civilian sector and the armed forces.

As elucidated by a speaker, “A critical component of the China Dream is the Chinese Military Dream”.

This exceptional rise in technical capabilities has meant that countries like the US have legitimate concerns of national security and being dependent on Chinese technology. “China has actually reverse engineered or replicated foreign technology very successfully, including the Japanese Shinkansen bullet trains and Russia’s Sukhoi 27 fighter aircraft”. One argued, “As in the past, China will be tactical, nimble and devious. On the surface it will be seen responding to US demand but will be giving government support to other schemes”. Other issues including unfair practices related to intellectual property, data protection, data security, forced technology transfer, and corporate espionage were discussed.

**Third Session**

The third session entitled ‘China’s Economy in Transition: Sectoral and Spatial Dimensions,’ was chaired by Prof. Ashwani Saith, Professor Emeritus, ISS, Erasmus University, Rotterdam. Prof. Anoop Singh, Member, XV Finance Commission of India and Former Director, Asia-Pacific, IMF, was the first speaker and presented on the ‘Status and Challenges of China’s Structural Rebalancing.’ Speaking next, Prof. Arthur Ding, Professor Emeritus, National Chengchi University, Taipei, elucidated on ‘Nexus of National Security, Technology, and New Growth Model of Civil-Military Integration.’ Lastly, Dr. Jabin T Jacob, Associate Editor, China Report and Adjunct Fellow, National Maritime Foundation, gave a presentation on ‘Chinese Provinces and Development Strategy: Innovation, Rebalancing and Globalization’. Amb. Ashok K Kantha, Director, ICS, was the lead discussant during this session.
The speakers agreed that China is at a historic juncture in recognizing the need to shift from high speed to high quality. One of the features of this transition will be accepting a lower growth rate, however the rate of growth has weakened more than originally anticipated and this presents itself as a new challenge. This slowdown needs to be balanced with the reorientation of the economy. Structural changes have to be accompanied by a more flexible exchange rate policy, a new tax structure and other fiscal changes. As China transitions into an aging society, more resources will need to be spent on social sectors, pensions and so on, which will involve diversion of funds from R&D and SOE restructuring, among others.

While discussing the changing interactions between the sectoral and spatial elements, it was argued that although there is intensive Civil Military Integration, there has been limited success with commercialization of technologies that were originally developed by the military establishments. For instance, the GPS Beidou that was created by China Aerospace Science and Technology Corporation was a strong programme, but failed to be commercially viable. One of the speakers highlighted how

“a little innovation might be good to take care of inequality, but in large amounts, innovation increases inequality”.

Alternatively, the reorientation also calls for a more powerful role to be played by Chinese provinces, from platforms of engaging external actors to setting up initiatives. The Wenzhou model, Yunnan model and the Sunan model displays the strong hand of local states. The BRI, for instance, can be seen as “a scaling up of the BCIM or the Kunming Initiative”. However, with increasing clout among the provinces, the central government is undercutting the power of provinces by supporting the growth of cities. Even the human capital that China relies on, especially graduates educated abroad, often return to Chinese cities and not provinces. The central government lets the provinces compete with each other; often, prosperous provinces are seen providing encouragement to interior provinces. While the macroeconomic picture drawn up by the multiple presentations was somewhat pessimistic, the micro picture that was based on ground level feedback, was quite robust.

**Forth Session**

The discussion on the Belt and Road Initiative (BRI) was divided into two sessions, the first of which was dedicated to exploring BRI in Europe and Eurasia. This session was chaired by Amb. Shyam Saran, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister’s Special Envoy, GOI. Amb. P S Raghavan, Convenor, National Security Advisory Board, India and Former Ambassador of India to Russia, gave a talk entitled ‘Xi’s BRI Meets Putin’s Greater Eurasia: Implications for India’. The next talk entitled ‘Eurasian Initiatives versus Belt and Road: Sustainability of Chinese Model’ was delivered by Prof. Aleksei Maslov, Director, Faculty of World Economy and International Affairs and Head, School of Asian Studies, Higher School of Economics, Moscow. Lastly, Prof. Christian Wagner, Senior Fellow, German Institute for International and Security Affairs (SWP), Berlin, spoke about ‘European Perspective and the Changing Discussions on the BRI’. Leading the discussion was Ms. Suhasini Haidar, Diplomatic Editor, The Hindu.
It was generally agreed that finding a definition for the BRI is a daunting task as it has taken on multiple forms as an economic, political and diplomatic initiative.

Chinese commentators have termed it a ‘key priority of great power diplomacy with Chinese characteristics’ but also as an ‘instrument that helps achieve a rational readjustment of the international order, which is an ambitious project’. One speaker argued that, it can also be viewed as an integral part of a key national strategy of reshaping China’s economic geography, to which end, the role of some of the coastal provinces, maritime zones and inland provinces like Xinjiang have been identified. Another speaker pointed out that the BRI was by no means a multilateral initiative but was in essence a series of bilateral initiatives between China and its partner countries. Interestingly, as the arguments pertaining to debt trap diplomacy gains credence, one speaker noted that China’s narrative itself has become somewhat muted and the articulation is not as ambitious as it used to be.

It was also pointed out by one of the speakers that although Russia has its own integration project based on the Eurasian Economic Union (EEU), there are some who support the BRI. The idea of Greater Eurasian Partnership that is based on the EEU was announced by President Putin in 2016 and involves Russia, Kazakhstan, Belarus, Kyrgyzstan, Armenia, other CIS countries, SCO countries, ASEAN, PRC, India, Iran and other interested countries and associations. It shares similarities with the BRI in the sense that it aims to work within an economic framework. He described it as “a partnership that would develop incrementally, streamline custom and non-tariff measures, enable research in hi-tech exchanges – a kind of partnership that would allow for different depths and speeds of economic integration”. This concept however, rests on the centrality of Russia – a continental Eurasian power, rich in natural resources, a P5 member and a nuclear power. Its success rests on two imperatives: rebuilding Russia’s domestic economy and creating a Russia-China partnership, where the former can help the latter achieve its geopolitical ambitions. An agreement was even signed to develop the BRI and the EEU together and make them overlap.

After the Crimean annexation/accession Russia-China strategic partnership has intensified with Russia needing China’s political and economic support to counter the West’s attempt to isolate it. Military cooperation, transfers of sophisticated technology and joint military exercises have become integral components, with a demonstration of the inter-operability of Russian and Chinese troops to mobilize large numbers over vast areas. However, this relationship, according to a speaker, has not evolved into an ‘alliance’ as China does not feel the need to utilize its relations with Russia “to turn it into a two-power condominium in Eurasia”. Additionally, “China has fallen far short of Russian expectations in terms of economic and political support”. Further, China’s investments in Russian BRI projects has not materialized. While one speaker noted that
Chinese companies have been wary in investing in Russia due to the risk of jeopardizing their US businesses, another pointed out that the main investors in Russia are the Netherlands and the US so far. It was also noted that the waxing and waning of the personal camaraderie between President Xi and Putin puts into perspective the fickleness of international affections.

During the financial crisis of 2008, China used the opportunity to invest heavily in Europe. The importance attached to China was visible in the fact that Chancellor Merkel visited Beijing 17 times and Japan only once. Now, many countries in the EU are part of the BRI as they hope to profit from the opportunities. Several speakers pointed to the fact that Volkswagen sells more cars in China than in Europe, and China is the single largest investor in German auto industry. However, another speaker argued that in recent months there has been “a great change in our perception of China” and EU member states will need to balance their strategic needs with the opportunities and challenges that arise from the BRI.

In terms of alternatives to the BRI, in addition to the Russian idea of the EEU, in 2018 EU announced a new connectivity strategy to Asia. It promotes a “sustainable rules based connectivity network with focus on energy, transport and digital network, and human dimension – that is cooperation in education, research and innovation”

At the moment, the EU is “trying to set up funds and according to a speaker, although the EU cannot match China in terms of resources, it “broadens opportunities for other countries for critical infrastructure investments. It also shows the EU is willing to change the international order and reach out to other regional organizations for connectivity”. Initiatives such as the Asia-Africa Growth Corridor proposed jointly by India and Japan also seeks to provide alternatives to the BRI, however there has not been much traction on the project.

**Fifth Session**

The next session on the BRI in Asia and Africa was chaired by Prof. Alka Acharya, Professor, Centre for East Asian Studies, SIS, Jawaharlal Nehru University, Honorary Fellow/ Former Director, ICS. **Dr. TCA Raghavan**, Director General, Indian Council of World Affairs and Former Ambassador/High Commissioner of India to Pakistan and Singapore, spoke on the topic ‘CPEC: New Wine in New Bottles.’ The second speaker, Amb. Kishan Rana, Emeritus Fellow, ICS and Former Ambassador/High Commissioner of India to Algeria, Czechoslovakia, Kenya, Mauritius, Germany, gave a presentation titled ‘BRI in Asia & Africa: A Mixed Bag.’ The third presentation, made by Prof. Jamie Monson, Director of African Studies, Michigan State University, was on ‘China’s Belt and Road Initiative in South-South Development: Lessons from Africa.’ The last speaker, Dr. Thai Viet Tran, Director of the Center for Regional and Foreign Policy Studies, Institute for Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam, spoke about ‘Five years of BRI and its Prospects in the New Context.’ **Dr. Garima Mohan**, Research Fellow, Global Public Policy Institute (GPPI), Berlin was the lead discussant for this session.
The discussion with respect to the difficulty in settling on a definition of the BRI continued well into the second session. One speaker stated that the “BRI for the world is like a screen where we can project what we like – its been called the Marshall plan, investment, excess capacity for infrastructure, soft power tool, and even cult of personality for Xi. BRI was also described as a “vehicle for illegal outflow of capital” with large scale corruption. BRI also takes on the form of an instrument that China is utilizing to create global public goods but in a Chinese led bilateral way, where the partner countries don’t have much leverage. Although it was recognized as a game changer, a speaker argued that the prime drivers of the BRI are mostly strategic and political.

“It represents China’s ambitions to play a greater game under the leadership of Xi and the BRI is a new foreign policy tool”.

Regarding the CPEC, the speaker reminded the gathering about the decades old China-Pakistan friendship. “It is very easy to forget that the China-Pakistan relationship is a very old wine. From the very beginning it has been a policy-driven relationship, no shared cultural space or diaspora involved. The relationship is a strategic one with commonalities of interests”. The strategic and political factors which underwrite the CPEC are much more important than other details. Moreover, CPEC can be viewed as a Chinese instrument to bolster Pakistan in a major way with considerable benefits to itself. “Even now, the CPEC provides Pakistan with a narrative which it otherwise does not wield and is incapable of doing so itself”.

At the FOCAC held in 2018, a majority of African countries joined the BRI. A congruence between the FOCAC and the BRI is being cultivated where the FOCAC lets China integrate African countries with BRI. However, with the exception of a few projects, for existing members, the agreements represent more continuity than change for China-Africa relations. Interestingly, the same year that the BRI was launched, the African Union (AU) put forward a comprehensive development agenda called ‘The Africa We Want’.

“Many of the actual characteristics of the 2063 agenda sound very much like the BRI. Xi, very quickly came forward and linked the 2013 BRI with the 2013 AU agenda. By 2015, at the FOCAC at Johannesburg, China could say that BRI will actively explore the linkages between the SREB, the MSR and the AU 2063 economic integration and sustainable development agenda”.

A speaker explained that although ASEAN countries have signed agreements to join the BRI, there is considerable worry regarding the issue of trade deficits. It was also brought forth that
the level of trust between China and some ASEAN countries was low as “transfer of capital often leads to corruption”. The persistent territorial disputes also added to the turbulent relationship. On a strategic level, ASEAN nations signed two MoUs with China. Notwithstanding, “There is a pessimistic approach prevailing in ASEAN countries and they are reluctant to engage with China, although China has made a lot of efforts to persuade ASEAN countries. China continues to blame negative reports regarding BRI and Chinese predatory economics as western propaganda”.

An alternate point of view of examining Chinese infrastructure building in Africa is not to see China as a direct investor, rather African countries as paying customers for construction services. This would mean that ‘African countries are not investment partners but they are borrowers that are themselves investing those borrowed funds into their own infrastructure sectors’. The challenge regarding Chinese infrastructure development is that a lot of Chinese financing is tied to Chinese contracts so the potential for capacity development is limited.

Sixth Session

The sixth session dealt with the ‘Unfolding Economic and Strategic Contestations’ with the US, and was chaired by Dr. Jayant Dasgupta, Former Indian Ambassador to WTO and Former Trade Negotiator, GOI. ‘The US-China Trade War and China’s Economic Restructuring’ was the first presentation and was made by Prof. Yih-Chyi Chuang, Distinguished Professor of the Department of Economics at National Chengchi University, Taipei, Taiwan. Prof. Heribert Dieter, Senior Associate, Global Issues, German Institute for International and Security Affairs, Berlin presented on the topic ‘The Inevitable Confrontation: China’s Contest of the Liberal Economic Order.’ The last presentation was made by Dr. V S Seshadri, Former Ambassador of India to Myanmar and Slovenia and Senior Trade Negotiator, GOI, and was titled ‘China and the US: Exploring the Trade Dimension and the Outlook’. Leading the discussion was Prof. Jamie Monson, Director of African Studies, Michigan State University.

In 2010, China became the second largest economy in the world; in 2009 the world’s largest exporter of goods; and it has been the world’s largest trading nation since 2013 with Chinese exports amounting to 2.3 trillion dollars last year. This rate of growth has begged the question “what do we mean by the Chinese growth model? Is there any uniqueness of this Chinese growth model?” Panelists argued that the ‘Chinese model’ is in reality a trade induced, investment driven neoclassical growth model, and that there is nothing that is particularly new about it. What sets it apart is that its central plan performs differently from the so-called pure market economies.
This inherent imbalance calls into question the stability of the Chinese economy. “Respected institutions such as the Bank of International Settlements and the International Monetary Fund are increasingly critical of China’s economic stability and they are concerned. Since 2008 China has total debt growing faster than the total economic output, from 2007-2014, debt, total debt, excluding the financial sector, has risen from 158 percent of GDP to 282 percent of the GDP” explained one participant. He added that Martin Wolf, the economics editor for the Financial Times, has said “it’s not just the level of debt that is frightening but the speed with which this debt increased”. Speaking along the same lines, another speaker noted that the inherent contradiction in the rebalancing of China’s economy considering that the “influence of the communist party on the company level was increasing rather than decreasing;’ the state led economy and the participation in the liberal international trading system is difficult and structurally incompatible”.

Although some experts suggested that the US-China trade war is to solve this trade imbalance, some others argued that it is in reality a competition for global leadership in dominating the fourth industrial revolution in technology and innovation. Another contended that China’s licensing restrictions are discriminatory and opaque; that during behindthe-door consultations, companies are forced to part with their Intellectual Property Rights (IPRs). This explains the tariffs imposed by the US on China of US$ 250 billion worth of imports under Section 301, for China’s alleged violation of the IPR regime. According to one scholar “This conflict had to happen at one stage and I don’t expect it to be a short-lived economic war but I do expect it to be a conflict that will be lasting for years”. Additionally, he also stated that there has been a dramatic revision of perception in China and that while the “EU does not share the language of Trump, it shares the goals of Trump”.

However, another speaker drew analogy comparing the trade war to a drinking contest. “A drinking contest which has two dimensions – first, you do harm to yourself by which account you harm your own citizens; and my harming your own citizens, you have to pay more for imports. And the second dimension is, the drinking contest continues until one of the two drops out. That is what we are going to see in this China-US drinking contest”.

“Because of the centrally planned market economy and the opening up of trading, you keep investing, producing and exporting in order to stimulate the open growth of the economy over time. That’s the Chinese growth model, that’s the growth mechanism of the Chinese economy”. However, “this growth model with so-called Chinese characteristics, is actually inevitably leading to an imbalanced economic structure”. According to one of the speakers, “State capitalism in China is combined with a superiority complex. This makes it problematic for the rest of the world”.
The US-China trade dispute manifests deeper differences pertaining to transparency of economic governance and market access, among others. The consequences of this trade war for China, the US and the rest of the world are layered. Although the impact on the United States would be limited and subject to specific regions and specific industries, to China it would be a comprehensive economy and cross-industry impact.

Another expert argued that “there are already signs of nationalism, of extreme political groupings within countries that are opposing open and free trade”. This not only bodes ill for free trade and globalization but also poses a real danger to the existing multilateral trade frameworks and multilateralism, as we know it. The trade war could also erode trust of Chinese citizens on their economy and could even lead them to “lose faith in the economic performance of their country”.

However, larger countries that are dependent on trade can substitute for China and the supply chain is likely to get diverted away from China in some measure. But the smaller nations which are heavily dependent on China as a part of the supply chain will get adversely affected. Speakers at the panel also highlighted that the Chinese system will have to undergo reforms if there is to be some rapprochement with the West, and indeed the rest of the world. This is to say that economic restructuring and political reform has to go hand in hand. “Large-scale privatization of State owned Enterprises is one of the steps that will have to take place, and if and when the Party decides to do it, that is when possibly a rapport can be established”.

**Seventh Session**

Chaired by Amb. Deepa Gopalan Wadhwa, Member, Governing Council, ICS and Former Ambassador from India to Japan, Sweden and Qatar, the seventh session explored ‘China’s role in the changing global growth paradigm and implications for India’. Amb. Shyam Saran, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister’s Special Envoy, GOI, was the first speaker whose presentation was titled ‘Dealing with Asymmetry: Balancing Security and Economic Imperatives in India-China Relations.’ Mr. Ananth Krishnan, Brookings India gave a presentation entitled ‘New Agents of Influence: The implications of ‘Going Out 2.0’ and China’s tech wave on relations with India’. The last remarks on, ‘India, China and Global Growth: Some Implications’, was made by Prof. M Suresh Babu, IIT Madras. The lead discussant for the session was Mr. Siddharth Varadarajan, Founding Editor, The Wire.

One of the critical challenges that confronts India with respect to China is to devise strategies to deal with the growing power asymmetry both in the short and long term. This asymmetry refers to the economic gap as well as the gap in military capabilities of both powers. For instance, China’s economy is valued at about $12 trillion, while India’s is about $2.3 or 2.4 trillion. In terms
of exports, India’s is $431 billion exports, China’s is more than $2 trillion, China claims that the population under the poverty line is about 3 per cent, in India it is more than 20 per cent. Similarly, China’s defense budget is three times higher than India’s. “It is estimated that China currently spends about $150 billion on defence annually while India’s defence expenditure is currently about $55 billion. China’s armed forces are numbered at about 2.25 million, even after the demobilization of about 300,000 recently. India’s is about 1.32 million. China has maybe 200-250 nuclear weapons. India’s is about half of that. Range of China’s latest inter-continental ballistic missile, DF 41, is 12,000km, India’s Agni has about 5000 km range”.

Even the idea of ‘catching up’ seems impossible because even if “China were to record 0 growth hereafter – supposing that the Chinese growth rate completely stopped – India will need to grow at a rate of at least 10 per cent per year, for the next 20 years, to catch up with China”.

However, despite the huge gap that persists, the vulnerabilities that the Chinese economy faces, especially the debt that is estimated to be 280-300 percent of GDP, could trigger a financial crisis. As one participant explained, “there seems to be an inevitability about the financial crisis because in economic history, no country with this level of debt and growing has been able to escape that”.

It was also brought forth that it was unlikely that India or another developing country could replicate the China story.

This is because China’s unique growth trajectory was made possible by a few key elements. Firstly, as land in China is owned by the state, “the change in land-use from agriculture to urban has enabled large amount of money to be mobilized, enabling its usage for infrastructure and the use of land as collateral by local governments which also enabled them to raise huge sums of money”. This source of investible surplus is absent in India as we have not been able to tackle reforms pertaining to land acquisition. Secondly, a policy of financial repression, which was put in place very early on in the reform period, provided a huge pool of savings. Thirdly, in addition to FDI from the West, China also had investments coming from ‘Greater China’ i.e. Hong Kong and Taiwan.

Regardless, the growth of China has created enormous amounts of spill-overs for the developing economies. And if we talk of spill-overs, there is positive and negative spill-overs – the implications of which are slowly unfolding. These spill-overs are largely owing to changes in the global development finance landscape. In the last 25 years or so, China’s growth has changed the entire landscape and complexion of global development finance. The proportion of non-concessional finance has increased more than concessional finance – and that is a problem as far as the developing economies are concerned. This means that traditional lenders who generally provided finance on highly concessional terms have now been completely replaced by the new norm that has been created by China.

With respect to Chinese investments in India, it was pointed out that the big three investors in India are Alibaba, Tencent and Xiaomi – all private players. Given the collapsing of some of the private-state boundaries and distinctions under Xi Jinping, a speaker argued that we should consider treating the Chinese private sector as being similar to the state sector.
“Usually the Chinese state and private sector are two different beasts, under Xi these lines blur, but most tech companies work very closely with the government”.

While it can be argued that tech companies worldwide, including Facebook and Google, work closely with states, the speaker argued that companies like Alibaba and Tencent have a ‘front door’ entry as opposed to the others who might work more covertly.

However, one of the new elements in this new phase of Chinese economic engagement in India is that it has very little to do with the two governments. India’s current Trade and Investment strategy with China has primarily had two areas of focus - opening up China’s market (particularly for IT and pharma) and getting Chinese infrastructure projects and Chinese companies to manufacture in India. Although a lot of energy has been and is being spent in both areas, for various reasons, more efforts have largely failed and are unlikely to bear fruit – mainly because neither suits the objectives or interests of China. Moreover, the speaker reminded the audience that there are wider, longer term concerns of Chinese companies acquiring and controlling stakes in certain Indian start-ups in certain sectors, and although this sector would be difficult to regulate, there needs to be an attempt to create screening mechanisms and policies that overlook these developments.

Although duplicating China’s growth story is improbable, experts pointed out that India could however leverage China’s success to promote its own growth. As the economies of both countries are highly complementary and given that India is the only country in the Asian neighbourhood that has the market and the strength to absorb China’s excess capacity and investment, there are avenues for potential cooperation. However, it was argued that instead of “looking at where the opportunities may arise, where we can grab some market here or there”, what’s necessary is to “fix a very dysfunctional economic policymaking situation”. On the foreign policy front, India balancing its relationship with China and with other powers through JAI (Japan, America, India), RIC (the Russia, India, China), Quad in the Indo-Pacific and SCO on the other flank – may come across as opportunistic, but is a good way of handling this challenge.

**Valedictory Session**

The valedictory session was chaired by the conference’s host **Prof. Varun Sahni**, Vice Chancellor, Goa University. **Dr. Garima Mohan**, Research Fellow, Global Public Policy Institute (GPPi), Berlin, made a crisp summary of the proceedings. Thereafter, **Amb. Shivshankar Menon**, Chairman, Advisory Board, ICS, Distinguished Fellow, Brookings Institution, and Former National Security Adviser and Foreign Secretary, GOI, delivered the valedictory address on ‘India and China in the New Situation.’ Closing remarks were made by **Amb. Ashok K Kantha**, Director, ICS.

**Prof. Varun Sahni** began by pointing out how the expertise of the participants and range of themes covered over the course of the Forum was extensive. Additionally, he argued that the period of laissez faire was over and the emphasis now was going to be on “states re-exercising their sovereign domain”, where economy would form part of the sovereign domain. He stated that the international political system will ultimately be dominated by global markets and global supply chains. Dr. Garima Mohan summarised the event proceedings which covered three key issues:
1. Domestic challenges in China – the need for economic reform: While the macro-economic picture is more pessimistic, granular studies of innovation particularly at the province level paint a more optimistic picture.

2. External challenges – the strategic and security implications of BRI: The Initiative may prove to be a high risk endeavor in the long term with too many differing variables determining its success or failure. China’s changing external role will also have implications for the global order and emergence of bipolarity with the US and China as two key powers.

3. Implications for India, in terms of its bilateral partnership with China including significant investments from Chinese companies and private sector, political partnerships with Chinese provinces were covered.

In her summary, she pointed out that the key domestic challenge for China is maintaining growth and social stability in the face of growing inequality, both urban-rural, regional and provincial, and gender based. With the demographic dividend and export and investment led model running out of steam, the experts provided a largely pessimistic prognosis of whether China will be able to deal with this domestic challenge. These problems will persist because of the structural logic and the path of development China is following, namely, owing to the “success trap”.

Experts argued that political reform is necessary to break out of this structural logic. ‘Xi Thought’, however, is focused more on managing dissent in order to ensure stability and governance, which is a stop-gap arrangement at best. The super capitalist elite in China will not allow change to growth patterns since they have and continue to benefit from the current system and the centralization of all controls with the Party State, and continued dominance of SOEs run counter to relying on market forces.

These factors will make the rebalancing needed in the economy much more difficult, since China needs to reduce its dependence on exports and investment and increase the role of services, the private sector and domestic consumption. While this prognosis is largely negative, China is dealing with issues of domestic consumption and demographic changes through social, economic and political innovations. The role of ‘bureaucrat entrepreneurs’, marketization and new business models need to be explored further before declaring these domestic challenges insurmountable.

Other points brought forth during the discussion included the fact that both market-led and technology-led innovations are clearly visible in China.
In the long run, China aims to be a world-leader in technological innovations, supplanting Western leadership in the field. In the short term it is still dependent on the West for technology transfers.

The impact of the current ‘Western’ pushback against China’s acquisition of foreign companies and access to technology – particularly the 5G debates in Australia, New Zealand and Europe – could be a crucial turning point. Furthermore, PLA modernization is another key theme when analyzing innovation in China. The PLA is preparing for unmanned, intangible and silent warfare. Synergy between government, military, private sector and the Research and Development establishment, ensures innovation. Civil-military fusion is also a key element of this, however spin-on and spin-off effects have not worked as well, as seen in the failure of commercialization of BeiDou systems. Moreover, political, economic and technological innovations in China are often produced at the provincial level and then scaled up. Research shows significant gaps between patents produced by different provinces, with the implication that innovations will not automatically provide a solution to the problem of growing inequality in China.

She also discussed the external challenges facing the BRI in her summary, that it will be difficult for the CCP to control, since the success of the project is dependent on stability along the transit routes as well as in recipient countries. For instance, to ensure returns of investments in BRI projects, forms of political and economic controls are inevitable. Increasing Chinese political influence is quite visible in Europe through forums like 16+1 created with Central and Eastern European countries, undermining EU unity. However, examples of Italy’s growing interest in BRI demonstrates that many European countries are also leveraging their engagement with China and the BRI, to bolster their negotiating position vis-à-vis Brussels and their domestic constituencies. Agency, therefore, lies with countries participating in BRI as well. Additionally, BRI’s impact on the China-Russia relationship, and the visible cracks and fractures in the relationship also illustrate BRI’s political and strategic implications.

Presenters also dwelled on the case studies of Pakistan, Africa and Southeast Asia to investigate whether the BRI is an imperialist and a neo-colonial project. Researchers working on individual cases demonstrated that BRI doesn’t quite create the structures of inequality between metropolitan center and colony, loot of resources, and exploitation. However it is also not quite the developmental, “win-win” project Chinese analysts project it to be. Trade deficit, debt traps, over-reliance on Chinese contractors and companies are common factors associated with BRI projects, which are visible across Southeast Asia, South Asia and Africa. However, largely negative perceptions of BRI within ASEAN countries and China’s charm offensive point to a certain agency within ‘recipient’ countries and also to learning within China. How much leverage do receiving countries have to affect change within BRI practices and projects remains to be examined further.

BRI is also an important window to understanding the implications of China’s rise for the global order.

Experts were split between whether US-China tensions will increase and lead to a de-coupling or whether they will continue a largely symbiotic relationship. Many argued that the recent US-China trade war is inevitable and will last long, as the Chinese state-led economy is simply not compatible with the liberal global economy. However trade also represents a broader strategic calculus and examining the impact of China’s rise on the global order is crucial while weakening of multilateralism, of institutions, and reliance on bilateral and unilateral actions is a growing trend.
This is visible not just in US tariffs but also in calls in Europe to tighten investment screening mechanism, demanding reciprocal market access with China and barriers going up. The German business association – BDI’s – recent statement is an interesting example of this trend. This leads us to larger questions of how to strengthen institutions and about the future of the multilateral order – is the current order worth saving? Or do the impact of players like China mean that it requires a re-conceptualization? This could be investigated at the next year’s forum.

In his valedictory address, Amb. Shivshankar Menon highlighted the promise and the paradox of the current times – an age of contrasts, extremes and rapid change.

“Never before in history has such a large proportion of humanity lived longer, healthier, more prosperous or more comfortable lives. And yet, we have probably never had a stronger sense of standing on the brink of a precipice, of possible extinction and of the fragility of human life — by climate change or nuclear war or violence”. He contended that we are currently ‘in between orders’, from the ‘rule based liberal international order’ to an ‘economically multipolar, militarily unipolar, politically confused order’. The imbalance arising out of this unequal distribution of economic, political and military power is a source of insecurity that actors like the Islamic State and Pakistan exploit.

This transition at the global level is also evident in Asia where the balance of power has shifted. “The continental order in Asia is being consolidated under new auspices and the maritime order in the seas near China is contested”. With China being comfortable on land and seeking primacy in the seas around her, there is an attempt to center both continental and maritime orders on one single power. “While the response of existing power holders like Japan and the US to this shift in the balance has been to tighten the first island chain security and other ties that China sees as containing her, and to seek partners for a “Free and Open Indo-Pacific”, the reaction of other countries in the region such as India, Indonesia and Vietnam has been to balance and hedge against rising Chinese hard power by building military strength and by working together in defence, security and intelligence”. He argued that this natural balancing phenomenon has resulted in the world and history’s greatest arms race in Asia. There is also heightened worry about China’s behavior as a power.

“Will China provide for the security of the commons – the high seas, cyber and outer space – or provide access to her own markets, or build coalitions and work with others to sustain a predictable international order?”

Amb. Menon suggested that based on present behavior and China’s preference to deal with each country bilaterally, the answer to all three questions is ‘no’.
On Asia’s future Amb. Menon noted that there are 3 likely scenarios: “of a regional order centred on a single power, earlier the US, and now China; of an open, inclusive multipolar concert of powers or collective security architecture; or, the pattern most familiar in history, of several powers of varying size and capability contending for primacy and influence and seeking to maximise their individual interests”. According to him, the last scenario is the most likely, the second the most desirable, and the first the least stable or likely.

With respect to India-China relations in the new situation, he stated that the gap between the two has widened in the last thirty years and it is widest in social indicators. “China is about three decades ahead of India on most social indicators, one decade ahead on indicators of income, and about par on digital parameters”.

He added that although India and China have common economic interests in the world economy, their political relations have become more fraught in the last few years. However, it is in the interest of both states to explore whether they create conditions for a new strategic framework for the relationship.

Regarding the US-China trade dispute, the root problem according to Amb. Menon is that “neither can be seen to give way”. However, their economic co-dependence means that, China’s success in its internal restructuring and external quest for primacy relies to a large extent on how it handles the relationship with the US. Additionally he argued that the role of the WTO in the ambit of the ongoing US-China trade tussle is ‘irrelevant’, ‘this is about power, not trade’. Tactically, China-US contention opens up opportunities and space for other powers.

Strategically speaking, “there is opportunity for India’s transformation in the emerging global situation if we take advantage of it”. Lack of ambition is part of the problem in the India-China relationship in the last few years – “our grasp must exceed our reach”.

CLOSING REMARKS

Amb. Ashok K. Kantha, Director, ICS made the closing remarks of the second India Forum on China. He thanked the participants for the fascinating, informative and provocative points of view that were put forth during the two-day forum. He also outlined the roadmap ahead and conveyed that the paper presentations would be collected and published well in time.
POLICY RECOMMENDATIONS

The Chinese economy is in the midst of a protracted rebalancing with a trend-line of slowing growth rate and uncertain outcomes in multiple transitions taking place in the country and in its external quest for primacy. China is faced with the twin challenge of economic and internal reordering and the pushback from the USA and others. This complex process creates both opportunities and uncertainties for India which need to be continuously assessed and responded to in a dynamic fashion.

Given that the ongoing US-China trade, technology and strategic contention is structural in nature and is likely to continue for a long time, it opens up tactical and strategic opportunities for India vis-à-vis both China and the USA and indeed, in respect to the rapidly evolving geopolitical context. How to assess and respond to this situation and take advantage of the greater geopolitical space available will be a primary challenge in India’s external engagement.

As China deals with its primary strategic concern (USA), it might be more inclined to show a greater degree of flexibility vis-à-vis its neighbours, including India. There is already some evidence of such behaviour reflected in the Wuhan informal summit and relative amelioration in India-China relations, though so far, the change appears to be tactical rather than a substantive shift in respect of outstanding issues and concerns between the two countries. Nevertheless, it would be advisable for India to explore the limits of the new flexibility, strive for incremental gains and consider a new paradigm for managing the relationship with China.

It can be argued that the existing strategic framework of the relationship is no longer adequate and that a new framework needs to be developed. This will involve, inter alia, clearer understanding of each other’s sensitivities and respect for each other’s core interests without defining them in expansive terms; incremental progress on outstanding issues and better management of differences; closer strategic consultations on respective international actions, including in the shared land and maritime periphery, and mutual accommodation to the extent feasible; and exploration of new areas of cooperation, bilaterally and on regional, multilateral and global issues.

There is already a critical mass in India’s economic engagement with China but India’s trade deficit is unsustainable. There is a pressing need for an intensive and time-bound dialogue, rather than current routine conversations, on issues like opening up of China’s markets for India’s products and services with comparative advantage; tapping new and fast-growing segments in e-commerce and digital economy as also investment inflows while putting in place requisite safeguards; harvesting low-hanging fruits like two-way tourist traffic; expanding people-to-people links; and exploring relatively undeveloped areas like S&T cooperation.

The new international agenda with China could involve creative exploration of cooperation on a wide gamut of issues ranging from climate change to maritime security to WTO reforms to globalisation. This will have to be done by identifying convergences and divergences in a clear-eyed, objective fashion.
With Chinese investments facing headwinds in the US and Europe, India with its sizeable market is emerging as an attractive destination, including in the digital space, but a clearer strategy is required to utilize the opportunity, shedding ambivalence even while addressing legitimate security concerns. An approach based on trade expansion with its unsustainable structural imbalance will no longer work and the imperative of shifting capacity to the Indian market has to be recognized on the Chinese side.

Given its substantive reservations regarding China’s Belt and Road Initiative (BRI) (with its geopolitical agenda though also with significant economic drivers), India is unlikely to endorse this mega project, but it is possible to devise a framework for cooperation outside the rubric of BRI, building on the synergies and convergences in the developmental agendas and interests of the two countries. Such a pragmatic approach had resulted in India joining the Asian Infrastructure Investment Bank (AIIB) and should be feasible in the future as well.

This could also involve exploration of a new framework for economic cooperation in the shared periphery. India and China can identify synergies between their respective connectivity and developmental agendas and agree on specific projects. India can also gain by using new infrastructure being forged, for instance, in Central Asia and linking it with its own initiative to build a maritime-road-rail link to Afghanistan and Central Asia through the port of Chahbahar.

A comprehensive assessment, conducted in coordination with Indian industry, as to the positive and negative externalities for Indian businesses generated by Chinese infrastructure development in Asia and Africa may be undertaken.

Even while exploring the possibilities of cooperation in a pragmatic manner, India can devise a suitable response to BRI as a geostrategic challenge. This may involve developing elements of its own connectivity agenda with the neighbours and in the extended neighbourhood, based on practical considerations and leveraging its strengths.

A critical factor will be whether alternatives can be provided to what China has to offer to recipient countries. Given its limited resources, India cannot do so on its own. Therefore, it will have to work with like-minded countries which have shared concerns about geopolitical implications of BRI.

This will involve collaborating with the USA, the European Union, its constituent economies and Japan, also with the aim of reducing the costs of global infrastructure provision and the promotion of best practices. It is important that these alternatives must avoid certain weaknesses of the Chinese approach. They must be driven by the requirements of the recipient countries and follow the best practices in terms of transparency, local participation, economic viability and environmental sustainability.

As technology is emerging as a major arena for strategic contestation between China and the USA, a fresh approach needs to be devised for engagement with China in areas where it has already emerged as a major player in India (telecom, e-commerce, digital economy) as also in other critical sectors like Artificial Intelligence.
However, since Chinese companies are acquiring major or controlling stakes in Indian start-ups and have come to occupy a relatively influential position in mobile Apps, India will have to create a stronger legal and regulatory framework to monitor, screen and map such presence from China (and other countries) while putting in place safeguards.

While big Chinese investors in India in e-commerce and new economy (Alibaba, Tencent, Xiaomi, etc.) are supposedly private players, the boundaries between private and state enterprises in China have become blurred. This needs to be factored in while dealing with Chinese investments in India.

While welcoming investments from China, suitable screening mechanisms need to be developed. Such mechanisms must be carefully calibrated and not be overly broad, so that they take care of genuine security concerns without discouraging investment or undermining the ease of doing business.

The ripple impact of trade, technology and strategic disputes on global trade and supply chains will be significant. We are likely to see considerable disruption and reordering of these supply and value chains. This is an area we need to understand in granular detail through in-depth studies.

India is at present not particularly well-placed to take advantage of trade and investment diversion away from China that is gaining pace. It must evaluate, on a sectoral basis, the conditions necessary to attract trade and supply chains migrating out of China. Chinese companies too may be attracted in Indian manufacturing space with the right ecosystem.

In this context, India requires greater public and private funding for R&D and education and sector-specific strategies in the high technology domains.

There is a growing risk of a partial decoupling taking place between China and the USA and some other western countries in certain technology sectors, with the related tightening of technology acquisition and access regimes applicable to China. How India will be affected by these developments should be studied and carefully assessed.

One of the critical challenges confronting India with respect to China is to devise strategies to deal with the growing asymmetry in capability, both in the short and long term. This asymmetry, which is likely to expand in the near term, refers to the economic gap as well as the gap in the military strengths of both countries.

India must build up its own capability, economic, military, technological. But this capability gap with China also requires the pursuit of a strategy of balancing and hedging by working with like-minded countries, including the USA, Japan, Vietnam, other countries of South East Asia, and so on.

The broad approach will have to be a combination of constructive engagement, capability building, deterrence, hedging and balancing, with a changing mix of cooperation and competition characterizing India-China relations.
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Prof. Manoranjan Mohanty is Honorary Fellow and former Chairperson of the Institute of Chinese Studies, Delhi. He is a teacher, researcher and a writer. As a political scientist, China scholar and a peace and human rights activist, he has published many books and research papers on theoretical and empirical dimensions of social movements, human rights, development studies and global transformation. After retiring from the University of Delhi, Prof. Mohanty has been with the Council for Social Development (CSD) and is the Editor of the CSD Journal, Social Change. He is also Chairperson at Development Research Institute, Bhubaneswar and Fellow at Orfaelea Center for Global and International Studies, University of California, Santa Barbara. His latest publication: China’s Transformation: The Success Story and the Success Trap.

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Dr. Garima Mohan is a project manager at the Global Public Policy Institute (GPPI) in Berlin. She focuses on the foreign and security policy of rising powers, particularly that of India, and on UN peacekeeping and conflict management. She helps to head up the EU-India policy dialogues on global governance and security, a project jointly conducted by GPPI and Carnegie India and is funded by the EU Delegation to India. Dr. Mohan is also a Scientific Coordinator for the EU’s Asia-Pacific Research and Advice Network (APRAN), which supports EU policy makers on issues concerning the Asia-Pacific. She has published widely on a number of issues, including Indian foreign and security policy in Africa, connectivity projects in Asia, maritime security in the Indian Ocean, EU-India relations,
JAMIE MONSON

Prof. Jamie Monson is the Director of the African Studies Center and Professor of History at Michigan State University. A recognized researcher and scholar, Monson’s efforts have established her as a pioneer in China-Africa development studies. Her book, Africa’s Freedom Railway: How a Chinese Development Project Changed Lives and Livelihoods in Tanzania, explores the TAZARA railway, which was built with Chinese development aid in the 1970s. Monson’s most recent project is a forthcoming book titled Looking East: Africa’s Historical Engagement with China. Monson serves as chairman of the Chinese in Africa/Africans in China Research Network and is currently heading a new global initiative, ‘Building Trans-regional Connections Among Africa, Asia and Latin America,’ that seeks to establish new scholarly paradigms for international studies.

SHIVSHANKAR MENON

Amb. Shivshankar Menon is currently a Visiting Professor at Ashoka University, India; Distinguished Fellow of The Brookings Institution, Washington DC; Chairman, Advisory Board, Institute of Chinese Studies, New Delhi; Member, Board of Trustees, International Crisis Group; and, a Distinguished Fellow, Asia Society Policy Institute, New York. He was previously National Security Advisor to the Prime Minister of India, Jan 2010-May 2014; Foreign Secretary of India, October 2006-July 2009; and has served as the Indian Ambassador/High Commissioner to China, Pakistan, Sri Lanka and Israel. In 2016 he published “Choices; Inside the Making of Indian Foreign Policy“ (Brookings & Penguin Random House, 2016). He has been a Fisher Family Fellow at the Kennedy School, Harvard University, 2015 and Richard Wilhelm Fellow at MIT in 2015.
**SURESH BABU M**

Prof. Suresh Babu M, is an Assistant Professor at Department of Humanities, Indian Institute of Technology Madras and an Associate Professor at Institute for Social and Economic Change, Bangalore. He served as a Member of the WTO Forum on non-agricultural sector, Government of Kerala. He was also a Research Associate at the Centre for Development Studies (2001-2004). Formerly, Prof. Suresh was a Consultant for the Asian Development Bank and ‘Local Consultant’ for the World Bank. His areas of interest are Applied Macroeconomics, Industrial Economics, Trade and Development. He has authored many books and monographs. His latest book was published recently and is entitled Hastening Slowly: India’s Industrial Sector in the Era of Economic Reforms, (Orient Blackswan, January 2018).

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**SL NARASIMHAN**

Lt Gen (Dr.) SL Narasimhan, PVSM, AVSM*, VSM, PhD (Retd) is a Maths graduate. He is a post graduate in Defence Studies and PhD in India China Relations. He has been the Defence Attaché in Embassy of India, Beijing. After having successfully commanded the largest Corps of the Army in the North East, he attained superannuation after a successful stint as Commandant, Army War College. Narasimhan has been awarded four times by the President of India for his service to the nation. He is well accomplished in the Chinese language. Lt Gen S L Narasimhan has authored many articles in various journals and magazines. He is presently a Member of the National Security Advisory Board and Director General, Centre for Contemporary China Studies (CCCS) and Distinguished Fellow, Centre for Air Power
SANTOSH PAI

Mr. Santosh Pai has been offering legal services to clients in the India-China corridor since 2010. His areas of interest include Chinese investments in India, India-China comparative law and policy, cross-cultural negotiations and board governance. He holds a B.A., LL.B. (Hons.) degree from NLSIU, Bangalore, LL.M. (Chinese law) from Tsinghua University, Beijing and an MBA from Vlerick University, Belgium (Peking University campus). His manuscript “Practical Guide on Investing in India for Chinese investors” has been translated into Chinese and published by China Law Press. Santosh is currently a partner at Link Legal, an Indian law firm. He teaches an India-China business course at IIM Shillong.

KRISHNA G. PALEPU

Prof. Krishna G. Palepu is the Ross Graham Walker Professor of Business Administration, and Senior Advisor to the President of Harvard University. He was a Senior Associate Dean at the Harvard Business School for several years, overseeing the school’s research, and its global initiative. He has published numerous academic and practitioner-oriented articles and case studies on these issues. He has also been on the Editorial Boards of leading academic journals, and has served as a consultant to a wide variety of businesses. He is a researcher at the National Bureau of Economic Research (NBER) and a fellow of the International Academy of Management. Professor Palepu has a doctorate in management from the Massachusetts Institute of Technology.
KISHAN S RANA


Professor Emeritus, DiploFoundation, Malta and Geneva; Emeritus Fellow, Institute of Chinese Studies, Delhi; Archives By-Fellow, Churchill College, Cambridge; Public Policy Scholar, Woodrow Wilson Centre, Washington DC; guest faculty, Diplomatic Academy, Vienna; Commonwealth Adviser, Namibia Foreign Ministry, 2000-01.

Authored and edited 11 books, including: Inside Diplomacy (2000); Asian Diplomacy (2007); Diplomacy of the 21st Century (2011); The Contemporary Embassy (2013); Diplomacy at the Cutting Edge (2015); two books translated into Chinese.

P. S. RAGHAVAN

Amb. P. S. Raghavan is Convenor of the National Security Advisory Board of the National Security Council of India. In a diplomatic career of 36 years, he has been Ambassador of India to Russia, Ireland and the Czech Republic, and has had other diplomatic assignments in South Africa, Vietnam, United Kingdom, Poland and the USSR. He was Joint Secretary to the Prime Minister of India (2000-2004) where he dealt with issues related to foreign affairs, nuclear energy, space, defence and national security. He conceptualised and headed the Development Partnership Administration in the MEA, which implements and monitors India’s economic partnership programs abroad with an annual budget of about US$1.5 billion. Amb. Raghavan writes and lectures extensively on foreign policy, national security and strategic issues.
**SHYAM SARAN**

Amb. Shyam Saran is Member, Governing Council of the Institute of Chinese Studies, New Delhi and a former Indian Foreign Secretary. He joined the Indian Foreign Service in 1970 and served as India’s Ambassador to Myanmar, Indonesia and Nepal and as High Commissioner to Mauritius. Upon completion of his tenure as the Foreign Secretary he was appointed Prime Minister’s Special Envoy for Indo-US civil nuclear issues and later as Special Envoy and Chief Negotiator on Climate Change. In 2011, Amb. Saran was awarded India’s third highest civilian honor, the Padma Bhushan, in recognition of his contribution to the civil service. He is a former chairman of the think-tank, Research and Information Systems for Developing Countries and a Senior Fellow at the Centre for Policy Research in New Delhi and is the author of How India Sees the World: From Kautilya to Modi: Kautilya to the 21st Century (2017)

**TCA RAGHAVAN**

Amb. (Dr.) TCA Raghavan retired from the Indian Foreign Service in December 2015 while Indian High Commissioner to Pakistan (2013-15). He had earlier served as Deputy High Commissioner in Pakistan (2003-2007) and High Commissioner to Singapore from 2009 to 2013. During his last posting in New Delhi (2007-09) in the Ministry of External Affairs Raghavan was Joint Secretary dealing with Pakistan, Afghanistan and Iran. His current interests are historical research, strategic analysis and the diplomatic and intellectual history of modern India. He writes, lectures and participates in discussions on issues relating to Indian and South Asian diplomatic history, Pakistan, Iran, Afghanistan and South East Asia. He assumed charge as Director General, Indian Council of World Affairs on 24th July, 2018.
VARUN SAHNI

Prof. Varun Sahni is Vice-Chancellor, Goa University. He is also Professor in International Politics at Jawaharlal Nehru University, New Delhi (currently on deputation leave). He speaks annually (since 2006) at the National Defence College (NDC) and several times a year (since 1997) at the Foreign Service Institute, New Delhi. He has written 105 research articles on nuclear deterrence issues, regional security, emerging balances in the Asia-Pacific, evolving security concepts, emerging powers, international relations theory and Latin American issues. He has recently co-authored Technology Vision 2035 for TIFAC, the technology think tank of Government of India. For his “outstanding contribution to research and teaching”, he was conferred the V.K.R.V. Rao Prize in Social Sciences for 2006 by the Indian Council of Social Science Research.

ASHWANI SAITH

Prof. Ashwani Saith has held research and teaching positions at the Delhi School of Economics; Faculty of Economics, Cambridge; Queen Elizabeth House, Oxford; he was the first Chair of Development Studies and Head of the Development Studies Institute, London School of Economics. He has served on the editorial boards of several academic journals, including: Development and Change, Journal of Development Studies; Journal of Peasant Studies; Journal of Agrarian Change; Indian Journal of Labour Economics; and Indian Journal of Human Development. The regional focus of his research has been principally on India and China, drawing on extensive fieldwork in rural India since the 1960s, and in rural China since 1979. He has written on various aspects of Chinese development.
V. S. SESHADRI

Amb. (Dr.) V. S. Seshadri joined the Indian Foreign Service in 1978. He was Ambassador of India to Slovenia, Ljubljana, (2007-2010) and Ambassador India to Myanmar, Yangon (2010-2013). Dr. Seshadri also served as Minister (Commerce) in Embassy of India, Washington DC (2003-06); Joint Secretary in-charge of WTO matters in Ministry of Commerce (1999-2003); Joint Secretary (ITP) Ministry of External Affairs (1998-99); Counsellor and Deputy Permanent Representative of India to ESCAP (1993-97); and Director (SAARC) in Ministry of External Affairs (1997). He is Former Vice-Chairman, Research and Information System for Developing Countries (RIS), New Delhi.

NALIN SURIE

Amb. Nalin Surie has served in the Indian Foreign Service from 1973-2011, holding a number of strategic, policy and advisory roles, including High Commissioner to the United Kingdom and Ambassador to China and Poland. More recently, he has also led the Indian Council of World Affairs, as the Director General from 2015-2018. He has served in Indian missions in Hong Kong: China watching, political & cultural affairs; Brussels: trade policy with the then EEC; Dar-es-Salaam: developmental and regional issues; Thimphu: bilateral & strategic partnership implementation; New York: as Deputy Permanent Representative at India’s mission to the UN, before his Ambassadorships in Poland and China. His final international assignment was as High Commissioner to the United Kingdom.
TRAN VIET THAI

Dr. Tran Viet Thai is currently Deputy Director General and Director of the Center for Regional and Foreign Policy Studies, Institute for Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam (DAV). He did his Ph.D. thesis in International Relations at DAV and got his MPP at the National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan. He used to serve as Secretary to the Foreign Minister of Vietnam, a China specialist at the Foreign Policy Planning Department, Ministry of Foreign Affairs of Vietnam. His majors are the foreign policy of Vietnam and contemporary issues in international relations in the Asia-Pacific region. At present, he is working as a regular commentator on international issues on the national television system of Vietnam.

ANOOP SINGH

Mr. Anoop Singh is Member, XV Finance Commission of India, a constitutional body to recommend tax sharing between the centre and the states for the period 2020-2025. He has recently been Adjunct Professor at Georgetown University. Before that, at the International Monetary Fund, he was Director of the Asia and Pacific Department, Director of the Western Hemisphere Department, and Director of Special Operations. Mr. Singh, holds degrees from the universities of Bombay, Cambridge, and the London School of Economics. His additional work experience includes: Special Advisor to the Governor of the Reserve Bank of India.
ANIL WADHWA
Amb. Anil Wadhwa was a member of the India Foreign service from 1979 till 2017. He has served as the Indian Ambassador to Poland, the Sultanate of Oman, Thailand and Italy. He was also concurrently accredited as Ambassador to Lithuania and San Marino. Ambassador Wadhwa was Secretary (East) in the Ministry of External Affairs from 2014-16 looking after relations with South East Asia, Australasia and Pacific, Gulf and West Asia and North Africa. He has been Indian delegate to the Conference on Disarmament and the Disarmament Commission. Ambassador Wadhwa served in various capacities in the Indian Missions in Hong Kong, Beijing and Geneva, was in charge of Russia and Eastern Europe as Joint Secretary in the Ministry of External Affairs.

ARVIND VIRMANI
Dr. Arvind Virmani is Chairman of the Foundation for Economic Growth and Welfare (EGROW), President of the non-profit Chintan (www.ChintanLive.org) and the Forum For Strategic Initiatives (FSI). He has been a Mentor (economic policy) to FICCI & a member of RBI Technical Advisory Committee on Monetary policy. He was earlier Executive Director, IMF and Chief Economic Advisor, Ministry of Finance and Principal Advisor, Planning Commission. He has served as Member, Telecom Regulatory Authority of India (TRAI), Directed the Indian Council for Research on International Economic Relations (ICRIER) as its Chief Executive. He has published 33 journal articles and 20 book chapters in the areas of Macroeconomics, Growth and Finance, International Trade & Tariffs and International
DEEPA GOPALAN WADHWA

Amb. Deepa Gopalan Wadhwa, joined the Indian Foreign Service in 1979. Her early postings were in China where she learnt Mandarin and specialised in the region. Her other area of work has been multilateral diplomacy which saw her posted to Geneva and the Netherlands, and work in the Ministry of External affairs as the Joint Secretary (UN). She became the first Indian woman to be appointed Ambassador to the GCC and later, Japan, when she was sent to Doha in 2009, and Tokyo in 2012. She has also been India’s Ambassador to Sweden, Latvia, and Republic of Marshall Islands. Presently she is the Vice Chairperson of Corporate Catalyst India (CCI).
The Institute of Chinese Studies, Delhi (ICS) is one of the oldest research institutions on China and East Asia in India. With support from the Ministry of External Affairs, Government of India, it is the mandate of the ICS to develop a strategic vision for India’s dealings with China and to help adapt India’s priorities quickly and appropriately to address the research and educational demands arising from China’s emergence. The ICS seeks to promote interdisciplinary study and research on China and the rest of East Asia with a focus on expertise in China’s domestic politics, international relations, economy, history, health, education, border studies, language and culture, and on India-China comparative studies.

The Konrad-Adenauer-Stiftung (KAS) is a political foundation headquartered in Berlin, Germany. India was one of the first Asian countries to introduce country-related programmes initiated by KAS. In more than 50 years of cooperation, a wide range of activities were undertaken at different levels: poverty alleviation in rural areas, capacity building of local government institutions, training for small and medium scale enterprises in North and South India, programmes for judicial reforms, civil society initiatives and seminars related to the concept of rule of law. Various economic and value-oriented dialogues were held and high ranking exchanges on the subject of international relations and security policy have been established. The history of the activities of the Konrad-Adenauer-Stiftung in India reflects not only the changing priorities of the country’s development strategies but also India’s gradual rising political and economic status in the region as well as its emergence as a global power.
Goa University was established under the Goa University Act of 1984 (Act No. 7 of 1984) and commenced operations on 1 June 1985. The university provides higher education in the Indian state of Goa. Over the past 30 years, the University has steadily expanded its reach, both in terms of the number of affiliated colleges - professional and general education numbering to 56, as well as the diversity of courses offered. These colleges offer various courses leading to a degree at graduate, post-graduate level. 12 of them are also recognized as research centres to offer Ph.D. programmes. The University has 26 Departments and 2 Centres offering 33 programmes leading to Masters degree, 21 programmes leading to M.Phil. Degree and 25 programmes leading to Ph.D. degree in various disciplines. In addition, 9 research institutions in various disciplines situated in the state of Goa are also recognised for research programmes leading to Ph.D. degree by the University.