Belt and Road Initiative – Perspectives from India

This editorial is based on the article 'Transparency road: on India-China relations' which appeared in "The Hindu" on 1st May, 2019. The article discusses how India's relationship with China has played out in the context of the Belt and Road initiative.

India-China relations have always been of interest to the world. Everyone wants to see how these two civilisational giants will behave with one another and what role they will claim for themselves in the future of the world.

The current situation is that both India and China have found themselves with overlapping interests - both geopolitical and economic - and due to this a certain amount of friction exists that periodically either heats up or cools down.

Of the two countries, China seems to be the aggressive one, while India seeks to play by the book in keeping with its long tradition of non-interference and universal peace. Therefore, we need to look for areas in Indian foreign policy where we've been successful, where we need to work and most importantly, where we are going to end up if we keep pursuing the current policies.

What made the news?

It has been two years since the Belt and Road Initiative (BRI) forum was unveiled and Chinese President's address to the second BRI forum was a clear indication that **Beijing is coming to terms with the pushback this ambitious project has received**. In this address was included a stated commitment to "transparency and sustainability" of BRI projects, and to greater debt sustainability in the "financing model" for BRI projects under new guiding principles.

The Short Gist

Since 2017, India, the U.S. and other countries have been critical of the lack of transparency with which many of the BRI projects were negotiated with governments.

- Sri Lanka, the Maldives, and Malaysia had second thoughts on some of the infrastructure projects over fears of a **"debt trap"**, and allegations of corruption in BRI projects became election issues.

In April last year, European Union Ambassadors to Beijing issued a statement saying the BRI ran "counter" to their agenda for liberalising trade and "pushed the balance of power in favour of subsidised Chinese companies".

- After Central Asia and Southeast Asia, China's biggest foray is into Europe, and the criticism of the European Union Ambassadors did not go unheeded by Beijing. China agreed to renegotiate terms on projects, reached out to regional organisations like the Arab and African forums and the EU, where the Chinese Premier pledged to "respect EU rules and standards" at a summit of "17+1" Central and Eastern European countries that are part of the BRI.
- **It is hoped that China will take this understanding forward and help build an**

infrastructure financing network that is equitable and transparent, especially for smaller states.

India has consistently opposed the 1963 “China-Pakistan Boundary Agreement” that recognises PoK as under “actual Pakistani control” without prejudicing a final dispute resolution with India. India has also protested the Karakoram Highway on which traffic has been plying regularly, as well as subsequent infrastructure projects built by China in the disputed PoK area like the $60+ billion China-Pakistan Economic Corridor (CPEC), aimed at linking China’s Xinjiang province with the Arabian Sea.

While China’s statements on transparency and inclusivity will be welcomed in India, they don’t address India’s main concern over the BRI, which is of sovereignty.

- India’s objection to the China-Pakistan Economic Corridor (CPEC) is that it runs through parts of Pakistan Occupied Kashmir (PoK), and this has led to the Indian government’s decision to stay away from the BRI summit.
- India’s other concern over the BRI’s inroads in South Asia will also grow: at the summit, China listed the China-Myanmar Economic Corridor (CMEC) and the Nepal-China Trans-Himalayan Multi-dimensional Connectivity Network, and the CPEC as focus areas.
- **Despite these, India has abandoned its sharp rhetoric against the BRI this time compared to 2017, and China issued statements saying it would not allow the decision to affect the bilateral relationship**.
    - *This is an indicator that both countries would rather be guided on the issue by the **Wuhan spirit** than by the deep differences they continue to have over the BRI project*.

What is the Wuhan spirit in Indo-China relations?

- The Indian Prime Minister and the Chinese President met informally at Wuhan, the capital of Central China’s Hubei province in April, 2018.
- It was in this summit where the two leaders are said to have developed a rapport with one another, which many foreign policy commentators believe will draw new dimensions in future India-China relations.
- This understanding between India and China (through their respective leaders) is what is termed as **the Wuhan spirit** or ‘Wuhan consensus’.

To conclude

The BRI project as it stands today is a mammoth infrastructure project and here are some interesting pointers about it:

- **The BRI is, in essence, a response to slowing Chinese domestic economic growth** earlier this decade, accentuated by a slump in Chinese exports to developed countries following the 2007-08 economic meltdown; [as infrastructure spending at home became less sustainable, China shifted to boosting the global competitiveness of domestic businesses].
- **It is hard to put a precise number on the number of BRI projects worldwide** because projects are negotiated informally between investor and recipient countries. But they are clearly in the thousands, unprecedented in the history of development cooperation, in terms of the volume of investment and potential benefits.
- **A concern for the BRI is its current dependence on the U.S. dollar to fund the bulk of its projects**. But unlike some years ago, China’s stocks of the U.S. dollar are in limited supply. Conversely, the Renminbi is yet to emerge as a full-fledged global currency. That may leave China with the option of adopting a co-financing strategy. Such cooperation with multilateral banking institutions would be a welcome balancing act as it would increase transparency and sustainability in the long run.

- **Rome endorsed the BRI recently**, the first among the Group of 7 most industrialised nations to do so. This endorsement of the BRI is a potential game changer. **Other major economies may follow Rome's lead, in much the same way as the initial resistance to China's Asian Infrastructure Investment Bank eventually evaporated**.

With the rise of populist forces in many countries in recent years, the world's open trading system has come under a protectionist strain. Perhaps, there are signs in the BRI of the beginnings of a different kind of globalisation. One day, the BRI might remain Chinese in all but name. That may actually be the next phase of globalisation in the making. We have to wait and watch.

What makes this topic important for UPSC?

Last year in GS II, UPSC asked the following question:

- 'India's relations with Israel have, of late, acquired a depth and diversity, which cannot be rolled back.' Discuss.
    - To answer this question properly, one will have to focus on the 'depth' of India-Israel relations. A mere stating of the 'diversity' i.e the diverse areas of interaction between India and Israel may not fetch the best marks.

Drishti Input:

In a similar vein and keeping the above question in mind, we can ask ourselves:

- 'India's relations with China have, of late, acquired a depth and diversity, which cannot be rolled back.' Discuss.
    - In this answer, we can directly mention the Wuhan spirit (which seems to be guiding India-China relations recently) and the subtle nuances of the BRI. It would help us build 'depth' in our answer.

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