

I Guest Editor's Introduction

India and China in Asia

I

Reviewing the Asian scene, a leading business entity recently observed:

large, young, and lower-income economies of India, Indonesia and the Philippines share common structural tailwinds which position them well to be Asia's next domestic growth stories—in theory. But in practice, much will depend on domestic policy and the implementation of economic reform. In this regard, we continue to see India as the most promising over the medium term given ongoing progress on a number of key reforms. (*Asia Economic Analyst* 2016)

Asia is in dynamic flux. From North Korea to Syria, we witness a surfeit of unresolved problems, tensions and dilemmas; ISIS is the source of a global terrorism threat. The South China Seas are a new locus of political tension. Yet, amidst unresolved security threats, Asia remains on a high economic growth track, in India, China and elsewhere; it is the world economy's locomotive. The relationship between China and India, the two most populous countries of Asia and the world, is tangled, complex and fraught; it is an element in the interplay between all the major powers.

This Special Issue of *China Report* looks at the scene, especially at the ramifications of China's ambitious new connectivity project, across continental Asia and Europe, and the maritime canvas of the Indo-Pacific oceanic regions, which brings eastern Africa in its ambit. The essays carried here examine, from varied perspectives, the India–China relationship, contextualised against these evolving backdrops. They are intended to stimulate dialogue and research.

ASIA AND ITS REGIONS

In South Asia, we witness a sharpening of contestation, even while cooperative actions among all the states have expanded. Given that China and India are the two rival, asymmetric powers, the bilateral relationship that the countries in this region maintain with these two becomes in effect a complicated three-way calculation. For different capitals, be it Colombo or Kathmandu or the others, what might have typically been a direct bilateral equation, now in effect becomes *trilateral* process. Each country frames its ties with China or India, with an eye on the other country. For example, Nepal deals with New Delhi and Beijing in a ‘balancing’ manner; it is a similar story for the others, with differing weightage given to Beijing and New Delhi, whether such a calculation is acknowledged or not. In ways that are particular to the capital concerned, that three-way calculation operates much of the time. China and India also keep in view their own trilateral perspective in dealing with each of these countries. Islamabad is especially close to Beijing; for it too, the India’s dimension is at the forefront in its dealings with China. A similar calculus also operates in the two countries that lie at the two ends of this South Asia belt, Afghanistan at the one end and Myanmar at the other. For Kabul, the difference is that Pakistan is the additional proximate factor in its neighbourhood dealing.¹

In Southeast Asia, China has a larger presence compared with India in economic, political and other fields. The country is a direct actor in regional affairs via the intensive ‘ASEAN Plus Three’ (APT) mechanism, which has around 80 subsidiary groups and dialogue arrangements. China is also at the epicentre of another pan-Asian group, the Shanghai Cooperation Organisation (SCO), where both India and Pakistan were given the position of ‘acceding members’ at the June 2016 summit, with full membership to come when the formalities are completed. India has a weaker regional presence elsewhere too. Its efforts to join the economic group APEC, covering the Asia-Pacific, have not borne fruit as yet. The only pan-Asian entity to which India belongs, the East Asia Summit (EAS), is slowly building institutional affiliations, but lags much behind the APT process.

In terms of trade and investments, China outweighs India by a wide margin across this region. That also holds for Southeast Asia’s investments in these two countries. Underpinning these connections, the Chinese diaspora is substantially larger and more influential in virtually each Southeast Asian country. Overseas Indians inhabit these countries in comparatively smaller numbers, often constituting the second largest migrant community, with a significantly lower economic profile. All this adds up for China to a far more intensive regional engagement, compared with what New Delhi can muster.

¹ Afghanistan is a member of the South Asian Association of Regional Cooperation (SAARC), while Myanmar is a member of ASEAN, but is closely tied with South Asia. This illustrates the point that geography-based regional organisations, and our notion of regions, are the political constructs.

Notwithstanding the above asymmetry, the rise of India is of deep interest to the states of this region, for whom the presence and reach of all the balancing powers, be it India, Japan and above all the USA, helps them individually, and the region as a whole, from falling under the thrall of a sharply rising China. Some of them wish for a stronger Indian commitment to this region. A decade back, some Chinese scholars saw India's expanding engagement in Southeast Asia, under the 'Look East' rubric advanced in 1992 by Prime Minister P.V. Narasimha Rao as a device to encircle of China. They have since moved beyond that simplistic line of analysis, though old thinking that views Indian efforts to build cooperative relationships in the region in China centric terms persists.² Prime Minister Narendra Modi has given a stronger action orientation to India's Asia policy, changing that slogan in 2014 from 'Look East', to 'Act East'. Diplomatic actions, reinforced with Modi's energetic summit diplomacy, demand implementation, which is a persisting weakness in New Delhi, the more so when many ministries and agencies, including business and other non-state actors, have to work in harmony to translate intentions and commitments into action. This is a persisting problem in India's management of external cooperation (Rana 2016a).

The picture is not different in Central Asia, where China's trade exchanges and investments are several multiples of what India musters; China's political presence is also substantially larger than India's, though New Delhi maintains strong commitment, exemplified in PM Modi's visits to all these countries during 2016. West Asia provides a stark contrast, where 6 million Indians hold semi-skilled and skilled jobs, and is also the largest foreign presence among the professionals and businessmen. India's trade and investment are also sizable, though China is a much larger oil and gas buyer, with rapid accretion also in its investments. Overall, both states register sizable presence across Asia.

CHINA'S OBOR

We hear rather little of President Xi's 'China Dream' these days, even while it remains a core concept.³ The One Belt, One Road (OBOR) project has become the dominant

² Example: On 23 October 2016 *Global Times*, published in Beijing commented on Aung San Suu Kyi's visit to India:

Indian officials have denied that India's policy toward Myanmar has a 'China factor'. However, in the course of implementing its Look East Policy, India has an obvious intention to balance China's influence or gain strategic advantage by deepening relations with Myanmar. Due to their different social systems and ideologies, as well as border disputes, India has long been worried that Chinese competition will compress its strategic space and threaten its national security.

³ A core element in the China Dream, first advanced by President Xi Jinping in 2013, is 'the great renewal of the Chinese nation' and includes 'realizing a prosperous and strong country, rejuvenation of the nation and the well-being of the people'. See Hsinhua, 17 March 2013, http://news.xinhuanet.com/english/china/2013-03/17/c_124467411.htm

theme in Beijing's official discourse; the project's alternate title is the 'Belt and Road Initiative' (BRI). A recent laudatory commentary in the Chinese media claimed: 'Under Xi's guidance these diplomatic ideas have produced "Chinese solutions" to many global issues that has won China deserved respect...and deepened political mutual trust with other countries' (Guo 2016). The OBOR project stitches together domestic and foreign policy in the shape of a master narrative covering political and economic objectives.

In 2015, China formally announced an investment of US\$46 billion in the 'China–Pakistan Economic Corridor' (CPEC), split between a road and rail corridor from Gwadar port in Balochistan to the Karakoram Pass leading from Pakistan-occupied Kashmir (POK) to Xinjiang (about US\$11 billion) and other infrastructure projects, especially a string of power plants (costing about US\$36 billion). The latter appears to consist of commercial loans, pursuing economically viable projects.⁴ Much of the reaction of Indian analysts focuses on the 'illegality' of this corridor, as it traverses what India regards as its territory in POK; some are also concerned over the size of China's economic commitment to that country, which is patently hostile to India. Some observers, including authors in this collection, recommend a need for a measured view of these investments, and working with China on other OBOR projects in areas where India is engaged in parallel investments and projects. What seems missing from these Indian projects is a master plan, on how to utilise each of these initiatives to serve a holistic connectivity schema.

Examined closely, several aspects of CPEC come to the fore; similar issues might affect other OBOR projects. First, the announced figures do not always pan out as actual investments. The terms of commercial lending are often onerous. A recent Indian editorial points out that the projects may be awarded without competitive bidding, also demanding guaranteed annual returns of 24 per cent (*Business Standard* 2016). In the recent past, Indonesia and African countries have seen that the announced Chinese investments do not materialise even many years later. Second, the planned transport axis faces complex challenges, ranging from geographic hazard in the high Himalayan ranges leading to the Karakoram Pass, as well as disruption by Baloch dissidents in the Gwadar region. Pakistan has announced the formation of a special 12,000 strong protection force for the Chinese projects, but in the fraught and terrorism-ridden environment of that country, security hazard persists. Third, in Pakistan and in other countries where it is committed to large investments, China will find itself enmeshed in domestic politics, a situation it has hitherto largely avoided in its diplomatic engagement. This involves identification with the ruling regime,

⁴ US\$11 billion of this is reportedly a concessional loan at 2 per cent interest, repayable in 20 years. The balance evidently consists of commercial credits, to be used to add 11,000 MW of power supply by 2018; Pakistan's Planning, Development and Reforms Minister Ahsan Iqbal was quoted to say that of the latter, 75 per cent is under implementation, or at the stage of financial closure, *Business Standard*, 27 November 2016.

which is implicit given the numbers and size of projects, thereby becoming a target for dissidents and the political opponents of that regime. Fourth, beyond the politico-economic risk, China is also tying itself to the dissimilar growth models in a variety of countries, be it in Central Asia, South and Southeast Asia, Central Europe, East Africa and elsewhere; a total of more than 60 countries are involved. Each has its own human resource and governance capacity in handling the planned outpouring of Chinese investments. Fifth, flowing from the above, we ought to remember that comparison to the Marshal Plan notwithstanding, these are not handouts; China counts on sizable returns on its investments. That profitability criterion will surely be hard to meet, especially in countries of Central Asia with their small populations and limited consumption capacity. This can expose both sides in possible tensions. For the recipients, repayment may be difficult; China counts on commercial returns from the investments. Some conditions for the rail, road and pipeline projects seem unclear, such as an expectation of sizable 'right of way' land corridors demanded by the Chinese companies executing these projects. It may not be realistic to expect smooth sailing. Finally, infrastructure investment works to a long horizon. Traffic through Central Asia, from China to Europe, will be considerable, so that even if the exchanges between the 'stan' states and China are limited, this will not influence viability. But the latter will seek high transit fees. How will China deal with that? Might Chinese expectations of quick, steady returns be belied?

The OBOR has major domestic significance for China, for the development of its interior provinces hitherto largely left out of its growth surge of the past three decades, and to create a new connectivity paradigm that overcomes the country's quasi-landlocked status (Rana 2016b). It also creates and reinforces a major new economic axis that provides investment avenues for its domestic industry, possibly an anchor for sustained economic activities. We may add to this the strategic external dimension, creating new relationships with countries, both on land and across the oceans, which add to China's eco-political connections, to the point of making many of these neighbouring countries dependent on China as never before.

India has for now stood aloof from OBOR, but both to the country's west and east, the transport corridors to which China is committed cover regions where India is also building its own communication and commercial exchange infrastructure. To India's west, Pakistan blocks its access to Afghanistan and Central Asia, not permitting transit facilities to India. Yet, paradoxically an ambitious US\$10 billion gas pipeline project, the Turkmenistan–Afghanistan–Pakistan–India (TAPI), is beginning to move forward; in March 2016, the four countries signed an initial investment agreement. India is also making sizable investment in Chabahar port in Iran, which will link with rail and road transport networks that Iran and China are developing, traversing this region, to link with Afghanistan and other Central Asian countries. In similar fashion, to the east the infrastructure projects that India is pursuing in its Northeast (NE) region are going to join up with integrated connectivity corridors that will run to Myanmar, and then to other countries in the region. India is also

providing aid to Myanmar for its road construction, along these routes joining with India's NE. Similarly, road, rail and water transport connections between India and Bangladesh are also under improvement. These run parallel to road and rail investments being made by other countries, be it China, Thailand or Malaysia. In sum, new Asian economic corridors are beginning to take shape on both sides of India, even if their full contours are hazy.

REGIONAL CONNECTORS

Under China's OBOR rubric, and outside of that, three sets of connectors are likely to be the crucial Asian infrastructure connection projects. First are the *rail and road links*. The Trans-Siberian railroad already exists, which connects with the pan-European networks. In 2015, China took a goods train all the way from its Eastern seaboard to Spain, via Kazakhstan, Russia, Poland, Germany and France. The journey took 10 days each way.⁵ Some months later, it also took a train from China to Tehran, on another proving run. In the new transport infrastructure being built, from an Indian perspective, the major projects are as follows: first the Central Asia rail link that would stretch from Sinkiang to the former Soviet regions that are the new independent Central Asian states, and thence to Southern Europe, as also the spur to Iran. Second, there is the rail-&-road link from Sinkiang to Gwadar port in Pakistan. Third, to India's east, new connections are under construction. A rail route from Kunming to Singapore is being built, traversing Myanmar and then into Malaysia; it will use existing networks, though the challenge of traversing mountainous terrain will take time. Another rail route will go from China to Bangkok. In parallel, road routes that already exist connecting all these countries are undergoing improvement. The long-heralded 'Asian highway' and 'Asian rail-link' are taking shape. Fourth, yet another axis that directly concerns India is Tibet–Kathmandu. One Chinese rail link to Tibet has been built via Qinghai, crossing harsh terrain, which also means high transport costs. Another rail link via Sichuan is under construction (*The Guardian* 2016). Extending it to Nepal involves traversing high mountain ranges, a much harder task compared with the existing Lhasa–Kathmandu road. India is building its own rail link to Nepal; Indian officials have been quoted to say that this has 'no connection' with China's projects (*The Mint* 2016).

We should also consider a different set of connectors, the *hydrocarbon pipeline networks*. Some have already been built, linking Kazakhstan and other countries to China,

⁵ According to a BBC report of 5 January 2017, a regular train service is being run to Hamburg and Madrid, and London has become the latest freight destination. Because of multiplicity of train gauges, containers are trans-shipped at some points on the 12,000 mile route. Clothing and bags are among the consumer goods dispatched; it works out cheaper than air freight and faster than ship borne transport.

and another to India's east, from Kyaukpyu in Myanmar to Kunming in China. More pipelines will develop, to meet growing energy demand in China, as also in India, though for the latter it will involve transit through Pakistan (as with the TAPI project, which some see as difficult to implement). Such networks traverse inhospitable terrain more easily than rail-lines or roads, but when the latter are built, their 'right of way' makes it feasible to bundle all of them together. This includes fibre-optic communication links, which are important for China; traversing continental Asia, these enable it to connect with both Asia and Europe, without going through the Internet hubs and backbones that are mainly controlled by the USA.

A third set of connectors will be the *investments in port infrastructure*, such as Gwadar, Hambantota in Sri Lanka, Bangladesh ports and improvements in maritime transport infrastructure in other countries along the Indian Ocean, including East Africa. China is again the main investor. In parallel, India is also building up its maritime transport infrastructure, building ports and shipping facilities. A major Indian omission has been that it has not created a trans-shipment hub at any of its ports, in the manner of Colombo, Dubai or Singapore; containers to and from India are mainly trans-shipped at these hubs. This mandates for India urgent action, besides across-the-board investments in maritime infrastructure and higher efficiency at all its ports. Indian strategists who apprehend potential Chinese encirclement, often called the 'string of pearls' hypothesis, cannot blame any outside power for India's neglect in developing the country's maritime infrastructure.

A regional cooperation concept that predates OBOR is the Bangladesh–China–India–Myanmar (BCIM) project, which was first discussed by think tanks of these four countries in 1999, and gradually took shape as a proposal backed by their governments. During Premier Li Keqiang's visit to India in 2013, the two sides backed the creation of a 'BCIM Economic Corridor'. In 2015, on the eve of visiting China, PM Modi told Chinese journalists in an interview before leaving for China: 'Today, a re-emerging Asia must reconnect its many regions and with the world beyond. Like China, India too is seeking to strengthen connectivity to the East and West. India and China are also working together on Bangladesh, China, India and Myanmar Corridor' (*Business Standard* 2015). These words were repeated in Modi's 15 June 2015 speech at Tsinghua University. The India–China Joint Statement of 16 June 2015 declares: 'The two sides welcomed the progress made in promoting cooperation under the framework of the BCIM (Bangladesh, China, India and Myanmar) Economic Corridor. Both sides... agreed to continue their respective efforts to implement understandings reached at the meeting.' This repeated earlier statements, but may have not told the full story. Experts of the four countries have been working since 2015, but it now appears that there has been some rethinking in New Delhi, perhaps on apprehensions over Chinese investments in India's NE States; this project now seems to be on the backburner (Uberoi 2016). At the same time, India has sought investments from other countries into this sensitive region, notably from Japan and South Korea.

India's NE states are the country's natural land bridge to Southeast Asia, a region whose connectivity infrastructure is now undergoing development, after decades of delay. New roads and rail links are under construction, which will vastly improve transport links between the seven Indian states, and their connections with the rest of India. Equally, the region's trans-border links are also being transformed. Improvement in New Delhi's political ties with Bangladesh has meant radically improved access for this region to the neighbouring country that comprehensively embraces Meghalaya, Tripura and Mizoram, besides touching Assam. These states are intertwined with Bangladesh in riverine and land access, and in their local cross-border trade exchanges. Recent gains in the quality of Tripura's ties with Dhaka provide a model of provincial and local-level cooperation with an adjoining country. Myanmar is the logical partner for similar local cooperation, especially for Mizoram, which also leads to a virtuous circle of mutual benefit. Given India's security concerns, and China's past record in support of insurgency in this region, apprehensions over Chinese investments are understandable, but in the same manner in which India has eased earlier restrictions on business investments by Chinese companies across India since 2010, gradually accepting selected investments even in the NE States is logical. The presence of other foreign investors would also ease this situation.

Taking a long view, the investments in connectivity networks, by China, India and other countries, fashion trade and supply chains that expand economic exchanges (Khanna 2016). Regardless of source, such infrastructure works to the benefit of all that position their countries to connect with and utilise these networks. That is a perspective that India should keep in view.

ASIAN DRAMA

Indian Foreign Secretary, S Jaishankar, told a parliamentary committee in November 2016: 'What is required with China is a sensible, pragmatic conversation about how not accommodating each other's aspirations is not been beneficial to the relationship. We need to have the conversation, and we will have that conversation' (*The Indian Express* 2016). The statement seems to recognise the current strains in bilateral relations and also implies that a conversation that addresses the viewpoints and concerns of each country has not quite commenced as yet. For India, the core issue is the management of a complex relationship, navigating through both challenges and opportunities, while at the same time handling domestic constituencies that act on their own interpretation of Indian core interests, often advocating simplistic hardline positions.

International analysts view China's current rise to the status of the second largest military and economic entity in terms of a challenge to the USA, which remains the world's dominant great power. Asia is the meeting point of all the world's leading powers, including Japan and Russia, with the partial exception of the EU, which has

economic interests but no other levers of influence. India's aspiration has long been its 'rightful place in the world, to make its full and willing contribution to the promotion of world peace and the welfare of mankind'.⁶ India is Asia's second rising power, growing at a crisp pace across a broad front. It lags behind Japan for the present, but is set to overtake it in terms of the size of its economy in the course of the next decade. This phenomenon, and India's growing capacity as a global player, does not always receive the attention it deserves, perhaps because the country's argumentative, loud domestic political discourse diverts attention from the steady accretion of its economic and other gains. India's rise is at the heart of today's Asian drama.

As for China, can its political system anchored in a Leninist party model of centralised, authoritarian control, endure in perpetuity in serving a modern complex economy that is the world's second largest and is set to become even the largest in absolute volume of GDP output? In defiance of prognostication by some, China has hitherto managed its affairs rather well so far, blending selective and substantive easing of controls in favour of open market mechanisms, while retaining the basics of a command economy. The doomsayers of China's future speak of a 'middle income trap', the possible massive 'overhang of domestic debt' leading to relative stagnation, and/or 'trapped transition' that could produce 'atrophy, decay and decline' (Shambaugh 2015). These issues connect only in part with our theme, but are relevant to any discussion about China, particularly given the opacity of its governance system.

When Indian commentators discuss the country's relationship with China, the one dimension that often receives minimal attention is India's own growth since Economic Reforms began in 1991, taking the economy from US\$278 billion at that time to US\$2.2 trillion today, with growth sustained at an annual rate of 6.5 to 7 per cent. After China, India is the second fastest expanding economy on the continent, by a wide margin. Indian strategic thinkers, some of whom are obsessed by the India–China asymmetry in power, might reflect more on the logic of connectivity and of future economic flows in Asia. In managing its relationship with China and its neighbourhood, India has a growing capacity to influence events. In examining the New Delhi–Beijing equation, it seems that we ourselves tend to underestimate the attractiveness of India as an investment destination for a China that needs viable, sizable and stable partners that can profitably receive its capital. Japan demonstrates how even in the midst of profound political differences, economic congruence can generate powerful two-way trade and investment connections that tamp down discord. Both Tokyo and Beijing show how bilateral relations can be managed to mutual benefit in a fraught environment.

Equations between countries are not binary. Major powers, and states aspiring to that status, take into account two kinds of calculations in the conduct of their bilateral

⁶ Jawaharlal Nehru used this phrase in his Independence Address of 15 August 1947. This notion underlies India's self-perception in world affairs. The full speech is available at: <http://parliamentofindia.nic.in/ls/debates/vol5p1.htm>

relationships with other global actors. First, security considerations that include worst-case scenarios do not of themselves form the basis of policy. Leavening these are our own comprehensive actions that aim at maximising our own growth and at building and reinforcing with potential adversaries, such as China's mutual engagement—political, economic, as also a whole range of public diplomacy initiatives, such as cultural, educational and people-to-people exchanges. The net result is a blend of cooperation and mutually advantageous activities that temper, even moderate the elements of rivalry and contestation. Second, we should understand that managing such complex relationships involves working in situations of dynamic flux, where one's own actions become inputs into a multi-dimensional arena. Handling this requires reinforcing the diplomatic engagement capacity for the foreign ministry as also for the other stakeholders involved in external affairs, state and non-state, plus matching domestic comprehension and resilience to handle the foreign policy—home consequences connections. Prime Minister Narendra Modi's clear-eyed actions in dealing with China and with countries of the neighbourhood since May 2014 show outstanding results on the first count. It is the second element, the capacity for external engagement and managing the domestic aspects of foreign policy that needs greater attention. Underpinning summit events is a continuum of reinforcing actions, undertaken by the diplomatic establishment, working harmoniously with the stakeholders mentioned above—this is what needs strengthening in New Delhi.

The theme of this special issue can be tersely summarised as 'Asian connectivity'. China's OBOR is but one, albeit today the most prominent, expression of the actions that build new physical and conceptual connections on this ancient continent. Can we visualise Chinese investments in building and expanding the sinews of connectivity within and beyond Asia as an accretion of international public goods, which can work for the benefit of many different countries? This is especially true of roads and rail networks, as also maritime and air transport infrastructure, which will benefit many, paying customary user fees. Pipeline networks are perhaps less amenable to wider use, but digital networks can also serve different constituencies. India, with its own investments in transport infrastructure in the neighbourhood is thus both a contributor and a user in such public goods. This is the master vision that should find acceptance in New Delhi.

II

Several of the articles and comments in this issue deal with OBOR, and a number of other themes are also in common, in the midst of the different perspectives that the authors offer.

Richard W. Hu asks if OBOR might be seen as a challenge or an opportunity for India, against the rubric of what China calls a new model of great power rela-

tions. He believes that OBOR has profound strategic implications for India, in its relationship with China that is constrained by the security issues, even while the two countries can and should find more areas for cooperation. The OBOR develops China's domestic capacity and external economic statecraft and networking diplomacy, partly in response to US actions. Against the backdrop of an enduring trust deficit with China, New Delhi's challenge is to reconfigure its foreign policy strategy, at a time when both countries have shifted to an omnidirectional external profile. India's three principal concerns are over China making headway into its homeland and traditional sphere of influence, especially via the BCIM Economic Corridor project; Chinese inroads into the Indian Ocean and its overall geo-political competition with China. A way out is to move beyond the model of power plays between rising powers. Even if it is reluctant to enter into government-to-government deals, Indian private sector and transnational companies should be encouraged to take part in the OBOR building process; geographic closeness also offers opportunities for cooperation, including on non-traditional security issues, such as food security, water, energy, strategic metals, climate change and reforming the post-war international economic order. His conclusion is as follows New Delhi should carefully consider how it could balance its long-term economic development objectives and national security needs.

The OBOR is also the central theme of Khanindra Ch. Das's essay. As he is at Shillong, a key hub in India's NE Region, this scholar's perspective is interesting. He looks to the key OBOR projects and holds that India and China need to bridge gaps in perception and share responsibilities at regional and sub-regional levels and carry forward developmental initiatives. He is not hopeful on prospects for the development of Indian and South Asian cooperation in OBOR projects. But in the absence of regional connectivity actions in a time-bound manner, India risks getting isolated; OBOR is not a dichotomous choice, and India can leverage its vast South Asian connections through holistic actions. Equally, China needs to better consult and involve its neighbours in OBOR projects. Chabahar is a leading example of a connectivity initiative pursued by India, independent of OBOR, but linking it with China's actions is worthwhile. India's concerns that OBOR can jeopardise its connectivity projects can be overcome through better consultation with China. Co-investment, especially by private Indian companies, is an option for mutual cooperation to move forward. The two countries should continue with positive engagement, develop trust and solve longstanding issues.

The title of Jeremy Garrick's article 'If you can't beat 'em, join 'em' sums up his approach. Noting that India's reserve towards OBOR is predicated on the inroads it makes in 'India's backyard', especially the Indian Ocean region, he touches on China's 'terraforming of a number of rocks, reefs and atolls in the South China Sea into military bases', and its acquisition of a naval base in Djibouti, but also feels that China is unlikely to engage in over-stretch in the Indian Ocean, where India enjoys obvious centrality. India should take a dual approach to China, contrasting strategic

and economic imperatives; the former can be compartmentalised, while the economic prospect offers better prospects, on the theory of complex interdependence. Examining OBOR critically, he notes that while project implementation may pose real difficulty, China's track record on maritime projects is considerable. For India, staying aloof may leave India 'in danger of watching everybody else's boats being floated while its own remains in dry dock'. Options include working to combine the 'Make in India' and Sagarmala projects with China's plans, leveraging India's soft skills, as also getting China to invest in a major port project in India.

Prem Shanker Jha takes a wide-angle, critical view of the foreign policy pursued by the Modi government. Towards the end of the first decade of this century, India began to be wooed by China. Jha holds that it was the Modi government's turn towards the USA, evidenced in the Indian position on the South China Sea issue and the results President Obama's January 2015 visit that roiled the relationship with China. Modi's June 2015 visit to China produced a joint statement that reflected some Chinese accommodation towards India, but it failed to mention 'strategic cooperation' between the two countries, and facilitation for Chinese investments in India was only mentioned in passing. Analysing economic developments in China he notes that it is yet to work out a recovery plan; India's participation in OBOR is crucial. His key point is that China wants to harness India's soft power, and views it as a potential economic saviour, yet its high-handed statements and actions belie this. Yet, staying away from OBOR can increase India's isolation in South and Central Asia.

The L.H.M. Ling's essay is a breath of fresh air. Taking TV and cinema as her theme, she sheds new light on similarities and differences in the way the people of China and India use these mass communication devices, for themselves, sometimes also as vehicles to build mutual understanding. Her essay takes on one of the icons of international studies, Joseph Nye, to redefine soft power in a new way, in terms primarily of cultural power; the latter is defined broadly to subsume soft power. She closely analyses three films and TV serials from the two countries to support her conclusion that these give comparative insight into the political role of culture. For Ling, OBOR offers the prospect for revitalising ancient ties that wove through Asia, Europe and Africa, in a contemporary context.

Shivshankar Menon takes a comprehensive look at regional security in the Asia-Pacific region, and how this shapes the India–China relationship. Starting as independent states in the 1950s, the two showed little understanding of one another, which led to the mistakes of that time; they have managed well their legacy problems, especially the border issue, but their growth tracks place them in a situation of contestation. After the economic crisis of 2008, China is building up its own economic, political and security narrative via OBOR and other actions that tie Asian states more closely to it. Menon asks if the USA and China are in a 'Thucydides trap', where mutual fears between a dominant power and a rising power generate a confrontation that eventually leads to a conflict that neither has sought. While no security order exists in the Asia-Pacific, and European experiences are irrelevant, the challenge is to manage change in

an unstable period; pragmatic accommodation and balancing is the way out for the Asian states. For India and China, the task is to manage geopolitical competition in their overlapping periphery and undertake real strategic dialogue.

Pai and Yelery offer a novel proposition, that bridging the institutional distance between India and China can expand Chinese investments in India; this is an understudied issue. In coming to this conclusion, the authors closely analyse through their own research the flow of Chinese investment in India. The two sides have not made effort to understand the systemic differences, the nature of the institutions and the work practices in the two countries. The railways sector in India, which could have attracted Chinese investment, is a prime example. The problem has been magnified by lack of deeper understanding between the actors on the two sides, which has meant that preliminary cooperation agreements typically do not led to action.

Andrew Sheng, based in Malaysia, offers a wide optic perspective: How the rise of China, India and East Asia is producing a rethink in statecraft. After comprehensively examining the interplay between great and local powers, he focuses on OBOR and its implications, against the background of the current monetary order that is creating a global secular deflation. Complex trends, including climate change that affects all, technology transformation, demography, migration, terrorism and social unrest mould the new EuroAsia Great Game. He reminds us that Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan cover 3.5 million square miles of territory with 63 million people, largely Muslim, but mainly secular; they hold strategic natural resources, but have low average income. He concludes that Asia can combine against disruptions to development, and is optimistic that India and China can work together, with ASEAN providing a link between the two. Social inequalities in these countries are a negative, but they can deal with this through poverty reduction policies. ASEAN offers a model.

The first of the two comments carried in this collection is from Stephen Fitzgerald, giving an Australian perspective to our theme, with special focus on the Australia–India relationship. While the USA may wish for stronger Australia–India cooperation within its alliance system, he visualises this in collaboration with China. While China seeks to reshape the norms of international discourse in its own favour, should not these countries work with China in its peripheral country diplomacy, to create a loose connection of countries, with mutually agreed rules, which might even become an Asian charter? He urges serious thinking in Australia about a strategy aimed at a new Asian regionalism.

Shyam Saran comments on the current India–China relationship, focusing on the 2005 Manmohan Singh–Wen Jiabao summit, including the agreement on ‘Political Parameters and Guiding Principles’, and the other key political decisions taken. Since then, in the Chinese perspective asymmetry between the two countries has sharpened, weakening the strategic and global content of the relationship. For India, OBOR means an enhanced Chinese presence in its neighbourhood. Chinese sensitivity to Indian concerns has also diminished in other ways, though China remains interested in a

development partnership with India. The challenge for India in dealing with China will be to balance its economic and security interests.

A thread that runs through the essays in this collection is the salience of economic cooperation as a connector, and its potential as a game changer in India–China relations. Indian media comment on our bilateral economic issues often focuses on the burgeoning Indian trade deficit with China, which is a harsh reality. True, China should be much more receptive to Indian exports, be it Indian pharmaceutical products or software services; in that statist economy, many hurdles come from its regulatory mechanism, even signals to enterprises. But we do not often recognise that India neglected the manufacturing sector, especially in the 10 years of Manmohan Singh's premiership, which gave way in May 2014 to the Modi government and its important 'Make in India' campaign. Our own erroneous policies have permitted Indian manufacture in key sectors to fall so much behind. For example, Bangladesh has pulled much ahead in the export of garments, even while it imports fabrics from India. Further, product quality and value-for-money drive the Indian consumer to opt for Chinese smartphones, allowing these to zoom in 2016 to a market share of 50 per cent, against 16 per cent the previous year. It is FDI inflow, including that from China now on a rising curve, plus a stronger Indian response to competition, that will drive Indian manufacture to improved export performance. Indian investments in foreign countries, including China, also enhance the domestic manufacturing capabilities of Indian enterprises. Should we thus not attach greater importance to expanding India–China investments and technology inflow?

III

Some essays touch on an issue seldom discussed in Indian foreign policy analysis—the country's diplomatic capacity—and its efficacy in delivering high-quality international affairs governance. These concepts, capacity and governance can be viewed via a country's ability to frame effective policy, and to implement it. This affects the full spectrum of external relations, but is especially relevant in dealings with neighbours, and other priority relationships. Some years back, a serving Indian ambassador to China said in informal conversation that on each briefing visit to Delhi he met several political leaders, customary practice for envoys to major capitals; they all gave instructions, but none were in writing and each was different. This aversion to written directives, to envoys and others, is a long-running trait. Ranjit Gupta, who served as ambassador to Thailand (1994–7) and as head of a non-official 'India Taipei Association' office in Taiwan (2000–3), has written a candid, detailed account of how envoys are left to their own devices, in the absence of policy clarity (Gupta 2015).

In the contemporary world, when no agency retains external action exclusivity, foreign ministries are jostled and squeezed in different ways in their efforts to

retain primacy in managing their country's external policy. From above, the head of government and the staff attached to that office monitor and push the foreign ministry, often acting autonomously without consulting it; apex level micro-management in relations with important foreign countries is a fact of life. The foreign ministry has to accommodate itself to this. At the next level, among coequals, the foreign ministry must work with myriad ministries and official agencies, each with a legitimate external agenda; harmonising action with all of them, to ensure coherence and a 'whole of government' policy, is a challenge. At the next non-official level, multiple non-state actors pursue individual external roles. These include the academia, business associations, civil society entities, cultural, film and TV players, the media, NGOs and people's groups, tourists, think tanks and many others. They engage foreign counterparts at bilateral, regional and global levels, in bewildering rounds of conferences and seminars—academic discussions, business council's sessions, student exchanges, track-two dialogue and other actions that shape the broad content of relations, as also the perception of foreign partners, projecting the country's soft power. In their totality, the players at these three levels constitute what some call the 'National Diplomatic System'; the foreign ministry and its diplomats strive to retain centrality in this system (Hocking et al. 2012).

Examining India's diplomatic capacity and international affairs governance efficacy is too big a digression from our theme. For our present purpose, three elements come to mind. First, the foreign ministry and other entities need high quality personnel, with the requisite training, craft skills and motivation, to execute policy with rigour and tenacity. The Indian Ministry of External Affairs (MEA) has long suffered a shortage, noted even in the very first report on its working, the Pillai Committee report of 1966. Finally, in 2007, the government began to implement a plan to effectively double the strength of the Indian Foreign Service; it expanded by over 100 per cent its annual intake and is now halfway to that goal (Rana 2014). Further, like most other foreign ministry, MEA has recognised the critical importance of diplomatic training via the Foreign Service Institute in Delhi, and is improving its training programmes. The MEA's Chinese study programme is by far its best language and area specialisation activity and produces each year a fine crop of specialists, of whom one goes on each year for interpreter-level training, with outstanding results; other language and area programmes are less successful.

Second, foreign ministries continually strive to improve their structures and practices; human resource management receives much greater attention than in the past. A recent example is the British Foreign and Commonwealth Office's report, 'Future FCO' published in May 2016.⁷ All seek excellence, but no effective metric

⁷ See <https://www.gov.uk/government/publications/future-fco-report> Some press reports on that document: <http://www.ft.com/cms/s/0/32baf34e-146b-11e6-9d98-00386a18e39d.html#axzz4laecRV85> and <https://pdnetworks.wordpress.com/2016/05/11/the-future-fco-report/>

exists to evaluate or compare foreign ministries. A proxy indicator of foreign ministry capability, or at least a precondition for effectiveness, is the ratio between personnel at home, the foreign ministry headquarters and at embassies and consulates abroad; empirical evidence shows that one may have situations of excess at either end, and an ideal ratio is that for every one person at the ministry, there ought to be 1.5 to 2 abroad (Rana 2007). India has long had too small a Ministry of External Affairs for effective management of its overseas network, but the situation has improved considerably in the past two decades. That ratio has shifted from 1 to 4.3 in 1999 and from 1 to 2.7 in 2014; it has further improved since then, thanks to a determined effort to strengthen the Ministry. Yet, a serious challenge persists in New Delhi over the MEA top management structure that limits its attention to managing relationships with foreign countries, a ‘capacity’ issue.⁸ Diplomats from neighbouring countries, privately comment that New Delhi’s attention is fixated primarily on three countries, Pakistan, the USA and China, in rotating order.

Third, consider the long-persisting challenge of implementing foreign policy decisions, which hinges on MEA’s clout in marshalling actions with both official, and frequently, also the non-state partners. After taking office in 2014, PM Narendra Modi broke new ground with his slogan ‘Neighborhood First’, backed by visits to all the South Asian neighbours; Colombo and Kathmandu had not received strictly bilateral prime ministerial visits (as distinct from visits to attend regional events, mainly SAARC summits) for more than two decades. Modi has given similar personal attention to other regions.⁹ But no one monitors implementation of the bilateral decisions and the accords signed (Rana 2016a).

Two comments by former Indian diplomats, both having served as secretaries in MEA illustrate the above. Vivek Katju wrote in 2013:

Formidable challenges await Sujatha Singh as she takes over as Foreign Secretary. The most difficult of these is to restore to the Foreign Office its place of primacy in the formulation and execution of India’s foreign policy... Many Ministries are seeking to pursue virtually independent external initiatives... The workload of the Foreign Secretary has increased rather than come down. Some of the work that was earlier with the other Secretaries is now with the Foreign Secretary.... All this work leaves him no time to plan and execute a vision for the foreign office or the IFS. Indeed, sometimes senior colleagues are kept waiting for months before they can meet him. (Katju 2013)

⁸ Flagged first by Dan Markey in a July 2009 *Asia Policy* article, ‘Developing India’s Foreign Policy “Software”’. See also Rana (2014).

⁹ As of January 2017, PM Modi had made 56 visits to foreign countries, in six continents. See https://en.wikipedia.org/wiki/List_of_international_prime_ministerial_trips_made_by_Narendra_Modi

P.S. Raghavan commented in 2016: 'Implementation shortfalls are often attributed to the "narrow bandwidth" of the external affairs ministry and its manpower constraints. The real problem, however, is not of MEA's bandwidth, but of a common foreign policy wavelength in the government' (Raghavan 2016).

Chinese diplomats sometimes informally ask how the Indian MEA's East Asia Division deals with its China dossiers with barely four officials dedicated to this task, when they have some 20 working on India issues at the counterpart, the *Waijiaobu*, at Beijing. But it is in the management of relations with other countries, especially the immediate and near-neighbours in Asia that the problem is at its most acute. Writing about India–Myanmar relations and the prospect of working with Japan, a former ambassador to Myanmar recently wrote: 'the Indian authorities have been struggling to complete their flagship projects, the Kaladan Multi-Modal Transport and Trilateral Highway' (Bhatia 2016).

Indian foreign policy and its execution, and the support this receives from the country's institutions, ought to better reflect the country's self-confidence in its innate political stability and expanding economic capacity. PM Modi speaks frequently of India's three key strengths: demography, democracy and demand. On 10 January 2017, he repeated this mantra and told the 'Vibrant Gujarat Summit' at Gandhinagar that its under-35 population of 800 million gives it a unique workforce and demand pool (*The Times of India* 2017b). I should add that when we speak of these assets, it need not produce assertions reminiscent of a 'premature power', to use Shyam Saran's depiction of Indian posturing (*Business Standard* 2010) but rather quiet confidence in the country's ability to mould its external environment, and comprehensively engage through its diplomacy all its neighbours, and powers, great, middle and local. This task also involves better management of the diplomatic process, as outlined above. And not the least, MEA needs to be better resourced; the Parliamentary Committee on Foreign Affairs advised in May 2016, saying that lack of funds is 'severely affecting its functioning, particularly in implementing major projects abroad' (*The Times of India* 2016). That plea has fallen on deaf ears in the Indian Finance Ministry; it was allocated ₹149,660 million (US\$2.23 billion), that is, about 0.8 per cent of the total budget, against its demand of ₹229,670 million (US\$3.43 billion) for 2016–7; that allocation equals the cost of nine—barely half a squadron—of the 36 Rafale fighter aircraft being imported from France (*The Times of India* 2017a).

Let some of the above analysis appear over critical, let me add that published and informal comments by international peers rate Indian diplomats to be among the world's best. Indian negotiation skills are exemplified in the 2005 India–China 'Agreement on Political Parameters and Guiding Principles for Settling the Boundary Question' and the 2007 India–US civilian nuclear deal. The MEA has continuously carried out incremental improvements. It is one of the world's savvy users of the social media, its Public Diplomacy Division working with a budget of barely ₹300 million (US\$4 million). As for innovation, consider the India–China 'State/

Provincial Leaders Forum initiated during Modi's May 2015 China visit, which brings in these sub-state actors into the bilateral process.¹⁰ The MEA's quest for systemic improvement should focus on making a reasonably good system even better. What particularly needs attention is enhancing MEA's domestic effectiveness and delivery of 'whole of government' governance.

IV

The year 2017 marks the 60th anniversary of the Asian Relations Conference convened in New Delhi by Jawaharlal Nehru in March 1947, on the eve of India's Independence. Taking place barely 2 years after the end of World War II that ended with the surrender of a militarist Japan, at the cusp of the decolonisation process that commenced with Indonesia and India joining the world community of sovereign states, that conference presented a heady vision of unity across the continent, even though that vision was belied by subsequent events. Yet, the rationale and optimism of that dream persists.

Today Asia is the meeting point of the vital interests of the world's major powers; it is also the world's economic dynamo. Emerging China and India joined by Japan constitute the Asian triumvirate; Russia is increasingly re-oriented towards the East, its Asian face. The USA remains the dominant player of the entire Indo-Pacific region. The European Union and its principal states, in contrast, have strong economic interests, but a rather weak Asian political presence. Not to be underestimated are Australia, Indonesia and South Korea, significant in their eco-political heft. The ASEAN, composed of 10 dynamic states that have woven among themselves a unique model of regional cooperation, whose singular achievement is the creation of several partnerships that reach out to other states, be it the Asian Regional Forum (ARF) or APT and the 18-member EAS. But there is no 'Organisation of Asian States', nor an 'Asian Union'—even the notion seems to lie beyond imagination. And yet that concept of Asian unity endures.

This issue of *China Report* is dedicated to that obstinate dream and hope for the re-emergence of deeper understanding, cooperation and unity among the people and the governments of Asia. The manner in which the India–China relationship develops will substantially determine that outcome.

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¹⁰ Another example: The MEA now has a unit for the first time handles MEA's outreach to Indian states; all Indian ambassadors are 'assigned' a state, to cultivate that its contacts in their country of assignment.

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