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What We Talk About When We Talk About China

While China is a behemoth no smaller than the US, it seems that the country continues to attach its projects to particular foreign regimes, and has not learnt to insulate itself from local corruption.

For the past three years the Institute of Chinese Studies (ICS), Delhi, and the Konrad Adenauer Foundation, working closely with Goa University, have hosted annual conversations about China each December.

They bring together about 40 Indian and international academics, former diplomats, journalists and others from different countries, including China, Taiwan and Hong Kong, to talk about that persisting riddle that is China. The latest iteration was held in Goa from December 5 to 8, 2019. This is a personal takeaway from that talkfest.

One. Clearly, what we called ‘emerging’ China is now ‘ascendant’, in effect a quasi co-equal to the US.

When President Xi Jinping became China’s leader in 2012, no one anticipated from him hard actions to reinforce Party centrality and the sharpest anti-corruption drive in four decades – all aimed at the Communist Party’s permanent rule. The top echelon of that system, its ‘nomenklatura’, is estimated at 4,000 (i.e. those at central vice minister rank and above).

About 400 of them have been detained and sanctioned, including 100 People’s Liberation Army generals. Assuming that each has a ‘tail’ of around 100, i.e. those that have piggybacked on their patron, it makes a sizeable group that have lost out, and harbour deep resentment. That is a potential source of trouble. One may read in this context Joseph Nye’s 7 April 7, 2019 article, [‘China may have feet of clay’](#).

Several thought that ‘black swan’ events may loom; by definition they cannot be anticipated. And they cannot be ruled out. One observer spoke of an ‘inflection point’ that China confronts.

Two. The US-China trade dispute has evolved to President Trump’s advantage. While a temporising pause will help both – and that now seems to be in the works – China’s latitude in stepping up agriculture imports from the US is finite.

At \$400 billion, the US deficit is simply too large. The only value-added goods that the US might supply come under its technology export controls. A lingering standoff is likely. Worse, a technology denial policy always backfires, as we know in India from success in overcoming such controls.

At the root of the US trade deficit is roughly the same problem as India faces, that one's export basket is inadequate, against all the things imported from a rampant China. At the same time, in the short term, an impasse adds to pressure on the Chinese leadership.

Three. For all their outward bonhomie, China-Russia relations remain an enigma. As Russia-Europe relations improve, with new gas pipelines coming on stream, Moscow's options widen. While it suits both Beijing and Moscow to trumpet their affinities, Central Asia remains a zone of contestation. And we do not see any major flows of Chinese investments into a crony-deal dominated Russia.

Also, Russian oil company Rosneft is prospecting in Vietnam's territorial waters, and has not hitherto faced any Chinese challenge, unlike other prospection there.

Four. Some Europeans speakers implied regret over their past appeasement, and accommodative actions, towards China, plus lack of EU unity in dealing with Beijing. They averred that they are getting their act together, and at the EU-China summit next year in Leipzig, the Chinese will face a united European front.

But for Asians the question persists: how and when might Europe be more active in the Indo-Pacific region?

Five. BRI featured in two of seven panels, and came up at the other sessions too. That old English adage, a 'curates egg' is an apt description. Excellent in parts, suspect in other respects.

A fine new ICS study based on primary research, rare in our scholarship, shows why Africa favours its BRI infrastructure projects: it is the only game in town.

Neither the international financial institutions, nor the West would lend money for needed railway, port, and road infrastructure. Africans [understand](#) the experience of the Maldives, Malaysia and Sri Lanka, and the default risk they face.

At a subsequent Delhi talkfest, former Bangladesh Foreign Secretary Farooq Sobhan spoke of Beijing's October 2016 \$24 billion loan to Bangladesh; of the 27 projects it covers, six are under implementation and 21 others are being negotiated; some are grants and the loans are at around 2%. But not all BRI deals are simple, as recent Czech experience has shown, with [allegations](#) swirling over Beijing's political interference in Prague.

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A final point. India has to adroitly manage its China relationship. The Wuhan-Chennai process with its direct dialogue among the leaders, helps to contains

differences. Persisting US-China tensions gives elbow room for India. And New Delhi has much to learn from Japan and Vietnam in crafting its route. On the plus side, Chinese IT companies are major investors in the expanding cluster of Indian 'unicorns', with total investments approaching \$20 billion. As for RCEP, an eminent Indian observer pointed out that after negotiations started seven years ago, India had ample time to prepare its tariff and other economic structures for FTA membership.

Another conclusion: after the first few years of economic reform, across different regimes, India has suffered from poor domestic economic governance.
