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POSITION PAPER

Changing Dynamics of China-India Relations: CPEC and Prospects for Pakistan

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ABSTRACT

In the eyes of many Pakistani and international observers, the China Pakistan Economic Corridor (CPEC) is changing the dynamics of geopolitics and socio-economic relations in South Asia. Is this likely to dampen or intensify rivalry between India and Pakistan? Indian policy makers and analysts assert that the CPEC is China's device to 'encircle India' and Pakistan is only a collaborator in this scheme, while Pakistani policy makers claim that it is a 'game changer' and is solidifying the China-Pakistan strategic partnership. It is noteworthy that China has demonstrated enormous skill in managing 'territorial disputes' with India, while continuing to expand their trade and commerce. In fact India- China economic relations are booming with trade and investment to the tune of over 80 billion US dollars, while China- Pakistan trade and investment is less than 18 billion US dollars. Given this reality would China encourage India to join the CPEC and expand its members? This paper explores some of these questions and evaluates the role of India in determining how the BRI will unfold in South Asia. India's continued objection, particularly of the CPEC, could ignite regional rivalry, which in turn could compel China to review its time-tested policy of 'non-interference'. As the CPEC unfolds, China's biggest challenge in South Asia would be managing India-Pakistan relations, yet primary responsibility lies with the two nations themselves.

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Changing Dynamics of China-India Relations: CPEC and Prospects for Pakistan

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Executive Summary

The China Pakistan Economic Corridor (CPEC) is one of the six main economic corridors being developed under China's Belt and Road Initiative (BRI). Adopted in 2013, the economic corridor is meant to improve the development situation of Pakistan through investments in the energy sector, industrial areas (the SEZs), infrastructure, such as the construction of roads and railways, and the development of the deep-sea port of Gwadar. Through China's vision of 'mutual development for all' and shared development goals, the CPEC has come to be known as the 'flagship project' of the BRI.

Despite the various challenges arising from the implementation of the CPEC, it is clear that the initiative holds great promise for the national development of Pakistan. However, the Indian government and indeed a segment of Indian policy makers and analysts assert that the CPEC is China's device to 'encircle India,' and Pakistan is only a collaborator in this scheme. Pakistani policy makers, on the other hand claim that it is a 'game changer' and a pivot of the China-Pakistan strategic partnership. It is noteworthy that China has demonstrated enormous skill in managing territorial disputes with India, while continuing to expand their trade and commerce. In fact, India-China economic relations are booming with the volume of trade and investment estimated at over 80 billion US dollars. China-Pakistan trade and investment is less than 18 billion US dollars.

Both India and Pakistan are nuclear powers, driven by a rivalry that entails territorial disputes that are rooted in the partitioning of 'British India', influencing significantly Pakistan's own 'threat syndrome', economic development and security policies. The Kashmir dispute, driven by conflicting claims of both India and Pakistan has complicated the nature of Indo-Pak relations. Indeed, the history and legality of the dispute is both complex and difficult to deconstruct, but has led the two countries into wars three times since their independence in 1947. Most recently on 5th August 2019, the BJP government of Prime Minister Narendra Modi by abrogating Article 370 of the Indian Constitution that had granted special status to the state of Jammu and Kashmir, has provoked yet another crisis surrounding the status of Jammu and Kashmir. The decision was made unilaterally, avoiding any consultative or participatory processes in including any representative body of the over eight million people of Kashmir.¹ Secondly, this step to scrap Jammu and Kashmir's special status also violates international law and UN resolutions including the Security Council's Resolution 47 of 21 April 1948, which called for a "*democratic method of a free and impartial plebiscite*" by both the Pakistani and Indian governments—something that has not yet taken place. Thirdly, the Simla Agreement of 1972 has also been set aside in which both Pakistani and Indian leaders (Zulfikar Ali Bhutto and Indira Gandhi, respectively) agreed to the following terms: "*In Jammu and Kashmir, the line of control resulting from the ceasefire of December 17, 1971, shall be respected by both sides without prejudice to the recognized position of either side. Neither side shall seek to alter it unilaterally, irrespective of mutual differences and legal interpretations...*"²

The current dispensation of Indian and Pakistani leadership suggests that the Kashmir issue will continue to strain Pakistan-India relations. Yet, one does wonder whether both nations will be able to look beyond their security-centric foreign policies and give priority to regional interdependence and economic growth?

While the CPEC may not be the solution to conflict resolution between India and Pakistan, it does provide a chance for India to reduce the opportunity cost of not engaging with Pakistan through this medium. This means increased trade and commerce, a reduction in informal/black-market trading, and greater economic growth. Currently trade between India and Pakistan stands at a mere two billion US\$, this is several times less than the estimated potential. Reducing trade barriers and engaging in a mutually rewarding manner by reviewing tariff rates and exporting directly to each other (rather than through third-party countries such as the UAE) can significantly

improve the trade volume between the two countries.³ The present study clearly shows that there is a significant number of Indian academia, policy analysts, and former civil and military officers who do not view CPEC as ‘threat’ or a ‘sovereignty issue.’ Indeed, they welcome it as a vehicle of economic interdependence and appreciation of regional and cultural links between the two countries and across South Asia.

As a first step, it is imperative that the curfew in Kashmir be immediately lifted so that, in the least, an environment of mutual respect and trust is created. In this spirit, we also recommend and encourage the international community and the government of Pakistan to demand a restoration of Articles 370 and 35-A of the Indian Constitution. No decision should be taken to alter the status of Kashmir without the consent of people living there. Furthermore, this study recommends that the CPEC could help India and Pakistan attain peace dividends in South Asia by adopting the following few steps:

1. Learning from the Chinese-Indian experience of border management and the agreements that the two countries have signed between 1993- 2013, Pakistan could also pursue, similar confidence-building measures with India. China, through the CPEC can help facilitate that process, thereby gaining credibility as an effective peace builder in Asia.
2. By adopting a people-centered approach towards the development of the regions that fall under the BRI, India and Pakistan can help in boosting the positive spill-over effects of Chinese investments including in areas such as, employment, vocational skills development, labor training and technology transfer—all of which have proven to contribute towards long-term sustainable growth.
3. It might help India to see the CPEC as a *business model that is apolitical and regional*, rather than a bilateral diplomatic initiative between China and Pakistan. As interdependence between the India and Pakistan’s economies improve, the two can establish backward and forward linkages to complement the Chinese investments, local industries and their production network. Such linkages can closely be sewed into the CPEC framework. There is great scope for the Small and Medium Enterprises industry within this agenda, an industry that makes up a significant component of both countries’ economies. Thus, by formalizing their economic relations and facilitating greater interaction between various economic interests and stakeholders, India and Pakistan could achieve the estimated 27 billion US\$ of potential trade.⁴
4. The BRI, inclusive of the CPEC, has provided a novel opportunity for nations to rethink the global economic and strategic order—an innovative synergy of geo-economic factors superseding geo-political considerations is already panning out. We conclude that the CPEC remains, and must be sustained as, an economic opportunity and not a strategic challenge or threat to anyone, India included.

¹ The estimated total population of Jammu and Kashmir in India is around 12.5 million however the number of those affected by the curfew and communications blockade range from seven to eight million.

² “Simla Agreement,” The Stimson Center, <https://www.stimson.org/simla-agreement> (accessed 19th November 2019).

³ Amin Ahmed, “Indo-Pak trade stands at \$37 billion: World Bank”, Dawn News, 25 September 2018, <https://www.dawn.com/news/1434829> (accessed 14 February 2019).

⁴ Amin Ahmed, “Indo-Pak trade potential stands at \$37 billion: World Bank”, Dawn, 25 September 2018. <https://www.dawn.com/news/1434829> (accessed 27 May 2019).

Changing Dynamics of China-India Relations: CPEC and Prospects for Pakistan

“The sky and the ocean of Asia are big enough for the dragon and the elephant to dance together, which will bring a true Asian Age.” Liu Jinsong, Deputy Chief of Mission of the Chinese Embassy in India, 2017.

INTRODUCTION

The China Pakistan Economic Corridor (CPEC) was launched in 2013 as part of one of the leading collaborations under China’s larger Belt and Road Initiative (BRI). The concept of the BRI itself was announced by President Xi Jinping during a speech at Nazarbayev University in Kazakhstan in 2013 when he spoke of reviving the old Silk Route in terms of creating a ‘Silk Road Economic Belt’ and ‘21st Century Maritime Silk Road.’ The concept’s linguistic expression evolved over time becoming the One Belt One Road and eventually, the now officially accepted ‘Belt and Road Initiative.’ As Nadège Rolland observes for The National Bureau of Asian Research, *“In late 2015, the central government issued guidelines on standardizing the English translation, specifically demanding that “initiative” should now be used in association with Belt and Road, whereas “strategy,” “project,” “program,” and “agenda” should not be used.”*¹ The semantic expressions of the BRI have been important to the Chinese leadership as it is sensitive to the terms defining the initiative, given that the projected motivation behind it is promoting an idea of peace, harmony, regional cooperation and shared development with mutual gains for all. According to the Chinese government any descriptions that suggest that China is scheming, planning, or pursuing an agenda through the BRI would be counter-productive to the initiative’s cause.² Given growing US hostility and projection about the BRI as a ‘threat’ to its national interests, a few regional countries, particularly India is still struggling to determine a clear policy towards the BRI and China. India has been vociferous in claiming that the CPEC specifically, and the BRI in general, violate the principle of ‘territorial sovereignty’. India is vigorous in contesting the infrastructure projects under the CPEC that pass through Gilgit-Baltistan (GB), an area that is considered part of Kashmir, which both Pakistan and India (and partly China) claim as part of their own territory. The Kashmir dispute remains one of the longest unresolved territorial disputes in the world and has severely hampered prospect of peace between India and Pakistan, causing significant costs in terms of human lives and economic development. Recent developments, including India’s abrogation of Article 370 of the Indian Constitution that granted special status to the state of Jammu and Kashmir, have further complicated the situation.

In this paper we argue that *the CPEC is not a ‘threat’, rather it offers India an opportunity to boost trade and investment, improve regional connectivity and a chance to lead a movement for peace and harmony with Pakistan and broadly in South Asia.* India therefore could adopt a more open policy towards the BRI including the CPEC and prioritize the development of people over territorial gains. By abrogating Article 370, India has embarked on a policy of ‘unilateralism’ that goes against the spirit of shared development and possibilities of peace in South Asia. The BRI inclusive of the CPEC offers India, Pakistan and South and Central Asia an opportunity of peace and a vision of sustainable development.

This paper is divided into five sections. The first focuses on analyzing the historical context of Indo- Pakistan rivalry and how the CPEC could transform it. It looks at recent developments in the Kashmir issue and how these have further complicated an already complex territorial dispute. The second section evaluates perceptions and policy positions of Pakistan and India on the CPEC. In the third section, it briefly examines the dynamics of Indo-US relations on containing China and why the two pinpoint the CPEC as a strategic challenge. Fourth, it provides an assessment of booming Indo-China economic relations despite diverging strategic interests and how India

is managing these through a policy of what we call 'plausible ambiguity.' It argues that there are lessons to be learnt for both Pakistan and India. Finally, the paper concludes with a discussion on how a pragmatic approach to the CPEC could diffuse tensions and brighten the prospects of a peace dividend in South Asia.

1. Contextualizing Indo-Pakistan Rivalry

India and Pakistan's threat perceptions have been highly colored and complicated by unresolved disputes, particularly the issue of Kashmir. The CPEC has emerged as the latest addition to this list of 'irritants.' While Pakistan perceives the CPEC as a 'game changer' for economic growth, development and regional connectivity³, India views it as an instrument of China and Pakistan to 'encircle India.'⁴ Both India and Pakistan are nuclear powers, driven by a rivalry that is chronic and endemic, influencing significantly Pakistan's own 'threat syndrome'; a situation that has for decades steered Pakistan's foreign policy and development programs. The CPEC's proponents however downplay intractable territorial disputes and strategic rivalries and emphasize the opportunities for investment, trade and economic rewards. Furthermore, they argue that the Indo-Pakistan conflict has deep historical and ideological roots and has little to do with development of the CPEC.

The Indian opponents of the CPEC on the other hand, aver that it undermines the prospects of any peaceful engagement between India and Pakistan. They also invoke the issue of violation of 'sovereignty' 'and 'territorial integrity' and point out any infrastructure development that passes through unsettled boundaries is unacceptable. There is no denying that the strategic environment in South Asia is defined by tensions between India and Pakistan. Despite a shared colonial past, visible cultural and institutional similarities, the dynamics of power relations continue to be motivated by hostility, lack of trust, and frequent eruptions of violent conflict. Insecurity, fear and suspicion of the 'other' thus continue to keep South Asia as the 'nuclear flash point,' while peace, cooperation and economic partnership remain elusive. Most scholarly and journalistic studies continue to present a dismal picture of 'unending conflict' in the region. This scenario encourages violence, militancy and perpetuates an environment that ignites terrorism.⁵ However there are a significant number of optimists in both Pakistan and India that do not see the conflict as an ending scenario of death and destruction and do believe that the conflict can be overcome through a shift in focus to economic engagement and shared human development goals. Philip Oldenburg a perceptive observer and scholar of South Asia has remarked optimistically, that if India and Pakistan can resume talks and draft a framework of minimal shared interests "*in time, Kashmir might cease to be a "dispute,"*" and return to its legendary place as a paradise on earth."⁶ These arguments are discussed further in the paper.

The roots of 'hatred of brothers' are buried in the Hindu, Muslim and British histories and cultural experiences.⁷ Both states can, and do, invoke 'past glory' to run each other down. Mistrustful of each other's intent, the two tumbled into war over Kashmir in 1947, aggravating anxieties and insecurities. Since then Kashmir has, and continues to be, the 'core issue' of conflict and potential war between India and Pakistan. India claims Kashmir is an 'integral part of India', Pakistan contests this claim and maintains that it is a 'disputed territory'. The two have fought three wars over the issue (1947, 1965, and 1999).

Over the past half a century the international community has shown little interest in the historical, legal validity or merits of the case or even the plight of the Kashmiris, its primary concern has been to ensure that a conflict between the two does not escalate into large-scale military or nuclear war. The 1948 UN Resolution on Kashmir has still not been implemented and the recommended

plebiscite remains inconceivable in the near future. Subsequent governments in both India and Pakistan have been careful about satisfying the public about their respective country's territorial integrity and have been determined not to cede any land to the other side. Territoriality is thus a sticking point in government policy that fuels political inertia, hindering any form of negotiated conflict resolution between India and Pakistan.

Consequently, India is opposed to the CPEC because, its policy makers point out that it passes through disputed territory, which India contends is under 'Pakistani occupation'. In fact India remains a 'fierce opponent' of the OBOR (renamed BRI), the CPEC being only one of its six corridors. For instance, in 2017 India's then finance minister, Arun Jaitley stated, "*I have no hesitation saying that we have some serious reservations about it (OBOR), because of sovereignty issues*".⁸ Earlier in 2017, Prime Minister Narendra Modi had opposed the BRI and CPEC, asserting that regional connectivity should not be undermining India's sovereignty. India also feels that the CPEC, has geopolitical ambitions, implying that through Gwadar, China is attempting to extend its influence in the Indian Ocean—thus providing more evidence of the prevailing 'String of Pearls' theory.⁹ The Chinese Foreign Minister and the Chinese Ambassador to India have both challenged and refuted Indian assertions. On May 5th, 2017, Ambassador Luo Zhaohui categorically stated that the CPEC has, "*no connections to or impact on sovereignty issues*", and he hastened to add China had, "*no intention to get involved in the sovereignty and territorial disputes between India and Pakistan*."¹⁰

1.1 Disputed Territories: De Facto and De Jure Status and Developments since August 2019

The history and legality of the Kashmir dispute is both complex and difficult to deconstruct. Its modern history begins from the late 16th century. Five different rulers controlled the Kashmir region over a span of 350 years. The Mughal conquest of Kashmir in 1586 was followed by a takeover by Afghan rulers in the mid- 1700s. The Sikhs came next in the early 1800s when Kashmir came under Ranjit Singh who died in 1839. The British were able to subdue the Sikh kingdom in the First Anglo-Sikh War (1845-6) and Kashmir came under British suzerainty. Gulab Singh, ruler of Jammu and founder of the Dogra Dynasty, bought Kashmir from the British and his successor; Maharaja Ranbir Singh conquered and annexed the Gilgit region and forced Hunza and Nagar to become "tributary states."¹¹ He supported the British during the 1857 War of Independence (Indian mutiny). When Ranbir Singh died, in 1885, the British were able to increase their influence. Maharaja Pratap Singh succeeded his father and after a long reign, his nephew Maharaja Hari Singh succeeded Pratap in 1925. By the time the British left India in 1947, the Maharaja was pressurized by Congress to choose between India and Pakistan as neither Nehru nor Jinnah had made explicit claims over the fate of Kashmir during the Independence movement. The newly independent countries fought over Kashmir between October 1947 and January 1949 until the UN declared a ceasefire. In 1972, following the Simla Agreement, the ceasefire line was re-defined as the "Line of Control" and is considered as the "de facto border" or temporary compromise between Indian Kashmir and Pakistani Kashmir.¹²

In August 2019, however, India under the BJP government led by Prime Minister Modi, brought about a radical alteration in the status of Kashmir by abrogating Article 370 of the Indian Constitution that had granted special status to the state of Jammu and Kashmir—or in other words, the 'Indian controlled Kashmir'. Article 35A was also repealed which protected the special rights of permanent residents of Jammu and Kashmir which enabled them to inter alia buy property, participate in the state's politics and gain access to higher education and health services as a distinction from

non-permanent residents. The BJP had been pushing for the annulment of these articles since its inception in the early 1950s. In 2019, during the Indian elections, the BJP manifesto described Article 35A as “*discriminatory against non-permanent residents and women of Jammu and Kashmir.*”¹³ Modi’s government claims that by repealing Article 370 the government will make significant advances in improving the sociopolitical and economic situation of the Kashmiri people. They argue that what was previously a marginalized area, uncertain of its territorial status, has been given a novel chance to integrate into mainland India, acquiring endless opportunities for economic and human development.¹⁴ For Indians, Jammu and Kashmir is thus perceived as an integral part of India, an internal matter that does not require any form of international deliberation. Pakistan contests that and has taken a consistent position that Kashmir is a disputed territory.

In his address to the UN General Assembly on 27th September 2019, Pakistani Prime Minister Imran Khan highlighted the inhuman conditions that the Kashmiris were being forced to live in. He brought to the attention of the world leaders the continuation of a curfew that prohibits the freedom of the Kashmiri people, further alienates them and is likely to push them towards violence. Khan urged the world leaders that resolving the Kashmir conflict was a “*test for the United Nations*” that through its resolutions had “*guaranteed the people of Kashmir the right to self-determination.*”¹⁵

Khan’s speech is reflective of the stance Pakistan has taken on Kashmir for decades: in international forums Pakistan has frequently demanded a plebiscite in Kashmir, allowing the Kashmiris the right of self-determination. Thus from Pakistan’s perspective, India’s decision to change the status of Jammu and Kashmir violates the spirit of UN resolutions on Kashmir.

First, Modi’s government has severely been criticized not only for following a non-constitutional process and abusing executive power in the repeal of the Article 370 from the Indian Constitution, but also for carrying out the decision unilaterally, avoiding any consultative or participatory procedures in including any representative body of the over eight million people of Kashmir.¹⁶ Secondly, this step to eradicate Jammu and Kashmir’s special status also violates international law and UN resolutions including the Security Council’s Resolution 47 of 21 April 1948, which called for a “*democratic method of a free and impartial plebiscite*” by both the Pakistani and Indian governments—something that has not yet taken place. The Resolution also clearly recommended a withdrawal of military troops to a minimum level to “*not afford any intimidation or appearance of intimidation to the inhabitants of the State*”—a recommendation that was clearly overlooked in the recent increase in stationing of military troops in Kashmir (which is already one of the most militarized regions in the world). Thirdly, the Simla Agreement of 1972 has also been set aside in which both Pakistani and Indian heads of state (Zulfiqar Ali Bhutto and Indira Gandhi respectively) agreed to the following terms: “*In Jammu and Kashmir, the line of control resulting from the ceasefire of December 17, 1971, shall be respected by both sides without prejudice to the recognized position of either side. Neither side shall seek to alter it unilaterally, irrespective of mutual differences and legal interpretations. Both sides further undertake to refrain from the threat or the use of force in violation of this line.*”¹⁷

International reactions to the human rights violations in Kashmir have varied in intensity including India’s own response to the situation. Ironically, the Indian Prime Minister chose not to mention Kashmir in his speech at the UNGA. On the other hand, many heads of state such as President Recep Tayyip Erdogan of Turkey and Prime Minister Mahatir Mohamad of Malaysia drew attention towards the Kashmir issue, the latter who stated, “*despite the UN resolution on Jammu and Kashmir, the country has been invaded and occupied.*”¹⁸ Speaking on the occasion, the Chinese Minister for Foreign Affairs, Wang Yi, while referring to Kashmir, urged India and Pakistan to

abide by the UN resolutions and seek peaceful settlement through dialogue. Yi was emphatic in stating that China “opposes hegemonism”, and while making indirect reference to Kashmir situation urged that “*rampant unilateralism*” must be avoided.¹⁹ More recently, President Xi Jinping reiterated China’s support for Pakistan on Kashmir during Prime Minister Khan’s third official visit to China, President Xi declared, “*China supports Pakistan to safeguard its own legitimate rights and hopes that the relevant parties can solve their disputes through peaceful dialogue.*”²⁰ In the light of these statements, one may argue that India’s actions following the decision of August 5th smacks of unilateralism that does not support ideals of shared development goals through regional cooperation.

The Kashmir dispute therefore continues to be volcanic in nature, presenting itself as a constant source of fear and anxiety for India and Pakistan, nourishing hostile sentiments on both sides, which continues to ignite an ideology of hatred against the other.

As Nissim Mannathukkaren observes in a report for the Hudson Institute, “*It is widely recognised that the fulcrum of the Pakistani state and establishment is an anti-India ideology and an obsession with India. But what has scarcely received notice is that India’s post-Independence nationalism has been equally driven by an obsession with Pakistan... But, this hyper-nationalistic urge to ‘defeat’ Pakistan and to gloat over every victory, both real and claimed, is ultimately self-defeating, and comes with huge human and material costs.*”²¹ Mannathukkaren also argues that while the costs are much larger for Pakistan, given the comparative size of its economy and its struggle in improving its human development growth, India too has experienced great suffering. The Kashmir conflict has resulted in the death of over 50,000 Kashmiris, and has cost India the lives of 6,500 security officers, in addition to the incalculable economic costs of placing soldiers in the area. Mannathukkaren is candid in pointing out that India’s ‘obsession with Pakistan’ has constrained India’s potential of becoming the next global superpower at par and at competition with China instead.²²

Geographically, Kashmir covers an area of around 86,000 square miles and is divided between the Indian-controlled ‘Jammu and Kashmir state’, the Pakistani-controlled ‘Azad Kashmir’ and the Aksai Chin area, under Chinese control. These areas make up 45, 35 and 20 percent of total Kashmir region respectively.²³ As noted above, Gilgit-Baltistan (G-B) came under the suzerainty of Dogra rulers of Kashmir, India invokes that history to claim that the CPEC projects are violating India’s sovereignty. Pakistan has never accepted G-B as part of Kashmir and has granted self-rule to the region through the Gilgit-Baltistan Empowerment and Self-Governance Order 2009, with its own Gilgit-Baltistan Legislative Assembly and Gilgit-Baltistan Council.²⁴ The people of G-B also stridently reject the idea that G-B is or ever was part of the state of Jammu and Kashmir and have argued for representation in National Assembly and Senate alongside other Pakistanis but the Pakistani government has refrained from accepting this plea, arguing that such a step would compromise Pakistan’s position on the Kashmir issue, not to mention hampering prospects of territorial gains.²⁵ Kashmiri activists have also voiced concerns over such demands, claiming that this will only strengthen India’s control over disputed Kashmir.²⁶

India, however, continues to assert that G-B is part of Kashmir/India and that Pakistan cannot declare it as Pakistani territory. For example, a press statement in mid-2018 by the India’s Ministry of Foreign Affairs reads: “*...the entire state of Jammu and Kashmir which also includes the so-called ‘Gilgit-Baltistan’ areas is an integral part of India by virtue of its accession in 1947. Any action to alter the status of any part of the territory under forcible and illegal occupation of Pakistan has*

no legal basis whatsoever, and is completely unacceptable". This statement came after the then Pakistani PM Shahid Khaqan Abbasi's spoke about the possibility of including Gilgit Baltistan as a part of Pakistani federation.²⁷

Figure 1: Map of Disputed Territory, Kashmir



Map source: <https://www.bbc.com/news/world-south-asia-11693674>

Realizing that the Kashmir issue needs to be resolved bilaterally but due to Indian recalcitrance, Pakistan has continued to raise and seek the resolution of the dispute at international fora. Pakistan has been persistent in approaching the United Nations to intervene and resolve the conflict based on principles of human rights and self-determination of the Kashmiri people. Last year, in September 2018, at the 73rd session of the UN General Assembly, the Pakistani Foreign Minister Shah Mahmood Qureshi reiterated this stance in his speech when he remarked: *“The unresolved Jammu and Kashmir dispute hinders the realization of the goal of durable peace between our two countries. For over seventy years now, it has remained on the agenda of the UN Security Council and a blot on the conscience of humanity. For seventy years the people of occupied Jammu & Kashmir have struggled for their rights of self-determination in the face of overwhelming oppression and gross violations of their fundamental human rights by the Indian occupation forces. There can be no lasting peace in South Asia without a just settlement of the Kashmir dispute based on the UN Security Council resolutions and the will of the Kashmiri people.”*²⁸ With the launch of the BRI, and the CPEC as an essential component of it, peaceful management and resolution of the Kashmir dispute has acquired a sense of urgency and new salience. Avoiding conflict and peaceful management of the issue could brighten prospects for economic and human development for both India and Pakistan.

2. Is the CPEC re-igniting Territorial Disputes and fuelling Sovereignty Issues?

So how does the CPEC fit into this rivalry and what can be done to achieve progress on this mega-initiative? As noted earlier, India perceives the CPEC as a strategic threat and not as an economic opportunity. There are around eight projects earmarked for the greater Kashmir area in Pakistan, five out of these are specifically in the Gilgit-Baltistan region, including a portion

of the KKH construction/extension, the Phandar Hydropower Station, the Gilgit KIU Hydropower project, a CPEC link road and the Moqpondass Special Economic Zone.²⁹ None of these projects have entered the implementation stage; in fact, most are being reviewed for feasibility.³⁰ The next question to consider then is the extent to which India's rejection of the CPEC is likely to hinder progress on these projects. But there is room for inclusion of India in the CPEC framework, if India chooses to pursue that option.

Hurriyat leader Mirwaiz Umar Farooq for instance has suggested that Kashmir can act as a *"gateway" through which India can participate in the CPEC*.³¹ There is also a renewed opportunity for regional players to rethink the Kashmir issue and work towards the possibility of allowing it to become a "single, free economic zone" as suggested by Mubeen Ahmad Shah, former president of the Kashmir Chamber of Commerce and Industries (KCCI).³²

The current dispensation and posturing of Indian and Pakistani leadership conveys that the Kashmir issue will continue to strain Pakistan-India relations and incur the incessant spending on defense that both sides seem to prioritize. Yet one does wonder whether both nations will be able to look beyond their security-centric foreign policies and give priority to regional interdependence and economic growth? These are pertinent questions that do not necessarily have easy answers. Similarly, it is worth considering why Prime Minister Narendra Modi, who has been praised by political pundits for allowing economic development to steer his foreign policy elsewhere in the world, was unable to do the same with regards to Pakistan? Likewise, Pakistan too has remained unsuccessful in making meaningful advance in improving trade with India.

The sentiment in some policy-circles in India particularly since the Pulwama incident of February 2019 has been hysterical and war-like. Although there are some that question Prime Minister Modi's policies, most analysts have termed the Balakot strikes a political success for him. Modi, according to them, has projected a muscular India, which will not be deterred by Pakistan's nuclear power. In fact, on the external front, Modi has persuaded the international community to side with India, evident when certain leaders did not criticize the airstrikes but rather called on Pakistan to take greater action in countering terrorism.³³ Such rhetoric has emboldened India to adopt a harsher policy against the Kashmiris, simultaneously, blaming Pakistan for promoting terrorism there.

Conversely, on this side of the border, the Pulwama incident and the Balakot airstrikes provided a rare opportunity for the nation to unite and celebrate Imran Khan's effective management of escalating tensions with India and a highly sensitive security crisis. Khan was applauded when Pakistan retaliated with striking down an Indian fighter jet and he was praised when its pilot Wing Commander Abhinandan Varthaman was returned back as a gesture of peace. The overall result of Pulwama has been two very different interpretations and narratives emanating from the same incident. War mongering has dampened the opportunity of peace dialogues between India and Pakistan and prospects of dispute resolution between the two countries through negotiations remain grim.

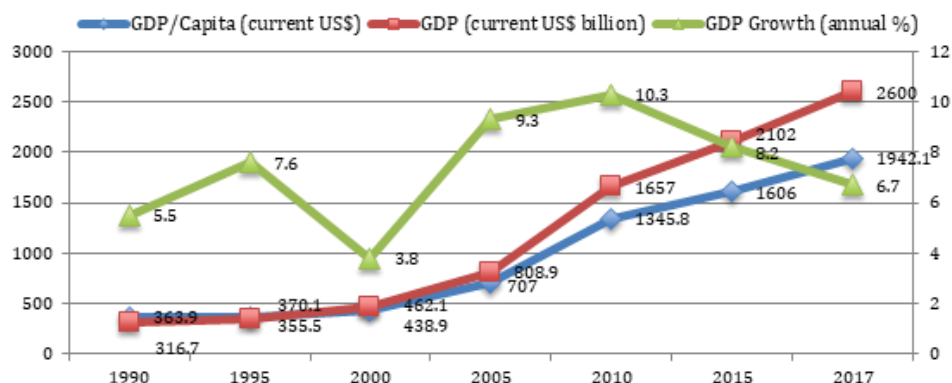
India for now has chosen to stay away from any venture that will benefit Pakistan. It boycotted the First Belt and Road Forum for International Cooperation that took place in Beijing in 2017, which was attended by around 29 heads of states and representatives from over 130 countries, and it also refrained from participating in the second Belt and Road Forum that was held on 25-27 April 2019. These steps have added to the ambiguity of India's China policy given that India has been a founding member of the AIIB, is a recent member of the SCO and was part of one of the

six major BRI corridors, the Bangladesh-China-India-Myanmar (BCIM) Corridor. In fact progress on the latter has come to standstill given India's no-show at the second Belt and Road Forum, and the absence of the corridor from the list of BRI projects released subsequently after. For example, Bansari Kamdar has commented that the BCIM *"has become a victim to India-China BRI politics."*³⁴ While these developments indicate that India has been dismissing multilateral programs to engage with China and develop mutually beneficial economic projects, in practicality India has, setting the BRI aside, preferred a pursuit of bilateral relations with China as indicated by the Wuhan Summit between President Xi Jinping and PM Modi in April 2018.³⁵ Chinese officials in the meantime have been emphatic in conveying that the BRI is not an initiative that is meant to violate territorial sovereignty. For instance, China's Vice Foreign Minister Le Yucheng, who was previously served as Ambassador to India, has said, *"Kashmir is an issue between India and Pakistan that is left from history. We believe the two parties should resolve the issue properly through dialogue and consultation. We don't side with either party."*³⁶ However, as noted above, in the wake of the abrogation of Article 370 by the Indian government on 5th August 2019, the Chinese leadership, while encouraging dialogue between India and Pakistan on Kashmir, has shown stronger sympathy and support for the Pakistani position.

2.1 Reshaping the Contours of Regional Balance of Power

Are Pakistan and India playing any significant role in re-shaping the regional balance of power in South Asia? As discussed above, given the history of a prolonged and protracted conflict between the two, the focus remains on deterrence, security and maintaining the balance of power rather than promoting economic interdependence. T.V. Paul from McGill University argues that if Pakistan were more *"economically globalized"*,³⁷ it would not have to engage in a constant balancing act between diplomatic engagement and military détente. The globalization of economies has allowed for some South Asian states to climb the development ladder rapidly. China itself attracted foreign manufacturing industries to benefit from its abundant labour and relevant capital allowing it to graduate to an export-oriented economy. India too has managed to capitalize on its software industry through economic integration with western markets. Furthermore, both Indian and Chinese workers, albeit the more technically advanced section, have also managed to climb the social ladder allowing also for the growing middle class to benefit from economic globalization³⁸ (see figure).

Figure 2: India Economic Growth, 1990-2017



Source: Compiled by CPPG China Cell from The World Bank

Similarly, writing about the significance of prioritizing economic growth, Moeed Yusuf argues in Dawn News that India's comparatively stable economic growth and simultaneous ability to invest

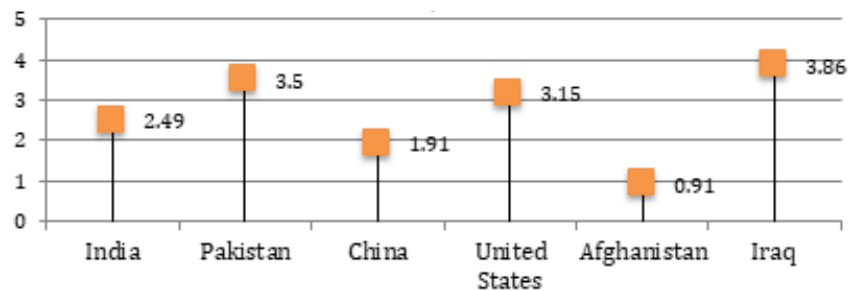
in its defense will give it significant advantage over Pakistan if the latter continues to be engrossed in security concerns, especially at the cost of development: “...if India can continue growing economically and diverting significant resources to defence while forcing Pakistan to remain wedded to a paradigm that prizes hard security over economic well-being, in a decade or two, the power differential will be so large that the only negotiation possible would be on the stronger party’s terms.”³⁹ Paul and Yusuf take a position that with the current economic dispensation of Pakistan, the regional balance of power is gravitating towards India. If Pakistan is unable to reverse the decline its economy is currently undergoing, will it be able to check this shift in balance of power? India is larger than Pakistan, both in terms of its economic resources and economic potential, given its human resource capabilities in manufacturing and services sectors. This does imply that Pakistan’s economic strength may always be dwarfed by India’s, particularly in absolute terms. Therefore, Pakistan must make a consistent and sustained effort to improve its productivity, human capital quality and thereby integrate itself more successfully into the global economic system.

Conversely in India, PM Modi’s economic management or what analysts have termed ‘*Modinomics*’, has certainly led to tangible economic advancements,⁴⁰ and these can be partly attributed to Modi’s leadership skills in helping India integrate into global political powerhouses. Modi has been vigorous in projecting India as the world’s largest democracy, an emerging Asian power and a regional player of significance. In 2015, during his maiden official visit to the UK, Modi became the first Indian Prime Minister to address the British parliament.⁴¹ Eventually Modi would go on to prioritize the “India-first policy” as the ultimate objective of his foreign policy, an approach that would be referred to as the ‘Modi Doctrine’. However, at the Brookings Institution’s India Center’s commentators seem to differ as they assert that Modi’s foreign policy is driven by “personal ambition” more than anything else.⁴² Yet, economic relations—commerce, trade and investment have been at the heart of Modi’s foreign policy choices, determining how India interacts with rival powers and regional states. The biggest example is that of China; despite border disputes, the two share steady economic relations with a volume of trade that exceeded 84 billion US\$ in 2017.⁴³ Modi has combined personal charm and diplomatic skills to affect Saudi Arabia, the UAE, Iran and Israel. During his premiership, Modi has won numerous accolades and civilian honors, demonstrating the prudence and tact with which he has captivated the attention of some of the regional states and their leaders. In 2016, Modi was awarded the Amir Amanullah Khan Award, the highest civilian award given by the government of Afghanistan. The same year he received the highest Saudi Civilian honor, the Order of Abdulaziz Al Saud. Soon after in 2018, the Palestinian government conferred upon him the highest civilian honor for foreign dignitaries, the Grand Collar of the State of Palestine. No Pakistani head of state has received the former Saudi honor (military officials have) or the latter Palestinian one. More importantly, India and China are all set to train Afghan diplomats in a new collaboration agreed by Modi and Xi Jinping in their meeting in Wuhan, China. Ten Afghan diplomats will be hosted in India for the first India-China joint training program.⁴⁴ These developments exemplify that the persuasive skills of political leadership can channel a country’s diplomacy towards cooperation and improved communication, despite territorial disputes.

Given the robust personal diplomacy of Modi and the economic foreign policy thrust of India, what type of trajectory should Pakistan follow? In an earlier study by the authors, *China Pakistan Economic Corridor: Demands, Dividends and Directions*, we have argued that Pakistan needs to move away from being a security centric state to an economic development driven state that prioritizes people’s welfare. That demands policies of internal social-economic reform that curb militancy, encourage harmony among contesting social groups and inculcate value of peace.

Thus, we contend that, Pakistan must pursue “geo-economics” over “geo-security” and use the CPEC as a platform to boost East-West trade and improve regional economic inter-dependence.⁴⁵ In the 17 years between 2000 and 2017, the War on Terror has cost Pakistan a staggering US\$ 126.79 billion.⁴⁶ While fiscal spending on counter-terrorism has been declining in recent years, defense spending as a proportion of GDP is still significantly high at estimates between 2.8% to 3.5% in 2017⁴⁷ (see figure).

Figure 3: Defence Spending as % of GDP, Selected Countries, 2017

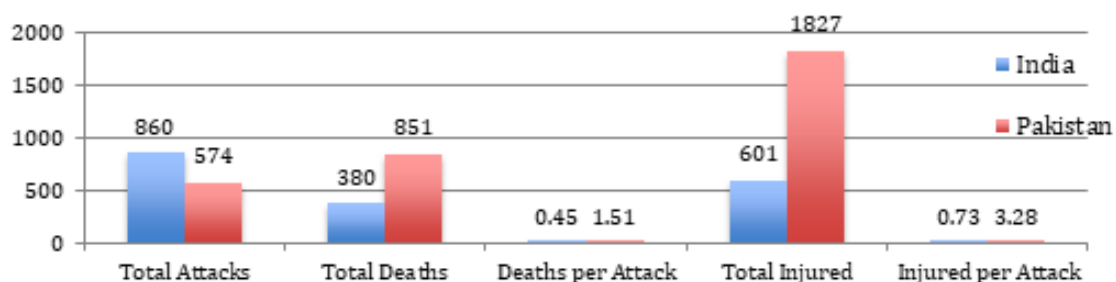


Source: compiled by authors from The World Bank

Yet terrorism continues to persist, according to US State Department statistics, Pakistan is amongst the top ten countries that has experienced the most terrorist attacks; in 2017 it ranked number four following Iraq, Afghanistan and then India.⁴⁸ However, in terms of deaths per attack and injured per attack, Pakistan has suffered more human loss than India (see graph).

While trade is important for economic growth and it can provide the country with the necessary leverage to quicken GDP growth, the authors of this paper argue that this needs to be complemented with direct investments in the social sector. Therefore, in our assessment, CPEC’s success is dependent upon the improvement in Pakistan’s human capital indicators, which in turn are dependent on investments in health and education services, training opportunities and quality employment generation.

Figure 4: Terrorist attacks in Pakistan and India, 2017



Source: Compiled by CPPG China Cell from US Department of State

Quality employment is emphasized over the number of jobs created and entails work that is dignified and allows people to progress in their careers in a safe and healthy working environment. Frank Ying from the National Taiwan Normal University, for instance, argues that Pakistan’s ability to converge with higher-income countries is hampered because its performance in terms of

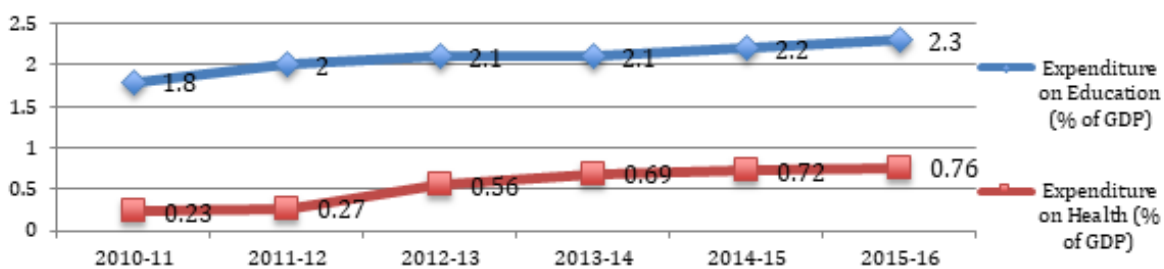
human capital development has not been satisfactory. With respect to the Global Competitive Index, while Pakistan performed well on some indicators (such as market size), other indicators were abysmally low. On health and primary education for example, Pakistan ranked 129th out of 137 countries.⁴⁹

Ying points out that there are around 68 countries involved in the BRI with a development spectrum ranging from Qatar to Yemen. While Pakistan will gain significant crucial physical infrastructure through the CPEC, it is important to remember that this alone will not bring the needed human development and connectivity. Here the distinction between factor accumulation and total factor productivity is important and can be understood through basic economic theory. Factor accumulation will come through the infrastructure being constructed under the CPEC projects including roads, railway tracks, dry ports and the Gwadar port, communications transmission lines and critical energy infrastructure. However expanding total factor productivity, or the effectiveness with which the physical infrastructure is put to productive use, demands technical knowledge and economic efficiency both of which stem from human capital formation. In other words, while physical capital is important, a country's GDP is also significantly influenced by total factor productivity (TFP), which in turn is a function of its human capital or labour quality. Therefore, Pakistan cannot expect economic growth and regional convergence to take place naturally, but rather will need to invest significantly in creating a minimum threshold level of human capital to be able to capitalize on the infrastructure being constructed through the CPEC.⁵⁰

Successive civil and military regimes in Pakistan have followed strategies of economic growth over sustainable development. Investments in the social sector have suffered as a result, causing substantial damage to the country's long-term development. Over the past few years' public expenditure on health and education have been abysmally low (see figure).⁵¹

The low priority given to the social sector has been detrimental to Pakistan's human capital formation. In 2018 Pakistan ranked 134 out of 157 countries in the Human Capital Index by the World Bank. Although India's performance is only marginally better, its rank is 19 positions higher than that of Pakistan. The table below illustrates the comparative status of human capital development between India and Pakistan with key indicators such as the probability of survival to age five, a child's expected years of schooling and adult survival rate.⁵²

Figure 5: Health and Education Expenditure (% of GDP) Pakistan, 2010-2016



Source: Compiled by CPPG China cell from Government of Pakistan, Ministry of Finance

Table 1: India and Pakistan Human Capital Development, 2018

	India	Pakistan
Rank out of 157 countries	115	134
Probability of survival to age five	0.96	0.93
A child's expected years of schooling	10.2	8.8
Adult survival rate (fraction of 15-year olds that will survive to age 60)	0.83	0,84
Proportion of children who are not stunted	0.62	0.55
Harmonized test scores as a measure of quality of learning*	355	339
Human Capital Index	0.44	0.39

*On a scale where 625 represents advanced attainment and 300 represents minimum attainment

Source: Compiled by the CPPG China Cell from The World Bank

More importantly, in terms of the Ease of Doing Business Index, India's Index value was 77 in 2018 compared to Pakistan's 136 (an index value of 1 indicates the most business friendly regulations)⁵³. While Pakistan's human capital performance may be below its potential, there is great room for improvement. Pakistan is already making waves in the online freelancing sector, ranking between number 3 and 5 globally in terms of highest freelancing users. Many clients are based in the most developed nations of the world including the UK, the US and Australia, indicating Pakistani IT technicians' ability to delivery quality work of international standards. The sector is also a major source of export revenue with some estimates suggesting that online freelancers make up to one billion US dollars annually. These earnings are based on individual efforts where users link with buyers online. A major policy deficit is the lack of public sector support. The government needs to further boost the potential of these skilled professionals, provide them with the needed financial and technical support and help formalize the Pakistani IT industry.⁵⁴ Linking Pakistani freelancers to international markets will not only help increase the volume of export earnings but will also allow for more rapid technological adoption and narrowing of the innovation gap that exists between Pakistan and the rest of the world. The CPEC has arrived at the perfect moment to build on the IT growth momentum of Pakistan and the technical experience of the Chinese must be harnessed to take maximum advantage of this. Once again, this calls for prioritizing the social sector and investing in human development.

2.2 India's Perceptions of the CPEC: Balancing trade opportunities and strategic interests

As noted in the pages above, India continues to perceive the CPEC as a strategic challenge rather than as an opportunity for economic trade and connectivity. It apprehends that the CPEC could weaken its strategic position in South Asia, the Middle East and amongst Central Asian states. In the past few decades India has been actively engaging with both Middle Eastern and Central Asian states, eyeing prospects of obtaining natural gas and other mineral resources.⁵⁵ Indian policy makers suspect that completion of the CPEC would restrict its access to Central Asia and as a result, has tried to meander its way through Bangladesh, Vietnam, Sri Lanka and Myanmar, signing energy agreements to make up for provisional energy demands. So, in effect, India has begun to work on developing alternatives to the CPEC in realization that given its economic ties with China, it may be very difficult to impede the CPEC's implementation. Chinese officials continue to insist that irrespective of regional conflicts, the economic development

projects being built in the region through the BRI will be completed. For example, Vice Foreign Minister Lee Yucheng has stated; “Those projects are not directed at any third party, and China has no intention of intervening into their dispute.”⁵⁶ It is worth noting that, China and India are collaborating on a variety of projects under the BRI including China’s investments in the Indian Railways, an Industrial Park in Gujarat by the Chinese firm TBEA and the two have also initiated Bangladesh-China-India-Myanmar Economic Corridor⁵⁷ (although this latter project has come to a standstill). India has also invested heavily to develop the Chabahar port in Iran and rail link to Afghanistan, as an alternative to the Gwadar Port and the CPEC. Not surprisingly, the US also seems to be supporting this strategic move, despite its traditional hostility towards Iran. In fact, accommodating Iran by allowing it to accrue economic dividends through the Chabahar Corridor may not even be a tradeoff for the US. As political analyst Andrew Korybko points out, the US will be able to continue to “indirectly influence its rival via Tehran’s relationship with its ally” (that being India)⁵⁸. Korybko argues that relieving sanctions on Iran is a better policy calculation for the US than allowing the “Golden Ring” (Russia, China, Pakistan, Iran and Turkey’s) influence to expand in the region.⁵⁹ The Chabahar Corridor will enable India to transport energy through the Arabian Sea and gain market access to Eastern Europe and Central Asia. The Turkmenistan-Afghanistan-Pakistan-India gas pipeline and the International North-South Transport Corridor are other deals India is looking towards to overcome challenges posed by the CPEC. Originally signed between India, Iran and Russia in 2000, the Corridor now includes Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkey, Ukraine, Belarus, Oman, Syria and Bulgaria (as an observer) as well.⁶⁰ Recently, India also became a part of the Ashgabat Agreement between Uzbekistan, Iran, Oman, Turkmenistan and Kazakhstan that permits members to transit easily through a network of ports and rail-links. India’s accession facilitates her access to the Eurasian region significantly. Additionally, the India-Myanmar-Thailand Highway has also been introduced by India in an attempt to expand markets eastward. Known as the East West Economic Corridor, the infrastructure investments clearly indicate India’s objective of making global connections and integrating with other regional players.⁶¹

We have identified and analyzed the socioeconomic and regional gains Pakistan is expected to make from the completion of the CPEC.⁶² So how could Indian policy makers approach the CPEC? Is participating in the CPEC really worth pursuing for India? One way to look at the scenario is through a simple problem of opportunity cost. By refraining from joining the CPEC, India’s opportunity cost includes higher formal trade, greater opportunities for educational and cultural exchanges, and a greater probability for regional integration. Furthermore, conflict and territoriality remain embedded in the national policies of the two and a motivating force for thwarting dialogue and peace processes. While these may allow the ruling parties immediate political gains, the long-term impact on Pakistan-India relations will be detrimental. In other words while the CPEC may not be the solution to conflict resolution between India and Pakistan, it does provide *a chance* for India to reduce the opportunity cost of not engaging with Pakistan through the CPEC. This means increased trade, a reduction in informal/black-market trading, and greater economic growth. Currently trade between India and Pakistan stands at a mere two billion US\$, this is 18 times less than the estimated potential. Reducing trade barriers and engaging in a mutually rewarding manner by reviewing tariff rates and exporting directly to each other (rather than through third- party countries such as the UAE) can significantly improve trade between the two countries.⁶³ *For instance, in textiles, surgical instruments and sports items, Pakistan could expand upon its existing market, while it can import stainless steel from India.* Improving infrastructure, cross border security management could further expand economic and cultural ties.⁶⁴ Opening of business-to-business dialogues and forums could give boost to trade and may lead to revising the Visa regimes in SAARC countries, improving levels of trust. The CPEC is thus

a plausible option for expanding economic relations and regional connectivity. The challenge is creating synergy between commercial and strategic interests and the CPEC, if built appropriately with these considerations India and Pakistan could witness new vistas of cooperation and peace.

3. Reviving Containment and Hinging Indo-US Relations on it

Under President Trump, the US took a conscious decision to convert the Pacific Command into Indo-Pacific Command. Trump's administration has begun to portray China as the greatest existentialist threat. However, it is 'American anxieties' rather than 'Chinese actions' that have triggered this New Cold War. For example, the 2018 National Defense Strategy document states; *"China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future."*⁶⁵ Thus, as Stephen Wertheim writes for the *New York Times*, the Trump administration has launched a "distinctive animosity" towards China and is also steering the American political class to "seek a new purpose for America's global leadership."⁶⁶ Since then Indo-US strategic relations have been warming up the momentum sustained since the Obama administration, and also greatly as a result of both leaders' decisions to realign their regional policies and secure their geostrategic positions in the Indo-Pacific. Their new found strategic partnership is driven by considerations of containing China's rising power and economic integration with countries in vital trading points in East and South Asia.

During the last decade, China's growing presence and assertiveness in the South China Sea has alarmed and agitated the US Department of Defense. In a statement before the Senate Armed Services Committee in February 2019, Admiral Philip Davidson, head of US Indo-Pacific Command commented that China presented itself as the *"greatest long-term strategic threat to a free and open Indo-Pacific and to the United States."*⁶⁷ For almost a century the US has reigned supreme in the Pacific Ocean, China's naval modernization and expansion is perceived by the US as challenging that supremacy. Admiral Davidson's statement is characteristic of the 'distinctive animosity' Wertheim described and with which the many US elite view China's growing influence in the region.

The South China Sea is of significant importance for great powers and regional aspirants for at least three reasons. First, trade worth US\$ 5 trillion passes through the South China Sea annually. Second, the South China Sea contains substantial oil and natural gas reserves, an estimated 11 billion barrels of oil and 190 trillion cubic feet of natural gas, making it one of the wealthiest regions in the world in terms of energy resources.⁶⁸ It is not surprising that several territorial disputes have emerged as East Asian states scramble to secure their positions in a geo-strategically and economically vital part of the world. China, Vietnam, the Philippines, Taiwan, Malaysia and Brunei have all been involved in such disputes in the South China Sea that date back centuries,⁶⁹ but as the BRI takes shape and China's economic and military muscle gains prominence, these irritants have gained even more salience.

The third reason behind the South China Sea's significance is that the US armed forces have numerous bases in countries close by including in Hong Kong, Japan, Singapore, Cambodia, and South Korea.⁷⁰ India too is trying to develop bases abroad, such as in the Seychelles and Mauritius, in addition to the ones it already has in Tajikistan and Bhutan. India has also recently signed

agreements with Oman and Singapore that give her access to their defense facilities. Moreover, as indicated earlier, India is investing in the development of the Chabahar port in Iran to expand and secure its hold in the Indian Ocean.⁷¹ Since 2001, and particularly after the announcement of the BRI by China in 2013, the cooperation between the Indian and US navies has intensified. The two have expanded their surveillance, monitoring and operational capacities to oversee both commercial shipping and also the movements of the Chinese navy.

So far China only has one foreign military base, set up in the North African country of Djibouti but it is rapidly establishing trading ports across the Indo-Pacific (*see table*).

Table 2: Chinese Maritime Infrastructure and Naval Bases Development in Indian Ocean

Country	Chinese Maritime Infrastructure Development and Naval Bases in the Indian Ocean	Chinese Investment in given Country (in bn US\$)
Bangladesh	Chittagong Port	24.1
Myanmar	Kyaukpyu Deep Water Port	7.4
Pakistan	Gwadar Deep Water Port	50.6
Sri Lanka	Hambantota Port	14.7
Djibouti	Naval Base	
Maldives	Ihavanddhippolhu Atoll	(Potential project)
Thailand	Kra Canal Project	(Potential project)

Source: Collated by CPPG China Cell from Tuneer Mukherjee, “China’s Maritime Quest in the Indian Ocean: New Delhi’s Options” *The Diplomat*, 24 April 2018.

By seeking access to these ports and strategic maritime hubs many critics argue that China is materializing the ‘String of Pearls’ theory, safe guarding its strategic interests in the Indo-Pacific region. Simultaneously, it is projecting militaristic goals by cultivating a network of economically dependent client states.⁷²

Like Admiral Davidson, Subrahmanyam Jaishanker, a former Foreign Secretary of India and now Minister for External Affairs, is also cautious of China emerging as a ‘great power’, warning that the economic and military gap between India and China has grown quite rapidly. With a sense of dismay, he argues that the attitude of the US has not nurtured the rise of India and that rather the US “*worked overtime to neutralize our regional dominance and strove particularly hard to ensure some parity with Pakistan.*”⁷³ It must be taken into cognizance that for decades India has vigorously pursued non-alignment and remained suspicious of the US intents towards India.

This approach has, however, changed since the Kargil War and Indo-US relations have since undergone a paradigm shift.⁷⁴ Under Prime Ministers Manmohan Singh and Modi, India has been inching towards the US looking to ‘leverage’ relations for greater geopolitical and economic gains. Bharat Karnad has perceptively observed that Jaishanker has been influential in bringing Modi closer to the US.⁷⁵

From the US strategic perspective, India has immense significance in countering China’s rise and in “maintaining a balance of power in Asia.”⁷⁶ In this geo-political equation, both have intensified and deepened strategic cooperation portraying the CPEC as a threat to mutual interests in the region.

India may be struggling with developmental issues such as high absolute poverty rates, poor physical infrastructure, an unmanageable youth bulge, limited employment opportunities, gender inequalities and inadequate urban governance, yet it is also being perceived and recognized as another emerging global power.⁷⁷ India's economic growth rate has surpassed that of China from 2014-16 and again in 2018 and it currently has the world's third largest GDP (PPP). In the coming decades, India's workforce is projected to be the largest in the world. It also has the third largest military and is the largest buyer of international arms.⁷⁸

India's growing ties with the US can also be observed through the greater diplomatic dialogue taking place between the two countries' representatives. Last year, on 6 September 2018, the inaugural India-U.S. Ministerial 2+2 Dialogue took place between the Indian Minister of External Affairs Sushma Swaraj (Late) and Minister of Defence Nirmala Sitharaman and US Secretary of State Michael R. Pompeo and Secretary of Defense James N. Mattis in India. A Joint Statement on the Inaugural India-U.S 2+2 Ministerial Dialogue revealed that the annual meetings are meant to strengthen strategic and defense cooperation, promised earlier by President Trump and Prime Minister Modi. India likes to market itself as the world's "largest democracy", a common value that endears it to the US. In return, India has been given Major Defense Partner (MDP) Status by the US and is also amongst the top countries that have been allowed license-free exports, re-exports, and transfers under the License Exception Strategic Trade Authorization (STA-1) for defense items. The Joint Statement also indicated that the two countries have signed a Communications Compatibility and Security Agreement (COMCASA) allowing India to use state-of-the-art defense technologies. Additionally, agreements on engagement between U.S. Naval Forces Central Command (NAVCENT) and the Indian Navy for maritime cooperation in the western Indian Ocean were also made (*see figure*).⁷⁹ Defense collaboration was similarly further broadened through the India-US Defense Technology and Trade Initiative (DTTI) for defense innovation cooperation. It also publicized a civil nuclear energy partnership between the Nuclear Power Corporation of India Limited (NPCIL) and Westinghouse Electric Company that allow the development of six nuclear power plants in India."⁸⁰

The US administration under President Trump has embarked on reviving a Cold War strategy that paid dividends for the US from the Second World War to the breakup of the Soviet Union in 1989. However, its revival now is flawed as the New Cold War strategy is driven by 'distinctive animosity' towards China and the BRI. Along with China-bashing, brinkmanship and unpredictability have emerged as hallmarks of President Trump's style of leadership. Even Quad countries—Japan, Australia, India and Singapore, are wary of Trump's unpredictability. This has considerably eroded the moral authority of the US as the global democratically hegemon, including in Europe. Traditionally, Europe has been America's strongest. Today Europe too is reluctant to accept the

moral and political leadership of the US.

Figure 6: US Geographic Combatant Commands



Source: <http://www.centcom.mil/MEDIA/IMAGERY/igphoto/2001592044/>

Yet, despite America's decline and withdrawal as a global democratic hegemon, the Trump administration has been successful in highlighting China's so-called 'hidden military motives and intentions' in some of the most influential policy circles, non-profit groups and the think-tank communities of the US and Europe. For example, a report by The National Bureau of Asian Research, recommends the US follow a stringent policy against the Chinese whereby there is little room for flexibility in negotiating trade and investment terms. The report demands the US defend its tariff rates against what it calls "*China's aggressive and market-distorting trade, industrial, and technology promotion policies*", continue to garner mass support for its China policy at home and "*build maximum aggregate leverage by assembling a coalition of states that share concerns about China's predatory policies and unfair trading practices*".⁸¹ Such rhetoric of defending and upholding America's economic and sociopolitical ideologies against an acquisitive and exploitative challenger has helped form a popular narrative that defines how the US and its allies should deal with China.

Another example is an article by Kapstein and Shapiro in *Foreign Policy*⁸² where they argue that the BRI has some fundamental flaws; recognizing them, advertising them and then providing alternative options to those flaws will be the best policy the US can adopt to counter the growing influence of the Chinese. Kapstein and Shapiro propose a three-step "judo-strategy" to counter the BRI; first the US must highlight the stringent rules and 'strings attached' to BRI investments in developing countries that often go against internationally accepted norms of foreign aid. Countries often receive "tied-aid" from China, which means they must buy Chinese services or products for the development projects or allow Chinese businesses to win development contracts. Development agencies such as the IMF, the OECD or the World Bank tend to look down upon tied aid as being unproductive and limiting. The second step involves focusing on and projecting corruption as an inherent part of the BRI projects. By highlighting fraudulent procurement and implementation procedures that are now beginning to be associated with BRI projects, the US can pressurize governments into adopting stricter negotiating terms with China, making it harder for them to

sign projects. The third step in the judo strategy requires the US to counter Chinese investments by lending on easier terms. Part of the Judo strategy was put into effect in other countries in the past. For instance, Brady Bonds were launched to save Latin American countries from defaulting during the 1980s. In that spirit, in 2018, the International Development Finance Corporation (IDFC) has been set up under the BUILD Act,⁸³ with the objective of countering Chinese influence in developing nations and giving them an alternative to Chinese loans.

In terms of Indo-China relations, we want to underscore that Indian intellectual and policy circles are too enamored to the principle of non-alignment in foreign policy, therefore, it is unlikely that India will fully concur with the US Containment Policy on China. Indian External Affairs Minister S. Jaishanker, for instance, claims that no other society has ‘influenced Chinese culture as extensively as India’. The Chinese Ambassador to India Lou Zhaohui, seems to concur with this view, when he states: *“Since the end of 2017, China and India’s Special Representatives on Boundary Question and foreign ministers have exchanged visits. The China-India Joint Economic Groups, China India Strategic Economic Dialogue and other dialogue mechanisms have been activated. These efforts contributed to a positive atmosphere for the informal summit. Economic and trade cooperation between the two nations is surging. There have also been cultural and personnel exchanges. There are 14 pairs of sister city/provinces. Personnel exchanges in 2017 exceed 1 million. Over 20,000 Indians study in China and 42 flights operate between the two countries every week. Yoga, Darjeeling tea and Bollywood movies are popular in China. Chinese language education has promising prospects in India.”*⁸⁴ Yet, despite these forms of cooperation, India has remained too focused on its boundary disputes, including the issue of Tibet and China-Pakistan relations, which have widened the power differential between itself and China. According to Jaishankar, China has *‘qualitatively enhanced its collaboration with Pakistan’* while strategically becoming a maritime challenger for India in the Indian Ocean. As a result, India, “must be open minded and imaginative” when it comes to dealing with China. He attributes China’s rapid development to its “progressive bureaucratic leadership”, and administrative capabilities, among other factors.

Jaishanker has an interesting take on Pakistan and says, *“Pakistan poses a unique challenge due to its belief that India’s willpower can be broken”*.⁸⁵ However, he argues that Pakistan can be managed through two ways. First, India should remain ‘unpredictable’ and make it costly for Pakistan to create any disorder (in other words not let something like Mumbai 2008 happen again⁸⁶). He, however, shies away from recommending any direct military attack or intervention. Second, he contends that India must develop other partnerships in South Asia to counter the effects of China-Pakistan collaboration in the region.⁸⁷

Such analyses imply that countering Pakistan’s solid ties with China, including in the form of the CPEC, remains a priority area for India. India will continue to deepen its strategic partnership with the US, and will pursue, what we call ‘plausible ambiguity’—neutralize China and unsettle Pakistan. It is a complex and layered approach that restricts space for engagement and dialogue between India and Pakistan.

As a result, Pakistan must devise its own grand strategy to neutralize Indian opposition to the CPEC and ensure its collaborative work with China does not become a victim of regional politics. So far it has been successful in defending the CPEC, despite its internal political turbulence including a change of government leadership, and has convinced China that the CPEC is a venture Pakistanis value immensely. Maintaining this conviction both at home and abroad will be instrumental in determining the successful outcome of the CPEC.

4. Changing Dynamics of India-China Relations and the CPEC

Besides solidifying Indo-US relations, from Pakistan's perspective, it is troubling to note that India and China have also established a complex and multilayered relationship, where the leadership of the two countries has sustained high-level dialogue, since the mid 1980's. To understand the changing dynamics of India–China relations it is important to review their transition from an era of 'friendship' to a phase of 'hostility and containment' and now to a stage of personal and pragmatic diplomacy of personal and pragmatic diplomacy, multilayered trade agreements and multilayered trade agreements and cultural/educational engagements. This has helped the two in border and dispute management and in sustaining un-interrupted business and cultural/educational exchange programs. A brief historical overview may help us understand this riddle better.

The first phase of Indo-China relations can be traced to a period of fraternity beginning in the early 1950's (specifically 1954) and lasting until the Indo-China war of 1962. This phase is fondly remembered as a period of Hindi-Chini Bhai- Bhai.

The second phase (1962-1988), emerged as a consequence of war between India and China and the humiliating defeat of India. It sowed seeds of distrust and mutual suspicion. During this phase Sino-Indian rivalry and the Cold War were at their climax and the two became distant and uncomfortable neighbors.

In the third phase (1988- 1999), a new beginning was made when Prime Minister Rajiv Gandhi visited Beijing in 1988. The foundations of a new relation were laid, both sought rapprochement and embarked on a phase of internal development and external peace. The highlight of this new beginning was under the leadership of Prime Minister Narashimha Rao in the 1990s. Prime Minister Narashimha Rao was invited to China in 1993 and the two sides signed an "Agreement on Maintaining Peace and Tranquility Along the Line of Actual Control on Sino-Indian Border" which set the parameters of improving China-India bilateral relations. In December 1996, Chinese President Jiang Zemin visited India and that led to the signing of the, "Agreement on Confidence Building Measures in the Military Field along the Line of Actual Control on Sino-Indian Border". These two Agreements boosted the confidence building measures (CBMs) between India and China helping them tread towards the 21st Century on issues of security and border management with some degree of confidence and understanding.

The fourth phase (1999- 2004) coincided with the rise of the Bhartya Jannata Party (BJP) and the coming of age of the Indian Diaspora abroad, particularly in the US. The Kargil conflict between India and Pakistan marked a paradigm shift in India-US relations as President Bill Clinton's administration decisively sought improved relations with India and de-hyphenated Pakistan-India in terms of their South Asia strategy (perhaps also doing so as a result of Pakistan's development of the nuclear weapons by then). Simultaneously, both China and India deepened their economic ties through greater trade and investment.

The fifth phase (2004 -2013) was a defining moment as the US and India signed a nuclear deal, and the US declared 'democracy' as a shared value with India. But behind this smokescreen of collaborating democracies, the US was enticing India to contain China. Despite broadening and deepening of India- US relations, China and India continued to sustain and expand on the CBMs steadfastly. In 2005, India and China signed a major agreement, "Political Parameters and Guiding Principles for the Settlement of India-China Boundary Question". It explicitly stated that the 'two sides are seeking political settlement of the boundary question'.⁸⁸ The 2005 agreement is

of pivotal importance in understanding how India and China were able to negotiate and define the political parameters of dealing with territorial disputes. Building on the protocols of 2005, the two governments have made further progress in signing Agreements and Joint Statements in 2012 and 2013 that ensure the safety of negotiation process defined in the earlier 2005 Agreement. Such a process of developing Agreements for border dispute management can be a learning opportunity for India and Pakistan for their territorial conflicts as well.

The sixth, and current phase in India-China relations began in 2014 when PM Narendra Modi came into power. This is a phase, which is more complex and reveals that India's thinking on relations may still be swinging between Containment and Non-alignment. As described above, this policy can be termed as 'plausible ambiguity.' Upon assuming office in 2014, Modi was quick to capitalize on India's economic potential but tentative on its strategic goals. He promptly worked towards establishing personal rapport and contact with President Xi Jinping of China and conveyed the impression of rapprochement with China. He met President Xi Jinping in July 2014 in Brazil and in September during the same year (see Table 1 in Annex) the Chinese President paid an official visit to India where he was also a personal guest of PM Modi. India and China signed 12 agreements and China pledged to invest \$20 billion in the next five years on infrastructure development projects. In the past four years, the two leaders have met around 11 times, conveying an impression of personal bonding and indicating that the two are willing to engage in dialogue rather than confrontation. In these meetings, they had extensive deliberations on issues such as trade, investment, technological exchange, terrorism, tourism, and security and border management. Both leaders have acknowledged that connectivity is key to their economic success and have individually spoken about the need to expand economic engagement between India and China. Xi Jinping recognizes India as a vast market with great potential and has tried to involve India in the BRI. Their multiple meetings have set two new and interesting trends in bilateral and multilateral diplomacy. First, one-on-one personal meetings on the sidelines of BRICS annual meetings indicate positive interpersonal relations and a willingness to work together. Second, Informal Summits, in this context the May 2018 Wuhan Summit, convey the impression of re- defining India- China relations. Economic interdependence and cooperation does help in managing boundary disputes and security relations and is therefore a priority placed at the top of the two leaders' agenda.

Yet Modi has been cautious in being too open towards China, voicing concerns where necessary, following his predecessors in maintaining what analysts call a "blended approach"⁸⁹ of engagement and deterrence towards China. For instance while Modi has shown eagerness for political dialogue and economic investments with China, he has also called China "expansionist" and has been quick to defend claims on Arunachal Pradesh as an Indian state, an issue which has resurfaced periodically and which China claims as its territory.

While engaging with Xi Jinping, Modi also kept his channels of communication open with the US. In December 2014, the Indian Prime Minister was invited by the US and was also given unprecedented welcome and support by President Obama's White House, giving a new boost to US-India relations. Modi showed enthusiasm to work with the American leadership by emphasizing shared values and democratic ideals. The visit became a turning point in deepening Indo-US relations and alerted China about India's emerging dispensation. Between July and December 2014, India's China and US policy experienced a pendulum swing, cooling towards China and warming up towards the US. However, as indicated earlier, Modi has been prudent in maintaining personal communication with the Chinese President who has responded with the same.

Some economic analysts have already predicted the emergence of a “Chindia” in the next twenty to twenty-five years.⁹⁰ In fact, Rajiv Rajan, in an insightful analysis of India-China relations in the follow up of Wuhan has aptly called on India and China, *“to shed their prejudiced approach in dealing with each-other. As rising nations in the world and as neighbors, New Delhi and Beijing should learn to cohabit.”*⁹¹

China is pragmatic in building links with India and does support it in international diplomacy as it is economically strong and the two have a similar position on a number of issues, such as Russia’s involvement in Ukraine, despite the US sanctions maintaining relations with Iran and Russia. Yet India continues to be suspicious and watchful over Chinese involvement in the region, in particular with respect to the CPEC. It has repeatedly shown discomfort over the development of the mega-project claiming that while carrying out its infrastructure investments, China has been hushed to the territorial disputes that have agitated the region over the past few decades. The Chinese have defended their position by relying on its “development for all” motto, using it all too frequently to pacify the BRI/CPEC opponents. Earlier in 2017, a spokesman from the Chinese Foreign Ministry first responded to the Indian Premier’s concerns that the CPEC challenged the nation’s territorial autonomy by saying that the CPEC aimed to bring countries together and promote regional peace. In another public meeting in New Delhi, Chinese Ambassador to India, Lao Zhaohui, shadowed his colleagues remarks when he assured the audience that China does not wish to impede on any country’s sovereignty, rather aims to promote cooperation to achieve shared goals of development through opening up trade and investment. With this aim, Zhaohui claimed, China would be willing to play mediator between the two countries and push for bilateral negotiations to expedite the process of conflict resolution.⁹²

Both India and Pakistan have their own, ‘singular reasons’ to ensure that relations with China continue to grow. India needs to build on economic opportunities and manage any threat it may sense from China. Pakistan needs China to counter Indian influence and to benefit from being China’s window to the West and South. Pakistan is now central to China’s network of ports, energy pipelines and maritime routes for its exports to Europe, Africa and the Middle East. It is, as was noted, China’s entry point into the Indian Ocean, enabling it to reach the oil and gas fields of the Middle East. It is noteworthy that scholars and policy experts are increasingly looking at Pakistan not simply from the geo-political/geostrategic lens, but trying to de-segregate multiple ways by which China perceives Pakistan as an incredible asset⁹³.

From China’s perspective, Pakistan serves many of its vital geo-strategic objectives in the region. However, Pakistan’s economic growth and development trajectory has not been steady, a primary reason why foreign investment has remained so low. As noted above, since the mid 1980’s, China’s relations with India have undergone a dramatic shift due to bilateral trade. Indian exports to China rose from 45.5 million US\$ in 1988 to almost 9 billion US\$ in 2016. Its imports from China went up from 95.3 million US\$ to over 60 billion US\$ for the same period.⁹⁴ On the other hand, Pakistan paid inadequate attention towards increasing trade, investments and commercial and educational relations with China, instead it solidified a security and strategic partnership, which has developed between the two over the decades. In a desirable scenario, the next step for both China and Pakistan would be to engage and persuade India about the socioeconomic benefits that the CPEC offers if it were to join the Corridor.

4.1 China’s Pragmatic Multilateralism and Dispute Management

As shown in our analysis above, China’s pragmatic approach in managing its territorial disputes is

exemplary; it continues to adhere to the principle of non-interference and avoiding full-out military conflict. It is significant to note that over the past thirty years, China has not indulged in any armed conflict with its neighbors.

China's cautious and gradual assertion in the Pacific Ocean and development of the BRI needs to be understood both in the changing realities of geo-politics and also its skillful penetration into the global neoliberal economic order. However, its reclamation of land in the South China Sea for purposes of building military bases from the 1970s and 1990s is a different story and has invariably been controversial, yet it has indicated patience and shown no haste in settling disputes while also maintaining diplomatic correctness. Such pragmatism has been termed by Eric Heyer as the “*two-track hard/soft policy*”⁹⁵ where China has carefully crafted an approach of hard military tactics and diplomatic negotiations and engagement. While “*considerations of realpolitik*” do influence Chinese leaders' policies on regional affairs, there has always been the need to project China as a global leader.⁹⁶ These aspirations are helped by China's unprecedented growth in economic influence. It has managed to raise a staggering amount of US\$ 3.23 trillion in foreign reserves acquiring the leverage it needs to project this influence.⁹⁷ This leverage is being practically used more recently as China is pushing for the success of the BRI through ‘soft policy’ mechanisms, which have long been studied, and as some analysts would argue, is where China's success lies. Continuity, consistency and prudence combined with planning and long-term thinking has become an outstanding characteristic of the Chinese leadership. China continues to show preference for diplomacy and dialogue and avoids use of military force where possible. Luca Galantini from the University of Florence for example argues that in order to secure its regional interests and ensure that the BRI becomes a success, China is presenting itself as an “economic benefactor” assuring the participating countries that their economies will grow by accepting and joining the BRI. A second channel through which China is becoming a pivotal regional player, according to Galantini is its active participation in regional associations and organizations through which it can expand its influence and presence.⁹⁸ A third and significant example is that of what China has termed as 16+1 (i.e. 16 Central and East European states plus China), where China is collaborating and promoting partnerships in science and technology. South Asia should encourage China to replicate this model.

It is worth noting that China has been seeking the membership of SAARC since 2014, however, India is persistently denying this and also making every effort to keep SAARC inoperative and dysfunctional. India is paranoid about a growing Sino-Pakistan partnership and fears China's entry into SAARC is likely to strengthen it further.⁹⁹

India and China's rivalry is evident in their race for influence in South Asia through soft-power techniques of economic investments. China has promised various infrastructure investments in Nepal (worth around US\$ 8.3 bn) and in Sri Lanka (for instance the US\$1.12 bn agreement to run the port of Hambantota). Similarly India is gearing up to provide US\$ 2.5 bn in investments to Sri Lanka and has emerged as its largest trading partner.¹⁰⁰ Bangladesh too has received around US\$ 38.05 bn worth of assistance from China and is on its way to join the BRI. Meanwhile it is also planning to be a part of the Indo-Japanese project of connecting Northeast India to Southeast Asia. Additionally, Bangladesh has also received US\$ 2 bn from India for its socioeconomic sector.¹⁰¹

These moves demonstrate that India through economic assistance and bilateral trade is trying to neutralize Chinese influence in South Asia. Its expanding Bollywood culture is also playing a role in marketing India as a modern and competitive country. However, it is not in a position to compete with the volume of either Chinese investments or technical knowledge offered.¹⁰² Thus, being the

largest economy and strategic player in the region (and globally) China will have to deal with the strategic and economic costs to South Asia if India and Pakistan's conflict escalates. By fostering peace between the two countries and playing a role in conflict prevention, can China ensure that both India and Pakistan remain focused on their economic growth and development?

It is discomfoting to note that multilateralism and globalization are weakening across the world and the twin threats of populist nationalism and the rise of the political right are resurfacing, especially as trends in the US and Europe show. President Trump's trade and tariff war against China could slow down China's growth, however, if China stays steadfast as it appears in managing its regional border disputes through effective diplomacy and other Asian states follow suit, South Asia may have a chance at gradual peace.¹⁰³

4.2 India's Policy of Plausible Ambiguity

In the authors' assessment while the US is pursuing an aggressive and flawed containment policy towards China, India appears hesitant in adopting a confrontational path on containment towards China. As we have analyzed in the above sections and provided considerable evidence that Indo-China economic, commercial, educational and cultural relations are growing; it is unlikely that India will directly oppose China, particularly through any military skirmish as the 2017 Doklam standoff showed.¹⁰⁴ Therefore, while improving and consolidating a strategic partnership with the US, India is now striving to adopt a policy of plausible ambiguity, whereby it is pursuing a nebulous policy towards China and aggressive posturing towards Pakistan. If India has ambitions to become a member of the UN Security Council it would need China's support. Similarly, India's 'look East' policy demands strengthening diplomatic, security and economic partnerships in forums like ASEAN and the SCO as a 'neutral' China holds greater promise than a hostile one.

The warming up of China-India relations is in the realm of possibility and occurred previously as well, yet the visible indications are that Beijing would not abandon Pakistan as China's interest in a stronger Pakistan parallels its own economic and strategic impulses. As noted earlier, President Xi Jinping has been assuring when he stated that China would keep a close eye on the situation in Kashmir and that it *"supports Pakistan to safeguard its own legitimate rights and hopes that the relevant parties can solve their disputes through peaceful dialogue."*¹⁰⁵ Thus, security and strategic considerations continue to solidify China-Pakistan relations, including Pakistan's entry into the SCO.

While the US and India continue to show hostility towards the CPEC and BRI, on their part the Chinese have made strenuous efforts to recast motives behind it. For example, to dispel apprehensions about the One Belt One Road's strategic implications, the Chinese government renamed it as The Belt and Road Initiative (BRI), implying and assuring the neighboring states that it is an initiative that calls for, "shared growth through discussion and collaboration". It needs to be understood that the BRI is, "Much more than investment and infrastructure projects". It includes energy, rail, special economic zones and urban transport systems. According to a recent report by Cebr-CIOB, *"... it will almost certainly become more electronic than purely physical as roads are upgraded for autonomous vehicles and as digital infrastructure becomes part of the system"*.¹⁰⁶ The report has identified projects cost of 2 trillion US\$ and these are likely to grow to 7 trillion US\$ by 2040. Despite some risks, the report presents a win-win for all and an optimistic future of BRI. Chinese leadership's determination and commitment to provide funding for the BRI can be understood by the fact that now it is part of 'Xi Jinping's Thought and Socialism with Chinese Characteristics for a New Era' and is part of the Communist Party of China's Constitution.

Increasingly digital connectivity is becoming part of BRI, the “Digital Silk Road”.

Similarly to re-affirm motives behind the BRI, the Chinese have held various events inviting attendees from different countries to indicate a sense of participation and inclusion. Including in April 2019, when the second BRI Forum was held in Beijing in which heads and representatives of more than 130 countries participated. Earlier in May 2017 China had launched a major BRI ‘soft power’ exercise by hosting a “Silk Road Summit for International Cooperation”, in which more than 60 countries participated, as indicated earlier, India conspicuously stayed away from both events. China, particularly reached out to the EU, ASEAN and SCO countries. In the Middle East, it entered into joint construction projects with six Arab Countries. More importantly, Saudi Arabia, UAE, Kuwait and Oman have shown support for the BRI. Through BRI China has given new meaning to multilateralism and multilateral diplomacy; an answer to the unilateralism and myopic protectionism that the Trump administration in the US is pursuing. The BRI’s strength lies in flexibility, fluidity, adaptability and inclusiveness. Already an estimated 900 projects are in works under the BRI, showing China’s ability to convince nations about the technological, managerial, human resource and people to people benefits the mega-project is likely to bring. Most countries are looking at joining the BRI as an economic growth, development and connectivity opportunity rather than a threat or instrument of Chinese hegemony.

4.3 CPEC Pragmatists: New alternatives for India and Pakistan

Such reassuring projections and somewhat cultural prognostication of the BRI by the Chinese policy makers and academia has given momentum to a third perspective, which we classify as CPEC Pragmatists. As noted at the outset in this paper, focusing on Indo-Pakistan rivalry, claims and counter claims of preserving territorial rights, we have argued that the CPEC is not a ‘threat’, rather it offers India an opportunity to seek investment, trade, regional connectivity and lead a movement for peace and harmony with Pakistan and broadly in South Asia. The CPEC Pragmatists, like the authors, provide a synthesis of geo-political and geo-economic factors, which are influencing and bolstering the dynamics of the BRI. They also bring to attention the role of political leadership and personal skills in persuasion and nuanced understanding of the ‘other’. In this section we bring to attention the views and perspectives of some of the Indian policy analysts and scholars. For example, Talmiz Ahmad, a retired Indian diplomat argues that India’s concerns over the CPEC are, ‘misplaced’. He argues it is in, *“India’s interest for China to invest in Pakistan and hopefully wean the country’s youth away from extremism.”*¹⁰⁷ Building roads in disputed territories does not compromise Indian claims, in any case it’s an issue that the two countries will have resolved when the time is ‘propitious’ for both. In fact over the years and particularly following the CPEC, the Chinese government has shown considerable flexibility to appease India; they have said that since the 1990s, China has stayed away from supporting Pakistan on the Kashmir issue on international forums and has encouraged it to resolve the dispute bi-laterally. Second, it has insisted that the 1963 Pakistan–China Border Agreement does not compromise Indian ‘sovereignty’. Third, and most importantly, it has gone to the extent of saying that to assure India, China would be willing to change the name of the CPEC to the ‘China, Pakistan and India Economic Corridor—CPIEC’. Ahmad, therefore strongly recommends that India will benefit from the CPEC, and should take the opportunity to support it rather than oppose it, while the Chinese are willing to accommodate. Similarly, Atul Bhardwaj, Senior Fellow at the Indian Council of Social Science Research says that the Indian opposition to CPEC is “worrisome” and “flawed”. He argues that the CPEC offers unprecedented trade and commerce opportunity and India should, *“welcome the revival of old Silk Road as it gives India more choices and reduces its dependence on trade routes controlled by the United States (US).”*¹⁰⁸ There is therefore reason to be optimistic about

the CPEC as harbinger of peace dividends to South Asia. Parag Khanna, author of, *The Future is Asian: Commerce, Conflict & Culture in the 21st Century (2019)*, and a leading global strategy advisor, argues that the BRI is not only a wave of future connectivity but could also elevate poverty in the states that opt to join it. Khanna makes a persuasive case for the Pragmatist view by arguing that the BRI offers both strategic and economic opportunities and therefore, should not be seen only as a political or military venture but as facilitating commerce and trade and bringing particularly Asian civilizations and societies closer. Colonial rule and the Cold War had kept Asians apart; now the BRI offers an opportunity of not only doing business with each other but also reconnecting old civilizational bonds. He correctly observes that in many of the countries adjoining the BRI, people live in a “*world of sovereignty, of transparency and democracy*”.¹⁰⁹ A number of countries have shown that they have a ‘right to say no to BRI’ and they ‘have the ability to re-negotiate; he emphasizes Malaysia, Pakistan and Myanmar have demonstrated that. This logic can also be extended to the case of India, whereby joining the BRI could prove beneficial for it.¹¹⁰ Gurpreet Khurana, Executive Director of the National Maritime Foundation, in a series of articles provides a rationale for why India’s opposition to the BRI is misplaced and how it can benefit from becoming part of it. Khurana has succinctly argued that Indian opposition to the BRI is rooted in both strategic and economic considerations. India perceives that the BRI poses a challenge to Indian Naval supremacy in the Indian Ocean and through the BRI; China aims to take away the raw materials from the neighboring states, therefore, the “*BRI represents a new avatar of economic colonization by China.*”¹¹¹ Thus, Khurana contends that for India it is not enough to challenge BRI but it also needs to provide an alternative. While commending the two initiatives of the Modi government; Security and Growth for All in the Region (SAGAR) in 2015 and The Asia-Africa Growth Corridor (AAGC) proposed by India and Japan, Khurana points out that although these projects are meaningful under the rubric of the contemporary Indo-Pacific strategy, these need to be pursued more seriously by all the potential partners. More importantly, AAGC is still in its infancy phase, India lacks the infrastructure, finances and technological base, while the slow pace of Indian government also discomforts Japan.¹¹² In another article, he observes that there are a few Indian scholars, who like him believe that the BRI is “*pregnant with geo-economic opportunities for India,*”¹¹³ therefore, he contends that it would not be ‘prudent’ for India to get entangled in rivalry with China and not take advantage that this opportunity offers.¹¹⁴

Ravi Bhoothalingam, Honorary Fellow of the Institute of Chinese Studies in New Delhi makes a case for connectivity and urges policy-makers to re-assess their opinion of the BRI and the CPEC. Given India is nestled between some of Asia’s fast growing economies with large markets, it is only advantageous that it participate in the regional networks of production and consumption.¹¹⁵ Boothalingam argues that the South Asian Sub-continent forms an organic economic bloc that must be supported despite territorial disputes. His solution is one worth considering where both India and Pakistan agree to allow third-party investments and development projects to run in disputed areas thereby “*divorcing territorial issues from restricting benefits for the population*” and “*keeping the political issues running on a parallel track.*”¹¹⁶

In Pakistan, with the electoral victory of Imran Khan in the July 2018 elections and his installation as Prime Minister of Pakistan, many wondered what direction Khan would take in terms of Indo-Pak relations. In his first speech as PM, Khan showed interest in promoting trade and cultural activities between Pakistan and India. Simultaneously, he was quick not only in showing sympathy for the people of Kerala when they experienced the worst floods in history, but also offered to provide relief supplies to India in that time of tragedy. Another clue could be taken from his swearing-in ceremony, when Indian cricketers were invited to attend, including Indian cricketer turned politician Navjot Singh Sidhu. Sidhu was given a warm embrace by Pakistan’s Chief of

Army Staff on the occasion, gesturing that the Pakistan's military, which is widely perceived and, in reality, is an influential player in defining the parameters of India-Pakistan relations, may be willing to support a fresh dialogue process. On the other hand, The Indian media and news channels in particular, received Sidhu's attendance negatively, mirroring the ground reality that in India there is still a segment of population very opposed to the idea of Indo-Pak peace.

By November 2018, Khan made headlines by laying the foundation stone for the Kartarpur Corridor—a road link that connects the Indian border directly to the Sikh holy site of *Gurdwara Darbar Sahib* allowing pilgrims to travel to the Gurdwara with ease and diminishing the travel time substantially. The fact that this took place within the first 100 days of Imran Khan's premiership indicated once again the new government's eagerness to build Indo-Pak relations. Khan was quoted to have compared this development to relations between France and Germany, arguing that warring rivals could move beyond hostility and develop into peaceful neighbors.¹¹⁷

While some Indian delegates responded with positivity and eagerness to continue with engagement and dialogue, others felt that the Kartarpur Corridor did not signify a deep commitment towards peace. Indian Army Chief General Bipin Rawat, for instance, commented that "*Kartarpur should be seen in isolation*"¹¹⁸ while External Affairs Minister Sushma Swaraj said that "*terror and talks cannot go together*"¹¹⁹ implying Pakistan has not disengaged from supporting terrorist activities in India. Michael Kugelman added "*It's politically risky for the Indian government, particularly for a Hindu nationalist government like the current one, to extend an olive branch to Pakistan during the height of campaign season.*"¹²⁰ This reasoning was something Khan was aware of when he too commented that Pakistan has been patient in waiting for India to reciprocate gestures of peace.¹²¹ Nevertheless, when the Corridor was in fact inaugurated in November 2019, several Indian celebrities and political notaries attended the ceremony and praised Pakistan's efforts to facilitate Indian Sikh pilgrims.

However, the Pulwama incident followed by the Abrogation of Article 370 on August 5, 2019 and the prolonged curfew in Kashmir, have both further deepened the already deteriorating trust level between India and Pakistan. Moreover, in the post August 5, 2019 phase the Pakistani Prime Minister and his government have adopted a more vociferous and hawkish view towards any aggressive mantras or act from India. Furthermore, the fledgling regional dynamics demand that the leadership, academia, journalists and policy-making circles in India and Pakistan show greater prudence and adopt a pragmatic approach towards dispute resolution in pursuit of peace and in creating architecture of complex interdependence. Simultaneously, they need to inform and educate citizens on the dividends of peace, mutual trust and respect.

5. Conclusion

Pakistan, China and India— all three countries are confronted with the challenging issues of terrorism, separatism and extremism. These demand cooperation, dialogue and engagement rather than policies of 'containment' that stimulate a new Cold War and encourage conflict particularly amongst nuclear-armed nations. Taking into cognizance the sources of Indo-Pakistan disputes and the escalating trust deficit between the two, this paper analyzes how India has been able to build economic ties with China despite their border disputes. In the light of that analysis we have argued that Pakistan and India can also learn from the Chinese-Indian model to manage territorial conflict and capitalize on the significant opportunities that the BRI, inclusive of the CPEC, offers. Both countries can recast their economic, commercial and cultural ties and

adopt a strategic outlook that prioritizes policies of development over policies of deterrence.

Undeniably, synergizing strategic and commercial interests is difficult in countries that have had long standing intractable disputes, but the process demands patience and prudence, it is not impossible. As noted above, Prime Minister Modi's government's abrogation of the Article 370 along with continued curfew for over four months, the blatant violation of human rights and restriction on the movement of people has resurrected Kashmir as core issue of conflict between India and Pakistan. This has not only aggravated tensions between the two but also made prospects of dialogue, restoration of mutual trust and any movement towards peace precarious. This demands urgent de-escalation and as a first step lifting of curfew from Kashmir, so that an environment of mutual respect and trust is created.

Therefore, we recommend and encourage the international community and the government of Pakistan to demand immediate restoration of Articles 370 and 35 A of the Indian Constitution. No decision should be taken to alter the status of Kashmir without the consent of people of Kashmir. To diffuse tensions it could be helpful to encourage military to military visits, talks and communications between the two countries that curb routine border skirmishes and creates an environment of de-escalating hostilities. Such steps could pave the way for re-starting the process of communication between India and Pakistan. In fact, many in academia, policy circles, the media and social activists continue to plead and argue that India and Pakistan need to manage all disputes through political dialogue and encourage an environment that upholds value of peace, trade and mutually rewarding economic partnerships.

This leads us to reiterate that CPEC provides a unique opportunity to test this approach of simultaneity between managing territorial disputes and enhancing economic relations. By supporting China's connectivity through Pakistan, India and Pakistan could finally begin to materialize the East-West economic linkages, the benefits of which, business groups, traders and peace advocates have emphasized for years. It might help India to see the CPEC as a *business model, apolitical and nation-neutral*, rather than a bilateral diplomatic initiative between China and Pakistan. Indian leaders could mould the narrative accordingly, and their Pakistani counterparts could support it. In our assessment the benefits of Indo-Pakistan cooperation on the CPEC would thus entail the following:

- Learning from the Chinese-Indian experience of border management and the Agreements that the two have signed between 1993- 2013, Pakistan could also pursue, similar confidence building measures with India, of course China can help and guide that process thereby gaining recognition as a vigorous and effective leader in Asia.
- BRI-driven infrastructure development, through the CPEC could help India and Pakistan gain more favourable and fair terms for the local population including improving long term development aspects such as employment, vocational skills development, labour training and technology transfer.
- The above proposed approach would assist in establishing backward and forward linkages between the Pakistani and Indian economies that complement the Chinese investments, local industries and their production network can thus be sewed into the CPEC framework and they can achieve greater ownership.
- This could incentivize small and medium sized enterprises (that form a significant proportion

of both countries' economies, particularly Pakistan) to participate in the BRI and gain opportunities to climb the global production chain.

The multiplier effects of our proposed pragmatic approach are likely to positively impact economic development in India and Pakistan, consequently allowing them to examine other forms of trade and investment. Estimates suggest that the volume of potential trade between India and Pakistan is around 37 billion US\$¹²² benefits both economies could accrue were their economic relationship to be formalized and nurtured.

Finally, the credibility and the 'game changer' impact of the BRI can be understood by the CIOB-CEBR's report when it argues: *"In the 10 years since the financial crisis in the West, China (now 15% of the world economy) has driven world demand by accounting for 40% of world GDP growth. Now looking forward China will be driving world GDP growth though helping the building of infrastructure throughout the world and through reducing both transport and other frictions that hold back world trade."*¹²³ Furthermore, the report forecasts that by 2040, as many as 56 countries' GDP will be boosted by 10 billion US\$ by the BRI. In this list India is ranked number 10 and Pakistan number 8.¹²⁴

We therefore conclude that the BRI, inclusive of the CPEC, has shaken the foundations of old patterns of geo- strategic thinking by prioritizing geo-economic considerations. A refreshing synergy of geo-economic factors superseding geo-political considerations is sprouting. The CPEC remains, and must be sustained as, an economic opportunity and not a strategic challenge or threat. Adopting a pragmatic approach on the CPEC could become the guiding principle for both countries' future interactions as well, including in other fora such as the SCO, SAARC or strengthening regional connectivity, commerce and trade with Afghanistan, Iran and Central Asian States. Thus, a practical and forward-looking approach towards the CPEC holds the promise of momentous peace dividend for South Asia.

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Any error of facts or interpretation is the sole responsibility of the authors.

ANNEX

Year	Date	Place	Details	Key Discussion Points
2014	Jul 14	Fortaleza, Brazil ¹²⁵	<ul style="list-style-type: none"> • First meeting between PM Modi & President Xi Jinping 	<ul style="list-style-type: none"> • India welcomed to join the Asian Infrastructure Investment Bank as a founding member • Xi proposed a Bangladesh-China-India-Myanmar Economic Corridor to enhance regional co-operation • Modi welcomed Chinese enterprises to invest in India's infrastructural development
	Sept 17	Visit began in Gujrat, India, Deals signed in Delhi. ¹²⁶	<ul style="list-style-type: none"> • First visit of Xi to India • 3 day tour • Talks occurred amongst India's accusations of China's intrusions in Ladakh • The two leaders celebrated Modi's 64th birthday as well 	<ul style="list-style-type: none"> • Worked together to achieve peaceful development • Signed 12 agreements related primarily to closer partnership in development, one of which was that China would invest \$20bn in India's infrastructure over 5 years. • Detailed economic investment plans were discussed for instance, the setting up on industrial parks in Gujrat, India • Both sides also focused on increasing co-operation in trade, space exploration and civil nuclear energy • Modi said that true potential of both countries could only be realized once the border issue was resolved
2015	May 14	Xi'an, China ¹²⁷	<ul style="list-style-type: none"> • First visit of Modi to China • 3 day trip 	<ul style="list-style-type: none"> • Xi presented four points: <ol style="list-style-type: none"> 1. Work together to promote strategic partnership and the "international order towards a more just and reasonable direction,"¹²⁸ 2. Greater economic co-operation 3. Resolve differences, problems & mistrust 4. Make "bilateral cooperation a social consensus" between both countries, implement cultural exchange programs¹²⁹

	Jul 8	Ufa, Russia ¹³⁰	<ul style="list-style-type: none"> Meeting ahead of 7th Summit of BRICS 	<ul style="list-style-type: none"> Xi stressed on exploring ways to connect Belt Road Initiative to India's development plans Stressed on need to have closer China-India partnership within BRICS to attain world peace
2016	Jun 23	Tashkent, Uzbekistan	<ul style="list-style-type: none"> On the sidelines of the Shanghai Cooperation Organization (SCO) summit 	<ul style="list-style-type: none"> Both countries acknowledged the need to improve cooperation in various sectors including trade, railways, industrial parks, energy and power, IT and environmental sustainability¹³¹
	Sept 4	Hangzhou, China	<ul style="list-style-type: none"> On the sidelines at the G20 Hangzhou Summit 	<ul style="list-style-type: none"> Both acknowledged that their "relations maintain a sound momentum of healthy, stable and rapid development"¹³²
	Oct 15	Gao, India ¹³³	<ul style="list-style-type: none"> On the sidelines of the 8th BRICS summit 	<ul style="list-style-type: none"> Both recognized terrorism as the key issue Discussed India's prospects of joining the Nuclear Supplier's Group (NSG) Discussed the issue of banning terrorist JeM chief Masood Azhar
2016	Jun 9	Astana, Kazakhstan ¹³⁴	<ul style="list-style-type: none"> On the sidelines of the 17th SCO Summit Both meeting for the first time after India boycotted the Belt and Road Forum held in Beijing in May 2017 	<ul style="list-style-type: none"> Modi expressing his appreciation to China for India's accession to the SCO Discussion on the need to work closely together within SCO framework
	Jul 7	Hamburg, Germany ¹³⁵	<ul style="list-style-type: none"> Exchanged greetings at an informal gathering of BRICS, on the sidelines of the G20 summit (China ruled out it being a bilateral meeting) Only lasted about 5 minutes 	<ul style="list-style-type: none"> Both had a 'conversation on a range of issues' as per the official statement released by the Raveesh Kumar, official spokesperson of the Ministry of External Affairs in the Government of India¹³⁶

	Sept 5	Xiamen, China ¹³⁷	<ul style="list-style-type: none"> • Hour long meeting on the sidelines of 9th BRICS Summit • First meeting after the Doklam border stand-off was resolved 	<ul style="list-style-type: none"> • Xi said India should treat China's development correctly and rationally¹³⁸ • A discussion on the fact that if the China-India relationship is to move forward, then peace must be achieved on the borders¹³⁹
2018	Apr 27-28	Wuhan, China	<ul style="list-style-type: none"> • Two-day long "informal summit"¹⁴⁰ 	<ul style="list-style-type: none"> • Agreement to work together on an economic project in Afghanistan¹⁴¹ • Discussion on reducing border tensions • Both issued "strategic guidance" to their armed forces to build trust and be more effective in managing border disputes¹⁴²

Quick Summary:

Since 2014, when Narendra Modi assumed power as the Prime Minister of India, he has met with President Xi Jinping about eleven times to-date, most of which have been bilateral meetings. The frequency and duration of their meetings has been increasing 2014 onwards. On average, however they have been meeting in-person about twice every year amidst numerous calls exchanged over the phone such as the one on 20 March 2018 to congratulate Xi Jinping by Modi¹⁴³. And the most recent meeting on the 29th of April 2018 is seen by many as an ideal opportunity for both to "reset" relations¹⁴⁴.

Notes

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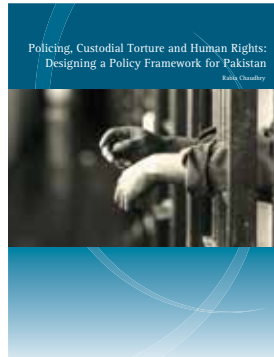
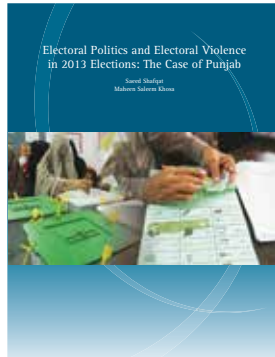
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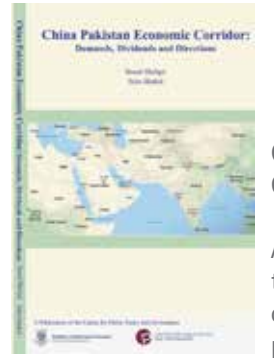
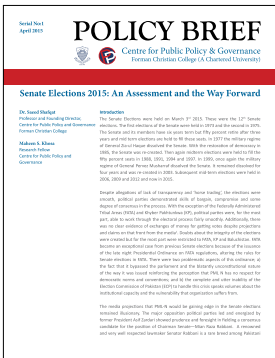
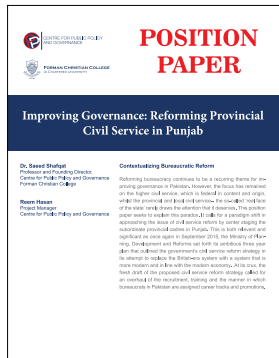
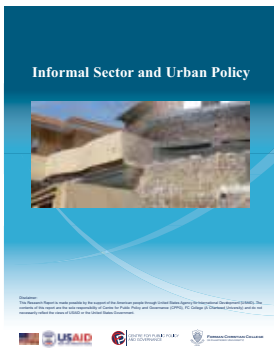
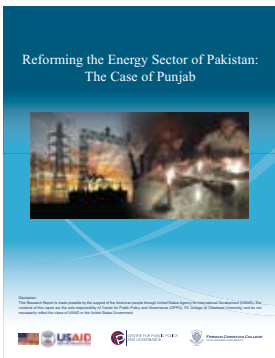
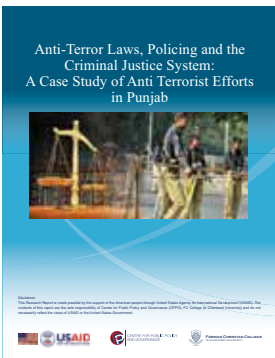
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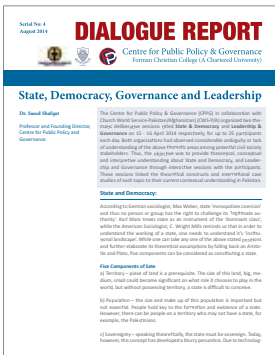
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Quarterly



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