

Belt and Road Initiative of China An Analysis and India's Stand with Specific Reference to China–Pakistan Economic Corridor

Shashank Ranjan



Centre for Land Warfare Studies
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Centre for Land Warfare Studies

RPSO Complex, Parade Road, Delhi Cantt, New Delhi 110010

Phone: +91.11.25691308 Fax: +91.11.25692347

email: landwarfare@gmail.com website: www.claws.in

CLAWS Army No. 33098

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Contents

1. Introduction	1
2. Scope	1
3. Belt and Road Initiative	2
4. BRI: A Reality Check	6
5. CPEC: The Lifeline of BRI	12
6. India's Stand	16
7. Conclusion	23
Notes	24

Belt and Road Initiative of China

An Analysis and India's Stand with

Specific Reference to China–Pakistan

Economic Corridor

INTRODUCTION

The Belt and Road Initiative (BRI) launched by China in 2013 is one of the most ambitious projects of recent times. From the projects announced and/or undertaken, it can be inferred that BRI will help China upgrade its industry by gradually moving its low-end manufacturing to other countries and take pressure off from industries that suffer from an excess capacity problem, thereby reducing the supply glut at home. As a corollary, it can be added that China, very deftly, wants to convert its domestic economic liabilities into its foreign economic and diplomatic assets.¹

In South Asia, the BRI has two components, namely, the China–Pakistan Economic Corridor (CPEC) and the Bangladesh–China–India–Myanmar (BCIM) corridor. Given the mammoth scope of BRI, it has a major geostrategic significance for India and the CPEC is bound to make Sino-Pakistan strategic relations blossom further.

SCOPE

The paper analyses BRI and CPEC in separate parts. BRI is examined in the context of China's narrative, deft preparations (by China) in terms of its attempt at redefining the world order and potential fallouts (of the BRI). A brief on progress of BRI projects in few of the neighbouring countries is attempted, to infer the effects on developing economies. CPEC, given its significance to India, is analysed through the prism of its nature, contradictions and viability, its implication to India and assessment of policy options that India could exercise.

BELT AND ROAD INITIATIVE

The Fact Sheet and the Chinese Narrative

Connectivity: the Core

As per the vision document prepared by the Chinese government in 2015, the BRI runs through Asia, Europe and Africa, connecting the East Asian economic circle at one end with the developed European economic circle at the other.² It focuses on bringing together China, Central Asia, Russia and Europe; linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-Century Maritime Silk Route, in turn, is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other.³ One of the primary objectives of the aspired connectivity is to facilitate smoother trade flow so as to achieve advantages in time and space as well as on costs of transportation. As claimed by President Xi Jinping, the initiative is aimed at facilitating an inclusive global economic order.

Geared up for the Common Vision

In BRI, China intends using its huge financial potential and its outbound investments to build infrastructure worldwide. China has set up financial institutions such as Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund (SRF) to finance the projects. Chinese companies have been/ are being geared up to undertake BRI projects with different countries. In order to give it a boost at the governmental levels, Chinese diplomacy too is moulding itself, accordingly.

Economic Imperative with / without Political Strings

In the context of the neighbourhood, Russia and India are China's strongest neighbours with huge potential but face economic problems. The other neighbours in Southeast Asia, Pakistan and Afghanistan, and Central Asia face economic bottlenecks and several of them are underdeveloped economies. Chinese leadership has paid attention to these countries and desires to elevate their economies towards a meaningful relationship with the emerging Chinese global economy. This is not a tactical or strategic move by China to gain influence in Asia but is a policy moved by economic necessities for the well-being of nations, which will be addressed irrespective of political leanings.

Receding US Power and the Evolving Beijing Consensus

As per experts, the space to China has been provided by the United States because of its unending military adventures worldwide and the lacklustre response of the European economies. China speedily aspires to fill up the vacuum left by these powers. The geopolitical power balance in Asia is likely to undergo a rapid shift in the coming decades, potentially creating tensions between countries and increasing the risk of war, as per a Sydney-based Lowy Institute. As per the League table—Asia Power Index 2018, released by the Institute, the United States is still the pre-eminent power in the Asian region, but adds that China, the emerging superpower, is rapidly closing in. The United States may be foregoing its advantage, as President Trump pursues a policy of putting American interests ahead of those of its allies—such as Japan, Australia, South Korea and Taiwan.⁴ The phenomenon has been rightly described as the ‘Beijing Consensus’ replacing the ‘Washington and European Consensus.’⁵

Optimising Soft Power Abilities

Leveraging Heritage Diplomacy

Starting 2000, China stepped up its soft power offensive by leveraging its rich culture and heritage. China has been spending around 10 billion USD per year on a plan to boost its global soft power.⁶ This effort includes plans to expand China’s foreign-language media abroad, create more Confucius Institutes and foster educational exchanges, boost aid outflows, sponsor cultural festivals abroad, and generally try to portray Beijing as a defender of the international order. BRI fits into this soft power offensive in some respects. As claimed by China, the infrastructure creation, aid as well as jobs as the BRI package could boost growth globally. It is aspired that it adds to the overall image of China in context of the United States supposedly receding into an ‘America First’ shell under Trump, as brought out earlier.

Incipient ‘Advantage China’

A decade ago, when China was beginning to increase its aid programs, it seemed in a strong position to wield its soft power. It had mostly avoided major disputes with its neighbours and was a relatively new power in Africa and the Middle East. In contrast, the United States at that time was suffering from the after-effects of the Iraq War with its international image souring. Some Chinese officials were beginning to enunciate a Chinese model of development, as a global rhetoric.⁷

Current Setbacks

At present, it is doubtful if China can effectively wield soft power. One major reason is that Beijing has spent the last decade simply exerting significant hard power, particularly in Southeast Asia and Northeast Asia. And, its growing willingness to wield coercive strategic and economic power has made its soft power, a more difficult sell. In recent years, China has militarised (and continues to do so) parts of the South China Sea and East China Sea.

Scepticism vis-à-vis China

Many states in the region, from Japan to Singapore to Vietnam to Myanmar, have become increasingly wary of China's desire to dominate the region. Also, in regions like Central Asia, South Asia, Africa and Eastern Europe where BRI will provide critical infrastructure, local leaders fear that the project will simply make it easier for China to flood local markets with Chinese goods.⁸

Power Politics Calculus and the Inevitable Hard Power

China's 'Marshall Plan'

Notwithstanding the projections vis-à-vis the soft power and global economic alleviation, there are inherent fault lines embedded in the so-called magnanimity of China.⁹ The foremost of these expresses itself through the nature of great power politics (GPP). Given the power, enormous resources and varied interests, it is unlikely that Beijing will confine its ambition to infrastructure and connectivity. To ensure hegemony in Asia, China will need to exert military power in tandem with the economic power.

Primacy of Military Force

There are two factors that underlie the primacy of hard power. First, states find themselves entering an investment trap, where securing economic investments necessitate the introduction of military force. Second is the proclivity of a powerful state to exert economic influence and extract military commitments from partner states. No matter what, expanding economic influence would require deeper military commitments from China.¹⁰

Seeds of Conflicts

Though China claims that its drivers are centred on economics, an eventual setup of military outposts in various infrastructural investments is inevitable. And given the inevitability of application of military power, sustaining BRI would get daunting for China. In order to achieve a military-driven global

dominance, maritime supremacy is most crucial. In this context, it is noted that despite being fraught with challenges, the United States still has the naval power that China does not enjoy. In terms of becoming an absolute maritime power, China is geographically at a disadvantage compared to the United States due to its comparatively limited access to water. Erstwhile Soviet Union, during the Cold War years could not succeed towards global maritime dominance due to geographical disadvantages and the same tyranny of geography works for China's handicap.¹¹ It is strongly felt that endeavours on part of China towards achieving global maritime dominance could bear the seeds of global upheaval and turbulence.

Redefining the World Order: Fears and Frictions

Rise and Rise of Xi Jinping

President Xi, whose stature has grown immensely over the years, pushed a vision of national rejuvenation during the 19th Communist Party Congress (CPC) in October 2017. In March this year, China's Parliament has scrapped presidential term limits, paving the way for President Xi Jinping to rule indefinitely. Central to President Xi's ambitions is a far-reaching drive to restore China to its rightful place as a global power. President Trump's election (and his reputation) has made it easier for President Xi to showcase China as a stable and responsible alternative to an erratic and inward-looking United States.

Realities and Challenges

As mentioned, China has relentlessly endeavoured to make a mark globally, notwithstanding that these attempts have not been taken too encouragingly by the host nations. In Australia, the government is vexed by what it sees as Beijing's interference in domestic politics. In Europe, politicians are raising an alarm over heavy-handed trade tactics on part of China, aimed at acquiring foreign technology. In Southeast Asia and Africa, there are complaints about a new era of Chinese colonialism. In Germany, a sharp increase in Chinese investment has prompted complaints that China is closing its markets even as it goes on a buying spree abroad. There are also concerns that China is trying to divide the European Union by cultivating poorer countries like Hungary and Greece and using them to block policies supported by richer countries that hurt Beijing.¹² The pushback comes not just from the West but also from Chinese neighbours who remember the tributary system of its imperial past, or are wary of its Communist political system.¹³

Inclusive Global Order

The 19th Party Congress report reiterates that “no matter what stage of development China reaches, China will never seek hegemony or engage in expansion.” Hegemony, in the Chinese-language context, has a negative connotation of ‘bullying’ others. This implies that the legitimacy of power is derived from the way it is exercised, not the source from which it emanates. Understood in this way, China’s insistence that it will not pursue hegemony suggests that it may seek power, but will not abuse it with regard to other countries. It sees power not as a tool for changing the status quo, but as a way to maintain deterrence and shape diplomatic interactions in favour of protecting its interests. China has calculated that the BRI will improve internal stability by modernising the domestic economy and developing outlying provinces, such as Xinjiang.¹⁴ These efforts also enhance China’s external security through engagement efforts such as the Djibouti base and the Gwadar port, which will greatly improve China’s capability to project power in the region.

The Thucydides Trap and Global Balance of Power

As is the norm in international relations, the established great powers constantly endeavour to prevent the rise of any competitors. As China challenges America’s predominance, misunderstandings about each other’s actions and intentions could lead them into a deadly trap, referred as The Thucydides Trap^{*15}, by experts. The same is the case with the rise of China as a great power with the BRI policy in its arsenal. China’s grand plans have initiated a counter-coalition against it. One can see this in the renewed interest in US-Japan-Australia-India quad formation towards cooperation in South China Sea. India and Japan have joined hands to embark upon multiple infrastructure projects. China’s rising economic profile would require a larger military footprint and as brought out, the resultant militarisation of BRI, even if unintended, would lead to multiple troubles across the globe.

BRI: A REALITY CHECK

For all the grand ambition underlining BRI, some analysts have doubts on the workability of the vision. Tellingly, China has issued guidance¹⁶ on English equivalents for describing the Belt and Road. These instructions specify that it should be called an ‘initiative’ and explicitly reject the term ‘strategy’. An initiative has the benefit of being viewed as less threatening, more open-ended and more inclusive than a strategy. However, it also lacks the focus, coherence and substance of a real strategy. The distinction between initiative

and strategy is more than simple semantics. It captures the central challenge the Belt and Road faces.

Since its birth in 2013, the Belt and Road has taken on a growing list of objectives. One official¹⁷ document outlines five major goals: policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds. In theory, each of these is a worthwhile objective. They all relate to connectivity and, in many situations, could be mutually beneficial and reinforcing but they can also conflict. New trade and financial connections create winners and losers, and adjustment costs can impact people-to-people bonds. A Belt and Road strategy would include guidance for making trade-offs between goals.

It is not too late. By one account,¹⁸ the Belt and Road has not even started its implementation stage, which runs from 2022 to 2049. It is currently in the ‘strategic planning’ stage. In an age of short-term pressures, this long view is another remarkable feature of the Belt and Road. At a time when governments are operating from one budget resolution to the next, and companies from one quarter to the next, China has set its eyes on the middle of the century. Putting forward a decades-long vision for global connectivity takes courage, particularly in today’s low-growth environment,¹⁹ raising scepticism.

For countries needing infrastructure, the BRI holds the promise of investment in new railways, roads, ports and other projects. Notwithstanding the benefits, participating countries also have worries, ranging from a lack of participation by local workers and banks to unmanageable debt hangovers.

The Nikkei Asian Review and The Banker examined how BRI projects are unfolding in several countries. Brief details pertaining to Indonesia, Sri Lanka, Bangladesh, Maldives and Laos are flagged in the succeeding paragraphs.²⁰

Key findings of the report include:

- Project delays—after initial fanfare, projects sometimes experience serious delays. In Indonesia, construction on a USD 6 billion rail line is behind schedule and costs are escalating. Similar problems have plagued projects in Bangladesh.
- Ballooning deficits—Besides Pakistan, concerns about owing unmanageable debts to Beijing have been raised in Sri Lanka and Laos.
- Sovereignty concerns—In Sri Lanka, China’s takeover of a troubled port has raised questions about the loss of sovereignty. And India openly rejects the BRI, saying China’s projects with neighbouring Pakistan infringe on its sovereignty.

Sri Lanka

When Sri Lanka handed over its southern port of Hambantota to China in December 2017, many saw it as a cautionary tale for other nations that are eagerly accepting Chinese help to build grand infrastructure projects.

The country granted a 99-year lease on the port to China Merchants Port Holdings in hopes of cutting its debt, which is among the highest of the emerging economies. For its part, China gained an important beachhead for its attempt to expand its military influence in the Indian Ocean.

Construction of the USD 1.5 billion Hambantota Port started in 2008 under former President Mahinda Rajapaksa. The first phase of the project, which ended in 2010, cost USD 361 million. While details of the second phase are unknown, Export-Import Bank of China financed 85 percent of the first phase of work.

But as the port's losses began to mount, the government in Colombo found itself unable to repay its debts. The country had an external debt of USD 48.3 billion at the end of 2017, and its annual external financing needs are USD 11 billion—roughly the same as its annual tax revenue. Sri Lanka's debt to China totals USD 8 billion and is said to carry an interest rate of six percent.

Government critics have said Sri Lanka's sovereignty has been compromised by the port episode, which came only two months before the former president of neighbouring Maldives warned that its debts to Beijing could force the country to cede territory to China as early as next year.

Sri Lanka is located at a strategic point for the BRI. The port of Hambantota is indispensable for China's energy security because the country imports two-thirds of its oil through shipping lanes south of the port.

India has been watching China's activity in Sri Lanka with concern. The docking of a Chinese submarine at the port of Colombo in 2014 is one reason why the handover of a port at Hambantota in December 2017 raised alarms in Delhi. The nature of the Hambantota transaction, a debt-for-equity deal, also raised concerns.²¹

Rajapaksa government kicked off the construction of Sri Lanka's second international airport in Mattala, an inland town 20 km from the port, in 2009. Of the USD 209 million construction cost, Exim Bank of China put up USD 190 million with a concessionary loan. Mattala International Airport is now called 'the world's emptiest international airport' because it has only four regular flights arriving and departing per week. The Sri Lankan government plans to sell the airport, too. India is afraid that if the airport is purchased by China, it will become a Chinese Air Force base.

Sri Lanka's debt equals 81.6 percent of its gross domestic product (GDP), which the International Monetary Fund says is the third-highest ratio among emerging economies.

Yet, even after the debt problems at Hambantota were clear, China proposed to Sri Lanka two joint construction projects around the port: a USD 3 billion oil refinery and a USD 125 million cement factory. To the Sri Lankan government, 'there is no country or institution with ready cash other than China.'

Indonesia

In the middle of a tea plantation outside Bandung, Indonesia's third-largest city, sits the future site of one of the four stations on the country's first high-speed railway. The railway is one of two ongoing projects under the BRI in Indonesia. Launched in January 2016, the planned 142 km railway that will connect Jakarta and Bandung was supposed to illustrate China's expanding economic power and influence. But as of late February 2018, local officials said only 10 percent of the work had been completed, making it impossible for operations to start next year as scheduled. A funding crunch is also starting to raise concerns over the financial health of Indonesian companies involved.

Paperwork and permit problems halted the project in its first several months, after which land acquisition proved to be a major hindrance. Only half of the total land needed has been secured. Rising land prices during the delays is partially responsible for the project's growing price tag—from USD 5.5 billion, when it was announced, to USD6 billion, at present.

Sluggish land acquisition has had other consequences: China Development Bank, which agreed to cover 75 percent of the cost with loans, has repeatedly delayed disbursement (till as recent as March 2018), further hampering progress. Since the bank signed the loan agreement during the BRI forum in Beijing last May, deadlines for distributing the money have been pushed back time and again.

Bangladesh

Bangladesh's experience has been similar. Its BRI projects were given a huge boost by President Xi's momentous 2016 state visit—the first by a Chinese head of state in 30 years. However, after an initial spike in activity, construction has slowed. "It started off pretty well, but while it's a bilateral initiative, it's not really just bilateral. There are other geopolitical issues which can play a part in actual execution."

The Center for Strategic and International Studies (CSIS) Reconnecting Asia Project has identified three key BRI projects in Bangladesh: the Dhaka–Jessore rail line, the Payra Power Plant and the Karnaphuli Tunnel—the country’s first-ever underwater tunnel. Chinese development banks dominate the projects’ financing, while Chinese contractors often take over the construction process.

Construction has already started for the USD 1.65 billion coal-fired power plant by the port of Payra. The plant is a joint venture involving a Chinese power company and Bangladesh’s state-owned North West Power Generation Company. While the equity will be split in half, the project’s financing is fully provided by China. The plant is scheduled to be operational by December 2019.

The USD 4.4 billion Dhaka-Jessore rail line is still in its preparatory phase. Announced in 2016, the line is expected to launch in 2022. State-owned China Railway Construction is the project’s contractor.

The construction stage for the Karnaphuli Tunnel is less clear. State-owned China Communications Construction Company signed a USD 705 million contract with the Bangladesh Bridge Authority (BBA) back in 2015. However, in November 2017, Bangladeshi newspaper *Financial Express* reported that construction work had not started because the BBA was waiting for the Exim Bank of China to release funds for the project.

Maldives

Another vulnerable case includes the Indian Ocean archipelago of the Maldives, where China has lent heavily to fund a new airport and related developments costing USD 1.25 billion, as well as a new port. As a result, Maldives’ public debt will climb to almost 75 percent of GDP, almost 70 percent of which will be owed to China.

Laos

A BRI rail project in Laos is further along. Construction of a 414-km railway linking Vientiane, the capital, to the China–Laos border is scheduled to be completed in December 2021. Talks on a possible rail project began in 2001, long before President Xi introduced the idea of building a ‘new Silk Road’. However, the two countries did not sign a memorandum of understanding (MOU) until April 2010. After a number of further delays, a ceremony marking the official start of construction was held in December 2016.

There are complaints among Laotians that the labour on the rail line is predominantly Chinese, detracting from any knock-on benefits to the

economy. Development banks worry that the USD 6 billion rail project will exacerbate Laos' already-insecure debt levels, which reached 68 percent of GDP in 2016, increasing the debt distress level from 'moderate' to 'high' in the recent World Bank/International Monetary Fund Debt Sustainability Analysis. Laos' budget deficit in 2017 was 4.8 percent of GDP, compared with 4.6 percent in 2016.

China and Laos have set up a 70/30 joint venture to finance the railway project. Each side needs to contribute 40 percent of their investment commitment in cash, which means that Laos, with 30 percent of the joint venture, needs to contribute USD 715 million over the 5-year construction period. Of this, USD 250 million will come from the national budget. The remaining USD 465 million will be borrowed from the Exim Bank of China at a 2.3 percent interest with a 5-year grace period and a 35-year maturity.

In a nutshell, while it is acknowledged that BRI is an immensely ambitious project, its footprints on the developing nations' economy participating in the framework have wider and invariably negative implications. With ever-increasing Chinese debt, what should happen to the host nations who are saddled with half completed projects and with little means to finance them themselves? The challenges at hand leave these countries with a tremendous vulnerability, for being economically tied to China for the next 30 years. The implications of this economic and trade dependence are further highlighted when one considers entanglement of security and sovereignty with the economic question of vulnerability.

This dynamic—rising debt and insufficient project revenues to service it—is worrying for the affected nation in particular and for the global well-being in general. It suggests local governments will either forego spending in other areas—health, say, or education—or borrow even more to meet their interest payments. The end result will be either a sovereign default, with all its attendant economic miseries, or debt restructuring. This too is a troubling prospect. China has not signed up to the Paris Club of international creditors, whose rules govern best practice in debt restructurings. And in recent years, Beijing has exacted a heavy price from borrowers looking to restructure. In 2011, China demanded Tajikistan give up thousands of square kilometres of territory in return for a debt write-off.²² And as mentioned earlier, the dealings with Sri Lanka over Hambantota in scoring a debt-for-equity swap are stark examples.

As per an analysis carried out by Centre for Strategic and International Studies, over time, support for the BRI could decline and even turn against

China.²³ Large infrastructure projects are rarely delivered on time, on budget, with their promised benefits—even in the best businesses environments.²⁴ Most BRI-related projects will encounter difficulties in the coming years. Projects that rely too heavily on Chinese labour, rather than local labour, can stoke resentment. Some projects will fail outright. Others will creep along and succeed only partially—delivering some commercial benefits, for example, while also introducing environmental costs. When projects disappoint for any reason, China stands to suffer reputational damage. What looks like boldness today might look like hubris in two decades.²⁵

CPEC: THE LIFELINE OF BRI

Corridor of Discontent and Its Viability

The Endeavoured Power Projection

The flagship project of BRI—the CPEC, entailing a budget above USD 46 billion²⁶ is seen as a ‘game changer’ in the regional geopolitical discourse since its formal unveiling in April 2015. The CPEC connects the maritime and land component of BRI, linking North-west China with ports in the Arabian Sea via a road and rail corridor, thereby providing China with the shortest and quickest access to the Arabian Sea, Persian Gulf and the Indian Ocean Region.

Through the Conflict Areas

Considering that the CPEC is set to traverse through Xinjiang, Gilgit-Baltistan (GB) and Baluchistan simmering with large-scale political discontent, there are lurking uncertainties facing the future of the project. The CPEC stretches across zones witnessing conflict, subjugation and political exclusion. While Xinjiang for long has witnessed an incessant ethnic strife offering stiff resistance to the Han dominance, GB is reeling under lack of constitutional status and political ambiguity since its accession to Pakistan in 1947. Baluchistan is infested with insurgency and prominent political groups led by ethnic Baluchs have directly challenged the writ of the state.

Internal Security Situation in Pakistan

CPEC’s spread inside Pakistan as well as in Pakistan-occupied Kashmir (PoK) make it dependant on Pakistan’s internal security situation, which has witnessed a steep downslide. In the given context, the prospects of the CPEC acting as a harbinger of stability and development appear dismal, till Pakistan does not shed

its long-standing affinity to terrorism as an instrument of state policy. Given the fragile security scenario in Pakistan, creating an environment conducive for economic development and stability seems far-fetched.²⁷

Other Impediments

Transgression through turbulent zones is not the only challenge towards viability of CPEC. Few of the other hindrances are as under:

- Scepticism on part of Pakistan's provinces with respect to undue benefits to Punjab. There has been opposition to the project in Baluchistan, Sindh and Khyber Pakhtunkhwa in this regard.
- Security of Chinese projects and personnel will remain a long-term challenge.
- While cooperation at official levels between the Pakistani and Chinese governments has been manifesting since ages, rolling out of CPEC shall shift the interaction from the 'elite' to the 'masses'. This would be a challenge to manage, given the religious, ideological and ethnic divide.
- The financial risks involved, both for China and Pakistan, are genuine and have not been analysed critically. What appears worrying is the incapability of Pakistan to repay the loans it is contracting under CPEC. Adherence to the terms of contract and coming out steady vis-à-vis payment of loans will be crucial for Pakistan's stability. Also, with China not oblivious to the financial fragility of Pakistan, still desiring to go ahead with investments raises serious doubts vis-à-vis the project being merely an economic drive with no strategic / political overtones.

Implications for India

The Nexus

Several foreign policy experts view the historical and evolving relations between China and Pakistan as nothing lesser than a 'nexus' in the context of the same being India-centric. Chinese support of Pakistan, especially military and nuclear, has been a low-cost option of diverting Indian attention from China.²⁸ The CPEC shall boost the Sino-Pakistan strategic relationships to the next level with grave strategic implications for India, especially in the context of India not gaining access to Afghanistan through Pakistan. Since the blueprint of the CPEC is still under wraps and lacks transparency, the advantages that the corridor accrues to India are difficult to gauge. Also, there is a big 'if' attached to the issue depending on the likelihood or otherwise, of India participating in BRI / CPEC.

Disputed Territory

In an exhaustive report on BRI, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) has cautioned about the likely geopolitical tensions that will be created by CPEC.²⁹ As brought out, with its passage through disputed territory of GB and its access and control of Gwadar port, CPEC has provoked a regional security debate.

Militarisation of PoK

China and Pakistan shall be increasing their security personnel along the CPEC. To provide security to the 3000-km-long CPEC, The Pakistan Army has raised a Special Security Division consisting of nine composite infantry battalions.³⁰ Proliferation of military complement in PoK, especially of People's Liberation Army, would pose a grave security threat for India.

Gwadar: a Naval Base?

Gwadar's commercial viability as a trans-shipment port is suspicious considering its distance from the circum-equatorial navigation route, low depths and lack of rail connectivity. Gwadar with its proximity to Hormuz, its suitability to accommodate naval warships and submarines, and its capability to serve as a hub for replenishment and weapon logistics, makes it an ideal Naval Base that China aims for. With an airport, as part of the Gwadar Project, it becomes an ideal surveillance and interdiction hub. Recently, there were reports that two Chinese Warships were pressed into service to enhance Gwadar port's security. Given the mentioned developments, it gets established that Gwadar is a strategic Naval Port and that it may well turn out to be China's first overseas Naval Port, much sooner than expected.³¹

Encircling India

China's growing presence in South Asia over the past decade has also been a cause of concern. Chinese activities in the Sri Lankan port of Hambantota, the Bangladeshi port of Chittagong, Djibouti port in the horn of Africa, in South China Sea and at Gwadar is part of an encirclement strategy which is dictated by geopolitical considerations and not economics.³²

China's Kashmir Policy

With tangible stakes and investments in PoK, China would cease to be a fence sitter on the Kashmir issue. A clear stand would be necessitated on part of China on the Kashmir issue and likelihood of the same going against India's interests would be an obvious fallout, with emboldened CPEC.

Pivot of the World

There is a crucial facet of the evolving Russia–China–Pakistan axis shaping up under the shadow of BRI/CPEC. Pakistan was considered to be the ‘pivot of the world’ during the Cold War era (especially in the context of Soviet occupation of Afghanistan). With BRI/CPEC coming into play, the previous status of Pakistan is likely to be re-invoked, thereby emboldening Pakistan.

The Indus Cascade

Although not an integral part of CPEC, the Indus Cascade is indeed a parallel to the said corridor. Before the BRI summit was held at Beijing in mid-May 2017, several MOUs were finalised between China and Pakistan. Significant among these was an agreement to construct an array of hydropower projects, to be referred to as the Indus Cascade. Consisting of five major hydropower projects, including the much delayed and controversial Diamer-Bhasha Dam (DBD), the Cascade will cut across GB as well as in Khyber Pakhtunkhwa province of Pakistan. Notably, China has committed a whopping USD 50 billion for this cluster of projects on the transboundary River Indus, with a projected cumulative hydropower generation capacity of over 22,000 MW. The string of projects include Bunji Dam (7100 MW), DBD (4500 MW), Dasu Dam (4320 MW), Patan Dam (2400 MW) and Thakot Dam (4000 MW).³³ Besides alleviating Pakistan’s energy crisis, the range of dams has been projected as an essential silt trap for the Tarbela Dam where the Cascade will merge. The Tarbela Hydropower Project in Khyber Pakhtunkhwa is currently Pakistan’s largest dam and faces an imminent challenge from silting. There is, however, a view that trapping the silt could impact the quality of soil downstream and deprive agricultural lands of their source of nourishment.³⁴

Also, in face of challenges posed by climate change, Pakistan government claims to focus on food and water security and views the evolution of Indus Cascade as a solution. Ironically, in the prevalent disastrous situation of climatic turbulence, this decision of building dams appears dangerously short-sighted. One proven effect of climate change is an intensification of the water cycle. In lay terms, it means fewer rainy or snowy days but more intense rainfall or snowfall in those days. Pakistan is already suffering the effects. For the first 9 years in this century, the Indus failed to reach the sea. Then there was such a cloudburst in 2010 that a fifth of the country was flooded. The floods also brought down, and continue to bring down, huge sediment loads that reduce the working lives of dams. To build more large dams in this situation appears dangerously short-sighted. In addition, a project as big as the Indus Cascade is likely to lead

to more objections from India and more so in the context of the Indus Water Treaty.³⁵

Similar to the Kashmir problem where China is incrementally seen as the third party because of its stakes in PoK and control over portions of the territory of the former princely state ceded to it by Pakistan, the Indus Cascade is likely to make China the third actor in the Indus framework. Besides CPEC, India will now have to face the emerging Sino-Pakistan collaboration on the Indus.³⁶

INDIA'S STAND

Sovereignty Issue

India's objections to CPEC have been repeated and vocal. The crux of the issue concerns the transit pathway that runs through the disputed region of GB. India and Pakistan both claim the entirety of the former princely state of Jammu and Kashmir, though it is Pakistan's claim to the Valley that tends to occupy the international community's attention as the 'Kashmir Conflict,' and not Indian claims to parts of the territory which Pakistan administers.

Trust Deficit: Historic Animosity

Adding fuel to the fire, have been India–China ties that were put to test due to the Nuclear Suppliers Group (NSG) episode³⁷ and China's gambit in obstructing Jaish-e-Mohammed's chief Masood Azhar's proscription at the United Nations. Disturbing trends such as these upset triangular dynamics between the three countries.³⁸ India, contrary to past policies, has started upping the ante on Baluchistan, to counter Pakistan's (ab)use of the Kashmir card and rightly so. A plethora of facets such as these may also impact the viability of the CPEC in the short, mid and long term.

India's Non-Participation in BRI Forum

China hosted the BRI Forum on May 14–15, 2017. India abstained participation, in spite of China's efforts to get India on board for desired credence. On May 13, the India's Ministry of External Affairs (MEA) released its formal response to the question about Indian non-representation at the Forum. The statement listed out a series of principles for infrastructure projects.³⁹ The main features of the statement summarising India's stand vis-à-vis CPEC/BRI were that any such policy:

- must be based on universally recognised international norms, good governance, rule of law, openness, transparency and equality;

- must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities;
- must balance ecological and environmental protection and preservation standards;
- must present transparent assessment of project costs;
- must be pursued in a manner that respects sovereignty and territorial integrity.

The Debt Trap and Sino-Pakistan Relations

India's statement, noting concerns for projects that would create unsustainable debt burden for communities, is noteworthy. In this context, as brought out earlier, China-sponsored infrastructure developments in Sri Lanka offer an instructive lesson. The MEA statement emphasises that BRI is not a gift to the world; rather, it is a vision that has a price tag known only to Beijing.⁴⁰

Policy Options for India

The debate on CPEC vis-à-vis India's policy options has seen a multitude of opinions, divided into two contrary schools of thought, termed here as 'opponents' and 'proponents'. It is pertinent to delve into these thought processes, prior to arriving at a suggested line.

The Proponents

An Opportunity

BRI is a project, encompassing 65 percent of the world's population and passing through 60 or more countries. The project is an unstoppable venture and will throw up many opportunities for business in which many Indian companies could participate profitably.⁴¹ Notwithstanding the genuine concerns and reservations that India has options of 'meaningful dialogue', should not be closed, which is possible by being on board the BRI.

Caveat of India's Isolation

With India's absence and in the situation of BRI taking off, the Chinese and non-Indian firms will become more prominent in the neighbourhood. India's isolation will be complete if the Chinese manage to win the goodwill of the people due to the rapid development of infrastructure that will create jobs and India will be confined to the periphery. It is noteworthy that in spite of being a major power in South Asia, India's relation with its immediate

neighbourhood has been that of a binary flip-flop and isolation in South Asia shall wean away neighbours.

Potential of Alliance with China and Russia

The Chinese could help build India's infrastructure. India and China were very closely aligned in the past BRICS meetings and were instrumental in setting up the AIIB and New Development Bank. As a corollary, precedence of alliance exists and BRI deserves a positive look. Russia too has joined BRI and would be happy to see India at the table, towards challenging the hegemony of the West.

Available Alternatives

Another example often cited is the BCIM corridor. The argument flowing from this example is that intertwining BCIM and CPEC would contribute to optimising the 'logic of India-China regional cooperation'.⁴² In addition, it is often advocated that India should explore the possibility of CPEC being expanded with one of its branches, including the Indian states of Punjab and Jammu and Kashmir.⁴³ Few experts have also articulated regarding the possibility of India participating in CPEC if Pakistan were to grant it overland access to Afghanistan and Central Asia.⁴⁴ While India has not changed its stand on the BRI, the report of a joint India-China development project in Afghanistan does have a potential of softening the Indian opposition. Post the Wuhan engagements, it is also likely that India and China will take some visible steps to energise their economic and commercial relationship, which would also make sense given the threat of the rising US protectionism.⁴⁵

The Big Picture

As opined by analysts, out to isolate Pakistan on the issue of terrorism, India finds itself isolated in the bigger game reshaping the geopolitical map of the world. India is unnecessarily distracted by the CPEC or by the Hambantota example, thereby throwing the baby out with the bathwater.⁴⁶

PoK: Rhetoric or Reality

At least thrice in the past 70 years, India has been willing to formalise a border along the Line of Control in Jammu and Kashmir. As a corollary, to infer that Chinese projects in GB have caused the Indian ire, rest on shaky grounds.⁴⁷ Moreover, getting PoK back is nothing but an ambitious rhetoric, unlikely to fructify in current times.

The Opponents

Trust Deficit

The official stand of the Government of India for not endorsing the BRI has been brought out in an earlier section. In addition to the facets flagged in the MEA statement that was released on May 13, 2017, the major hindrance is our historical baggage of trust deficit that we share with China and Pakistan. In this context, conservative assessments of India's options call the CPEC a 'disguised political disturbance' with a high level 'strategic content', set to challenge India. India needs to muster efforts to ensure that its territorial position is not diluted further in order to avoid past situations such as Tibet and Aksai Chin.⁴⁸

India's Subjugation

Some experts maintain that BRI, even minus CPEC, should not be acceptable to India. As per them, If India joins BRI and does not concentrate on implementing its own connectivity and infrastructure projects, to give itself space for manoeuvre and strengthen its bargaining position vis-à-vis BRI, it will find itself locked in a Chinese imperial framework by the 2030s. It would diminish India to the status of Asia's permanent second-class power. In fact, China is not eager for India to join BRI/CPEC, knowing well that India will never sign, since the political price it will have to pay by accepting Chinese suzerainty would be a nonstarter in India.⁴⁹

Chinese Neo-colonialism

CPEC is a neo-colonialist attempt by China, premised on power tariffs, which Pakistani citizens are unlikely to afford. As brought out earlier, it is a debt trap waiting to happen. Far from being a force for stability, BRI/CPEC is disturbing the respective domestic and regional political balance and weakening democratic institutions in the countries it enters. It is already producing a series of client states with their existence dependent on furthering Chinese interests.⁵⁰

China's Kashmir Policy

As far as the issue of sovereignty is concerned, it is evident that China does not recognise Indian sovereignty over Kashmir. The CPEC is nothing but a manifestation of this fact. Had China considered the entire erstwhile territory of Jammu and Kashmir as disputed, it would have restrained itself from going ahead with CPEC, without consulting India. China's own economic interests

and the concerns of its all-weather friend, Pakistan, shall be the determining factors in shaping its Kashmir policy.⁵¹

Likely Endgame of Sino-Pakistan Bonhomie

Pakistan claims that CPEC is emblematic of their partnership with China. They consider CPEC investments by China as investment and not debt. However, there are indicators that Pakistan found it difficult to brace up financially, even before these projects have come on stream. Once the CPEC payments start, the financing gap will only widen, making it impossible for Pakistan to repay the Chinese investors. The ways the Pakistanis see it, if the Chinese do not want to lose their money, then they will have to bail Pakistan out by throwing more good money after bad. Already, there are signs of the Chinese rethinking some of their investment plans in Pakistan. Some very critical projects, including a USD 9 billion railway project which was to be one of the flagship projects of CPEC, has been put on hold because of financial reasons.⁵² The Sino-Pakistan relations could swing in a negative manner if 'push' from the Chinese comes to 'shove'. Apropos the aforesaid, India need not be overawed by the Sino-Pakistan equations and succumb to the proposition of getting aboard BRI / CPEC.

Proposed Options

Straddling the two schools of thoughts is the middle path advocated by a section of analysts, which believes that India's participation in BRI/CPEC may per se not necessarily amount to a climb-down from its official territorial position.

The PoK Agenda for India

Foremost, as an opportunity, India needs to retrieve the PoK agenda. 'Kashmir Issue' for the international community is Pakistan's version, that is, India in the valley. It has to be garnered towards our perception of illegal occupation by Pakistan. In fact, the official stand of the Government of India on BRI does that; its conversion into a well-formulated policy requires planning and execution, in tandem with the Baluchistan policy.

Scope for Convergence

For India, it is important to establish a fine balance between economics and security. India also cannot ignore the significance of the symbolism of history. It was the Silk Route on which Indian trade and philosophy (especially Buddhism) travelled to the rest of Asia. As China is fast transforming

internally, the imperatives of cultural affinity will demand closeness between India and China but not at the cost of any compromise. However, the low hanging fruits such as being part of the Buddhist tourism circuit are worth exploring. Staying outside cannot be to India's advantage and India needs to reconceptualise and seek out new ground realities. China has called upon India to join the Silk Route and India should respond positively while accepting a trade-off here and there.⁵³

Alternatives Available

A wise approach would be to join the regional networking process just as India joined the AIIB. There is nothing wrong in exploring BRI as an alternative, as long as India's security interests are not compromised. Remaining disconnected would only instil greater insecurity and fears of Chinese encirclement. As a counterstrategy, a plan could be offered for a direct India-China Silk Route Corridor (ICSRC) that could run along the traditional Ladakh–Xinjiang axis. The ICSRC could provide an alternate transport, energy, trade, fibre optics and communication highway originating from a port in Gujarat, running across northern India, to connect with Kashgar in Western China through Ladakh. The initiative would have multiple advantages for both India and China without compromising on their respective security concerns.⁵⁴ Moreover, the recent informal meeting of President Xi Jinping with Prime Minister Modi in Wuhan is indicative of a 'reset' in equations between the two countries, towards mutual trust.

Focus on Own Projects

India has to respond with its own projects, nimble partnerships with friendly countries and capacity building of its strategic and maritime assets. The idea is not to duplicate BRI but to establish that BRI is not the only game in town. A more sophisticated policy would be to use BRI for Indian purposes where it can. India cannot stop BRI, neither can it ignore it and nor will it be immune to its effects. India needs to shed rigidity and exploit the opportunity. For example, if China promotes an economic zone in Sri Lanka or East Africa, Indian businesses are free to utilise them for their own ends⁵⁵ and the same is offered by China, in principle. India, by focusing on its own projects would emerge more assertive and not be hostage to Chinese alternatives. The Chabahar scheme, the Kaladan Multimodal project, and so forth, have been in works since the 2000s and none of them are complete.⁵⁶ Dissatisfaction with the condition of infrastructure and the sluggish pace of India's ventures in Nepal, Bangladesh, Maldives and Sri Lanka could result in

public support for Chinese investments because the Chinese are known for quick implementation of projects.⁵⁷

Alliances to Counter China

Also, the unfolding rivalry between China and Japan could be exploited to advantage, by India. If China is seen as limiting Delhi's room for manoeuvre in the subcontinent and in the Indian Ocean, Japan promises to create new opportunities for leading regional economic integration in its neighbourhood. Recently, in the context of Asia Pacific, the quadrilateral equation among the United States, Australia, Japan and India have been in news and present a viable option to counter China.⁵⁸ However, probably to reach out in a positive manner to China, as per recent reports, India is not inviting Australia to the Malabar naval exercises this year which could stall the crystallisation of the quad process for the time being.

Strategic Patience

Isolated statements from China and Pakistan soliciting India's participation in CPEC could be part of a strategic mindgame to evoke a sympathetic line of thinking about CPEC in India. India should consider engaging astutely in this mindgame in order to test sincerity.⁵⁹ India must uphold its specific reservations on the project and draft a strategy to revert suitably, in case CPEC is offered formally through official channels. Till things crystallise further, India must wait, watch, weigh and exercise options at hand, as the project currently shrouded in layers of uncertainty, rolls out.

Opportunity at Wuhan and Countervailing Pakistan

The informal interactions of President Xi and Prime Minister Modi may be a temporary shift but they have the potential of opening up the possibility of expanding India's own diplomatic options and should be taken advantage of. China is unlikely to reverse its penetration of India's periphery and the Indian Ocean but one may see a greater sensitivity to Indian concerns than before, on part of China. An improvement in India–China relations, to include mutual understanding on CPEC, diminishes the potency of the China card that Pakistan flaunts at us.⁶⁰ The advantage of an opening that may well close sooner than later, is warranted.

Potential of Regional Grouping: the ASEAN Model

India and China need to rationalise their opposition to each other, to include the issues pertaining the CPEC. There are certain realities that cannot

be changed just by going through a ritualistic and formulaic repetition of positions. Resolution can be reached only through a quiet and painstaking diplomacy that enables a gradual reduction of differences through realism and pragmatism. The manner in which the Association of Southeast Asian Nations (ASEAN) has balanced their relations with both India and China offers many lessons for the two Asian giants. ASEAN have learned to do business with China when needed and stand up to China when the occasion requires them to do so. Differences need not become disputes through a level of conscious escalation, led by chauvinistic voices. India, which is endowed with great geopolitical assets by virtue of her geography and the open and unhindered access to the ocean around her peninsula, has not fully reaped this natural advantage. South Asia is a strategically crucial entity integer and India and her smaller neighbours in the region are meant to be much more integrated than them to craft a more effective neighbourhood policy tied to deliverables and projects promptly completed.⁶¹ South Asian Association for Regional Cooperation has proved to be a very dismal experience so far and needs to be reinigorated so as to empower South Asia against been taken for granted.

The Dead Weight of Historical Baggage

Chinese and Indian leaders must ask themselves as to why they are locked into the kind of relationship they are in. History, of course, has played a big role. But if history alone were to decide the foreign policy, the world would forever be a *Daral-harb* (House of War). Both the Asian giants are not unaware of the opportunity costs they are paying. China is ideally suited to fulfil India's pressing need for investment and infrastructure. Indian and Chinese companies do good business in each other's territories, trade is booming but the economic relationship remains well below its potential because of trust issues. India has to accept that China has interests in 'our' region but, in turn, Beijing should know that India has a heft and will stand its ground on its key interests.⁶²

CONCLUSION

India's future strategy thrust on CPEC must be based on a careful reassessment of the discernible 'opponent views' and the plausible 'proponent views'. China's determination towards its commitment to BRI needs to be viewed in the context of the Constitutional amendment during the recent 19th CPC. The Party's Constitution was duly amended to include the promotion of the BRI as one of the major future objectives.⁶³

New Delhi needs to carefully and independently design the contours of its China policy, keeping the national interest in mind, and by not getting swayed by powers like the United States. Recall that the United States kept a studied silence through the Doklam stand-off and the issue hardly figured in the public statements during Secretary Tillerson's recent visit. The dynamics of international relations fluctuate in a volatile manner. Clearly, the emerging geopolitical landscape in the region requires deft handling by New Delhi.

India's concerns about China's encirclement are real, given China's enabling of Pakistan as well as competition for influence among small states in the region. China's claimed attempts to build a common destiny or shared future under the BRI remain vague and confusing for outside actors, who misinterpret this as a threat to the regional and global order. India, as one of the dominant powers of Southern Asia, has the resources to manage China's increasing presence in the region, whether by deterrence, compelling or balancing. Flexibility in the respective stand of the two nations would be crucial. The dynamics of intentions will not be clear until increased interactions lead to more mutual learning and the window provided by Wuhan needs to be built upon.

Given the current dispositions, there is not much scope, at least in the short run, for substantial economic ties between India and Pakistan, and no real incentive for India being part of CPEC. India needs to cherry-pick the BRI/ CPEC and look for business opportunities that can be fruitfully exploited. It can also adopt a more constructive attitude and engage Beijing in a discussion over the objectives of the BRI schemes in areas of its own interests. Taking a hard-line is not going to achieve much, but a lot could be gained through old-fashioned give-and-take kind of diplomacy.⁶⁴

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