China Pakistan Economic Corridor: Assessing India's Options

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ABSTRACT: *China Pakistan Economic Corridor (CPEC) is one of the six, under-construction land corridors proposed under China's ambitious Belt and Road Initiative (BRI) aimed at rerouting global trade. CPEC, a 62 Billion $ rail and road corridor connecting Xinjiang to the Gwadar port provides China access to Africa and West Asia and reduces the existing sea route option by ten thousand KMs. For Pakistan's fragile economy the corridor has proved to be a lifeline with 2016 seeing highest growth rates after many years. China has asked India to join the BRI and subsequently the CPEC. India has kept away from both, arguing that the former is fraught with imperialist overtones whereas the latter ignores India's sovereignty concerns since CPEC passes through Pak occupied Kashmir. China has tried to allay these fears by promising to retain the territorial status quo by staying out of the territorial dispute between India and Pakistan. These assurances have not allayed Indian concerns. If India continues to stay out, China's growing investments in Pakistan would only improve strategic depth of the Sino-Pak relationship, further compromising India's security. The paper argues that India must reconsider its position on CPEC and settle for a 'balanced dissatisfaction' rather than waiting for 'absolute satisfaction' as the cost of waiting could be too high.*

Key Words: *CPEC, Connectivity, South Asia, India- China*

President Xi Jinping announced China's ambitious Belt and Road (BRI) initiative on his state visit to Kazakhstan in September 2013.[1] First introduced as the One Belt One Road initiative, this initiative comprises of six connectivity corridors spanning land and maritime routes, aimed at improving economic connectivity, boosting trade and integrating China into its immediate as well as larger neighbourhood. Since its first introduction to the world, the initiative has undergone changes in its plans as well as its perceptions by potential beneficiaries. A lot of questions have been raised about its objectives, potential and intentions. Nevertheless, the initiative has shown promising results in implementing its mandate to a certain extent.[2] China Pakistan Economic Corridor (CPEC) is one of the six, under-construction land corridors proposed under China's ambitious BRI aimed at rerouting global trade. CPEC, a 62 Billion $ rail and road corridor connecting Xinjiang to the Gwadar port provides China access to Africa and West Asia and reduces the existing sea route option by ten thousand kilometres. For Pakistan's fragile economy the corridor has proved to be a lifeline with 2016 seeing highest growth rates after many years.[3]
China has asked India to join the BRI and subsequently the CPEC. India has kept away from both, arguing that the former is fraught with imperialist overtones whereas the latter ignores India's sovereignty concerns

[1] The State Council, The People's Republic of China. 2015. *Chronology of China's Belt and Road Initiative.* Xinhua: English.Gov.CN http://english.gov.cn/news/top_news/2015/04/20/content_281475092566326.htm. Accessed on 28November 2018.
[2] "Embracing the BRI ecosystem in 2018." *Deloitte Insights.* 12 February 2018. https://www2.deloitte.com/insights/us/en/economy/asia-pacific/china-belt-and-road-initiative.html. Accessed on 28 November 2018.
[3] "How will CPEC Boost Pakistan Economy?" *Deloitte.* https://www2.deloitte.com/pk/en/pages/ccg/articles/how-will-cpec-boost-pakistan-economy.html. Accessed on 28 November 2018.
Yamada Go and Stefania Palma. 2018. "Is China's Belt and Road working? A progress report from eight countries." *Nikkei Asian Review.* 28 March. https://asia.nikkei.com/Spotlight/Cover-Story/Is-China-s-Belt-and Road-working-A-progress-report-from-eight-countries?fbclid=IwAR1KwQYNBACNBN9ue9A1FSZn2Gf2FAajD2mX4zqIO5KPxpNt2QUuTSOwN8. Accessed on 28 November 2018.

since CPEC passes through Pak occupied Kashmir.[4] China has tried to allay these fears by promising to retain the territorial status quo by staying out of the territorial dispute between India and Pakistan. These assurances have not allayed Indian concerns. If India continues to stay out, China's growing investments in Pakistan would only improve strategic depth of the Sino-Pak relationship, further compromising India's security.

In this context this paper makes four primary arguments. First, India's efforts at initiating alternate multilateral connectivity projects to counter BRI have been a non-starter. Two, the arguments that use sovereignty for not joining CPEC appear to be weak given that similar multilateral projects (Quadrilateral Traffic in Transit Agreement) already pass through contested territory. Three, joining CPEC could assist India in checking Pakistan's support for non-state actors against India and improving bilateral trade. Four, CPEC is a reality that can either be a geostrategic threat or an economic boon and there are enough arguments for the latter.

The paper relies on secondary sources, opinions and interviews with Indian experts on China to present the various aspects of aforementioned arguments. Though the central arguments that the paper makes may appear strategic, these arguments are used to test India's efforts at improving its participation at multilateral initiatives in the region in the context of BRI. Hence, to push the agenda of multilateralism, the paper enumerates the risks to India's strategic and economic interests as well as the ways in which these can be mitigated through multilateralism. Appraisal of the BRI initiative, its progress and problems are outside the scope of this paper and the focus here is India's responses as a case in point to one of the corridors of the BRI, i.e. the CPEC.

India's concerns about CPEC

Before coming to the main arguments it is essential to understand what CPEC is and its significance for India's core interests. As mentioned earlier, the official Indian position on CPEC has been clearly articulated as a firm opposition to both becoming a partner as well as its presence in its immediate neighbourhood. For the Indian government, CPEC raises two flags, one on the matter of sovereignty as the corridor starts at Khunjerab, passes through Gilgit and Raikot and ends at Sazin, in what India considers to be Pakistan occupied territory (PoK). For India, the passage of this corridor through contested territory would legitimize Pakistan's control over it and undercut India's claims over this area of Kashmir. The Chinese have reiterated their neutrality about this concern and have appealed that the corridor must be seen purely as a commercial venture with no intention of interfering with process of resolution of contested territory between India and Pakistan.[5]

India's second concern is a mixture of self-assertion in the region and the history of the Sino-Pak special relationship. While questions are being asked as to what degree CPEC will assist Pakistan[6] in the revival of

[4] Pandit, Rajat. 2018. "India expresses strong opposition to China Pakistan Economic Corridor, says challenges Indian sovereignty." *The Economic Times*.12 July. https://economictimes.indiatimes.com/news/defence/india-expresses-strong-opposition-to-china-pakistan-economic-corridor-says-challenges-indian-sovereignty/articleshow/57664537.cms. Accessed on 28 November 2018.

[5] Ning, Yu. 2017. "India should have an open mind towards CPEC." *Global Times*. 23 February 2017. http://www.globaltimes.cn/content/1034606.shtml. Accessed on 28 November 2018.

[6] Chaudhury, Dipanjan Roy. 2018. "CPEC could destroy Pakistan economy and society." *The Economic Times.* 12 July. https://economictimes.indiatimes.com/news/defence/cpec-could-destroy-pakistan-economy-and-society/articleshow/58722033.cms. Accessed on 29 November 2018.

Sareen, Sushant. 2018. "Why CPEC could be the end of China-Pakistan relationship." 27 April. https://www.orfonline.org/research/cpec-could-end-china-pakistan-relationship/. Accessed on 28 November 2018.

Ibrahim, Zofeen T. 2017. "Is CPEC Good, Bad or a Disaster for Pakistan's Economy and Environment?" *The Wire*. 25 June. https://thewire.in/external-affairs/is-cpec-good-bad-or-a-disaster-for-pakistan-economy-environment. Accessed on 28 November 2018.

Mourdoukoutas, Panos. 2017. "CPEC Will Take Pakistan To A Place It Doesn't Want To Be." *Forbes.* 27 June. https://www.forbes.com/sites/panosmourdoukoutas/2017/06/27/cpec-will-take-pakistan-to-a-place-it-doesnt-want-to-be/#f5f4dc710a77. Accessed on 28 November 2018.

Biswas, Ashis. 2018. "Pakistan learning CPEC lessons the hard way, losing the plot." *Dhaka Tribune*. 27 April.

its economy and whether the Pakistani state will be trapped by Chinese debt[7], reports suggest that the immediate impacts are positive.[8] On the surface, CPEC proposes diverse investment of Chinese capital in improving connectivity via construction and refurbishment of highways, railways and upgradation of Gwadar port along with the development of a Special Economic Zone (SEZ) at Gwadar. CPEC also promises investments in the energy sector including construction of thermal power plants, transmission lines, windfarms, solar farms and the construction of hospitals, mass transit systems and an airport. How much of this will eventually be completed and how much debt Pakistan will incur is beyond the scope of the discussion here.

As in other countries who have joined other corridors under the BRI, there is now consensus amongst analysts that the BRI has strategic and domestic drivers[9], i.e. Chinese power projection, strengthening of its sea routes in the Indian Ocean, energy security for its ever growing economy as well as mitigation of over production and slowed economic growth at home. The Indian government is not unaware of the strategic implications of the CPEC but has dug its heels too early when it comes to deciding how to resolve these concerns.[10] This may be confused as New Delhi's strategy to 'wait and watch' as the initiative unravels, while it makes its own efforts to balance Chinese influence. But, India's decision not to budge from its initial objection stems from its suspicion of the Sino-Pak relationship. India's resolutions at the UN to declare Masood Azhar[11]as a terrorist have been repeatedly blocked by China and the Chinese have also shied away from publicly vilifying Pakistan about its inability to control terror groups (operating from Pakistan) targeting India and Afghanistan. Hence, the second objection is a function of these variables coupled with India's covert assertion of being a regional power in South Asia.

One would expect, that the second reason is important enough, i.e. if in addition to the strategic threat posed by the CPEC and India's suspicion of the Sino-Pak relationship, India's objection stems from self-assertion in the region, it should have made efforts to propose equitable and sustainable multilateral connectivity projects. This would enable smaller states in the region to avoid the conundrum of choosing between the

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https://www.dhakatribune.com/world/south-asia/2018/04/27/pakistan-learning-cpec-lessons-hard-way-losing-plot/. Accessed on 28 November 2018.

[7]Venkatachalam, K.S. 2017. "Can Pakistan Afford CPEC?" *The Diplomat.* 16 June. https://thediplomat.com/2017/06/can-pakistan-afford-cpec/. Accessed on 28 November 2018.

Javed, Sayed Hasan. 2017. "CPEC could develop into Pakistan's debt trap." *The Express Tribune*. 11 December. https://tribune.com.pk/story/1580950/2-cpec-develop-pakistans-debt-trap/. Accessed on 28 November 2018.

[8] "How will CPEC Boost Pakistan Economy?" *Deloitte.* https://www2.deloitte.com/pk/en/pages/ccg/articles/how-will-cpec-boost-pakistan-economy.html. Accessed on 28 November 2018.

Zhiqin, Shi and Lu Yang. 2016. "The Benefits and Risks of the China-Pakistan Economic Corridor." *Carnegie-Tsinghua Centre for Global Policy.*21 December. https://carnegietsinghua.org/2016/12/21/benefits-and-risks-of-china-pakistan-economic-corridor-pub-66507. Accessed on 29 November 2018.

[9] "How will the Belt and Road Initiative advance China's interests?" *China Power.* https://chinapower.csis.org/china-belt-and-road-initiative/. Accessed on 29 November 2018.

"China's 'Belt Road Initiative' exposes its ulterior strategic motives." *The Economic Times.* 23 April 2018. https://economictimes.indiatimes.com/news/defence/chinas-belt-road-initiative-exposes-its-ulterior-strategic-motives/articleshow/63877035.cms. Accessed on 29 November 2018.

Smith, Jeff. 2018. "China's Belt and Road Initiative: Strategic Implications and International Opposition." *The Heritage Foundation.* 9 August. https://www.heritage.org/asia/report/chinas-belt-and-road-initiative-strategic-implications-and-international-opposition. Accessed on 29 November 2018.

[10] Kajal, Parmeet. 2018. "China-Pakistan Economic Corridor and Security Threat to India." *India Defence Review*. 8 May 2018. http://www.indiandefencereview.com/news/china-pakistan-economic-corridor-and-security-threat-to-india/. Accessed on 3 December 2018.

[11] Aneja, Atul. 2018. "No change in China's stand on Masood Azhar." *The Hindu*. 23 October. https://www.thehindu.com/news/international/no-change-in-chinas-stand-on-masood-azhar/article25302774.ece. Accessed on 29 November 2018.

Sharma, Gaurav. 2018. "Said many times, can't dub Masood Azhar global terrorist: China." *The Economic Times*. 23 October 2018. https://economictimes.indiatimes.com/news/defence/said-many-times-cant-dub-masood-azhar-global-terrorist-china/articleshow/66331570.cms. Accessed on 29 November 2018.

need to develop their economies and the cost that this may come with, given their only potential (but risky) option being the BRI. It appears that that the Indian government fails to see this as an opportunity due to its firmly held beliefs about the CPEC.

If its strategy is to 'wait and watch' as the cards fall, it may end up losing precious time. Assessments of the BRI are a testament to this, as even though projects in Indonesia, Laos, Bangladesh and Pakistan[12] have run into delays due to sluggish land acquisition and disbursal of funds, these countries have no other option but to stick with the BRI and China's deep pockets.[13] Additionally, cases of Sri Lanka and Maldives have shown how accusing BRI of 'debt trapping' states does not take away from the fact that Chinese presence only increased in these states, to the detriment of India. Chinese investments in the Mattala international airport in Sri Lanka, after the Hambantota port was leased to state controlled China Merchants Port Holdings for ninety nine years,[14] did raise some eyebrows in New Delhi, as a result of which India considered investing/leasing the Mattala airport, but no agreement between the two governments could be reached. With time, almost negligible traffic and Sri Lanka's debt to GDP ratio (more than 80%), soon the airport will go the port way, i.e. into Chinese hands.

The significance of CPEC for Pakistan and China

While the paper has already alluded to what Pakistan stands to gain from the CPEC, it is important to address the questions being raised on whether these are real gains for Pakistan or not. The election of Imran Khan to prime-ministership in Pakistan has changed perceptions of CPEC in the country. Through his speeches Imran Khan has been able to question the potential CPEC holds for Pakistan. How honest he is in asking these questions is anyone's guess but there is enough evidence to believe that objections to CPEC have become more common and acceptable within domestic discourse.[15] Since almost all the investment is infrastructural, a sector in which the Pak army is a stakeholder[16], it has assured full support to CPEC on multiple occasions.[17] If we consider that Imran Khan's voicing of objections are honest, then he may face trouble placating the Pak Army even before he can sit across the table with China to assert his position. Not only does the army stand to gain economically from CPEC but China has increased bilateral exercises and

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[12] Saeed, Saim. 2017. "China's plans to rule the seas hit trouble in Pakistan." *Politico*. 17 August 2017. https://www.politico.eu/article/china-plans-to-rule-seas-hit-trouble-in-pakistan-balochistan/. Accessed om 29 November 2018.

Page, Jeremy and Saeed Shah. 2018. "China's Global Building Spree Runs Into Trouble in Pakistan." *The Wall Street Journal.* 22July. https://www.wsj.com/articles/chinas-global-building-spree-runs-into-trouble-in-pakistan-1532280460. Accessed on 29 November 2018.

"All is not well with the China-Pakistan economic corridor: Report." *India Today.* 5 July 2018. https://www.indiatoday.in/world/story/all-is-not-well-with-the-china-pakistan-economic-corridor-report-1278436-2018-07-05. Accessed on 29 November 2018

[13] Yamada Go and Stefania Palma. 2018. "Is China's Belt and Road working? A progress report from eight countries." *Nikkei Asian Review.* 28 March. https://asia.nikkei.com/Spotlight/Cover-Story/Is-China-s-Belt-and Road-working-A-progress-report-from-eight-countries?fbclid=IwAR1KwQYNBACNBN9ue9A1FSZn2Gf2FAajD2mX4zqIO5KPxpNt2QUuTSOwN8. Accessed on 28 November 2018.

[14] Stacey, Kiran. 2017. "China signs 99-year lease on Sri Lanka's Hambantota port." *Financial Times.* 11 December. https://www.ft.com/content/e150ef0c-de37-11e7-a8a4-0a1e63a52f9c. Accessed on 30 November 2018.

[15] Author's interview with Prof Farzana Shaikh, New Delhi. 9 November 2018.

[16] Hameed, Maham. 2018. "The politics of the China—Pakistan economic corridor." *Palgrave Communications.* 64. https://www.nature.com/articles/s41599-018-0115-7. Accessed on 30 November 2018.

[17]https://economictimes.indiatimes.com/news/defence/pakistan-army-chief-assures-china-of-full-security-to-cpec/articleshow/52309009.cms

"Pakistan Army chief holds talks with Chinese counterpart on CPEC, defence ties." *Hindustan Times*. 18 September 2018. https://www.hindustantimes.com/world-news/pakistan-army-chief-holds-talks-with-chinese-counterpart-on-cpec-defence-ties/story-5q6TxCOb3QXKKtGMylwOvL.html. Accessed on 30 November 201.

"To protect Chinese investment, Pakistan Army leaves little to chance." *Dawn*. 8 February 2016. https://www.dawn.com/news/1238167. Accessed on 30 November 2018.

sale of arms to Pakistan under the pretext of security of CPEC assets. After Trump's hard-line on funding Pakistan's war on terror[18] Pakistan has become the biggest importer of Chinese arms.[19] Keeping with the historical enmity with India, a lot of these imports have been India centric and have coincided with the character of weapon systems imported by India from Russia.[20]No wonder then that the Pakistani army is demanding more control from the government over CPEC administration.[21]As alluded to earlier, increasing presence of Chinese military in Pakistan under the garb of securing CPEC assets is a more serious threat than currently perceived. Around thirty thousand Chinese military personnel have been deployed in Pakistan and PoK to guard these assets.[22] The Pakistani navy has also accepted that Chinese naval ships will be stationed at Gwadar port for security purposes.[23] China has also confirmed the sale of eight modified diesel-electric attack submarines (four to be delivered by 2023) to the Pakistani Navy along with a training centre in Karachi[24]. In the maritime domain, with already completed or proposed ports in Myanmar, Bangladesh, Sri Lanka, Maldives and Djibouti, China's encirclement of India would be complete.

The government of Pakistan thus finds itself in a dilemma, whether to receive unprecedented support from China through CPEC and take the risk of becoming a satellite state albeit keep the possibility of cementing its control over PoK, or to resist pressure from its military and developmental needs. India may like to believe that the Pakistani government will push back China on CPEC but that is unlikely given the nature of their bilateral relations and the gains accruing to Pakistan. What should also concern India is the possibility that even if CPEC was to turn sour for Pakistan, indebting its economy to China, giving up territory in PoK would be easier than giving up total control over Gwadar port. China would be interested in such a deal, as it can then arm twist India into settling the border in the eastern sector according to its perceptions. This would not be the first time when China has agreed to accept territory to resolve debt in one of its BRI projects. 'In 2011, China reportedly agreed to write off an unknown amount of debt owed by Tajikistan in exchange for some 1,158 square kilometres of disputed territory.'[25]

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[18] "US military to cancel $300m in Pakistan aid over terror groups." *BBC*. 2 September 2018. https://www.bbc.com/news/world-us-canada-45386278. Accessed on 30 November 2018.
Chaudhury, Dipanjan Roy. 2018. "US stops funds to train Pakistani army officers". *The Economic Times*. 14 August 2018. https://economictimes.indiatimes.com/news/defence/us-stops-funds-to-train-pakistani-army-officers/articleshow/65392440.cms. Accessed on 30 November 2018.

[19] Sohail, Rahima. 2018. "Pakistan biggest importer of Chinese arms: report." *The Express Tribune*. 18 October 2018. https://tribune.com.pk/story/1828531/1-pakistan-biggest-importer-chinese-arms-report/. Accessed on 30 November 2018.
Weijia, Hu. 2018. "Arms sales to Pakistan support nation's military sovereignty without conditions". *Global Times*. 19 April 2018. http://www.globaltimes.cn/content/1098850.shtml. Accessed on 30 November 2018.

[20] "China to sell 48 high-end military drones to Pakistan." *The Economic Times.* 10 October 2018. https://economictimes.indiatimes.com/news/defence/china-to-sell-48-high-end-military-drones-to-pakistan/articleshow/66129500.cms. Accessed on 3 December 2018.
O'Connor, Tom. 2018. "China Makes 'Largest Arms Deal' Of Its Kind With Pakistan After India Buys From Russia." *Newsweek*. 10 September 2018. https://www.newsweek.com/china-makes-largest-arms-deal-pakistan-india-buys-russia-1160587. Accessed on 3 December 2018.

[21] Panda, Ankit. 2016. "Pakistan's Army Seeks Greater Authority Over China-Pakistan Economic Corridor Administration." *The Diplomat.* 20 April. https://thediplomat.com/2016/04/pakistans-army-seeks-greater-authority-over-china-pakistan-economic-corridor-administration/. Accessed on 6 December 2018.

[22] "Chinese army spotted along Line of Control in Pakistan occupied Kashir, say sources." *The Times of India.* 13 March 2016. https://timesofindia.indiatimes.com/india/Chinese-army-spotted-along-Line-of-Control-in-Pakistan-occupied-Kashmir-say-sources/articleshow/51380359.cms. Accessed on 6 December 2018.

[23] "Chinese navy ships to be deployed at Gwadar: Pak navy official." *The Times of India.* 25 November 2016. https://timesofindia.indiatimes.com/world/pakistan/Chinese-navy-ships-to-be-deployed-at-Gwadar-Pak-navy-official/articleshow/55622674.cms. Accessed on 6 December 2018.

[24]Gady, Franz-Stefan. 2016. "China Confirms Export of 8 Submarines to Pakistan." *The Diplomat*. 19 October. https://thediplomat.com/2016/10/china-confirms-export-of-8-submarines-to-pakistan/. Accessed on 6 December 2018.

[25] Atovulloev, Bakhtiyor. 2016. "Tajikistan is turning into the new Province of China." *Eurasia News*. 30 December 30. http://eurasianews.info/en/analytics/tajikistan-is-turning-into-thenew-province-of-china-2.html. Accessed on 6 December 2018.

CPEC may seem like more of an immediate need for Pakistan than it seems for China, but a deeper look into the drivers of BRI reveal that the Chinese economy needs CPEC more than it does its other corridors. There are two unmissable reasons – the problem of overproduction[26] and growing energy needs. The Chinese government has deliberately provided stimulus to its industries for boosting production and sustaining high GDP rates.[27] In the iron ore and steel sector, China now produces almost half of the steel in the world.[28] Since the market is not free to arrest overproduction through falling prices or through demand based supply, exporting this excess, remains the only option to keep this cycle going and fuel Chinese growth. Door step delivery of this excess along with funds to purchase this excess is one way to look at the economic goals of BRI.

China's great power ambitions require that it emerges as an economic superpower before it can wield its military might. This ascendance to the status of an economic powerhouse needs a sustained GDP, a function of sustained production and consumption (domestic and international) across all sectors. To assist this process, China's energy needs have grown assiduously, expected to rise 8.1% annually till 2030 (far above the global annual rate).[29] China has in some ways been compelled to diversify its sources of energy, solidify its control over transport lanes and energy blocks from across the world. BRI then becomes China's effort to increase, bolster, and secure its energy supply lines. These two factors, i.e. overproduction and energy needs form two elements of why CPEC is important for China. The third and the most important element being access to Africa and the Middle East. China views Africa as a market of 1.2 billion potential customers and depends on the Middle East for 40% of its crude oil. At the recently held Forum on China-Africa Cooperation in Beijing in September 2018, the two sides adopted a three year action plan. This interest in Africa becomes more pertinent for China in the context of the US-China trade war. Notwithstanding China being Africa's biggest trade partner, this year alone trade grew by 20% (Imports jumping by 30% and exports by 10%).[30] China has also become the largest foreign direct investor and job creator in Africa[31], with most of these investments in transport, energy, metals and real estate sectors respectively.[32] Out of the 60 billion dollar aid package promised to Africa at the forum, almost 15 billion dollar is proposed as interest free loans to allay any fears of 'debt trapping'. CPEC is also important to bolster and secure China's crude oil imports from the Middle East. Currently 80% of these pass through the Indian Ocean region and the Malacca strait, a sea lane at risk of being threatened under any direct confrontation with India. The hope with CPEC is that China will be able to reduce this risk and cut short this route by over six thousand miles.[33]If we look at all these factors together, CPEC begins to take the shape of China's Suez Canal.

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[26]Xin, Xiao. 2018. "Chronic disease of overproduction may threaten China's hard-won economic growth." *Global Times.* 21 January. http://www.globaltimes.cn/content/1085917.shtml. Accessed on 6 December 2018.

[27] Colyapi. 2013. "The danger of Chinese overproduction." *China Daily Mail.* 8 January. https://chinadailymail.com/2013/01/08/the-danger-of-chinese-overproduction/. Accessed on 6 December 2018.

[28] Zarroli, Jim. 2018. "China Churns Out Half The World's Steel, And Other Steelmakers Feel Pinched." *National Public Radio*. 8 March. https://www.npr.org/2018/03/08/591637097/china-churns-out-half-the-worlds-steel-and-other-steelmakers-feel-pinched. Accessed on 6 December 2018.

[29] Shepard, Wade. 2017. "The Real Reason Behind What's Driving China's Ambitions For A New Silk Road." *Forbes.* 13 October. https://www.forbes.com/sites/wadeshepard/2017/10/13/chinas-hunger-for-energy-resources-is-whats-driving-the-belt-and-road/#34d9740767ef. Accessed on 6 December 2018.

[30] Tabeta, Shunsuke et al. 2018. "China turns to Africa to mitigate impact of US trade war Beijing summit ends with promise of cooperation on business and security." *Nikkei Asian Review.* 5 September. https://asia.nikkei.com/Economy/Trade-War/China-turns-to-Africa-to-mitigate-impact-of-US-trade-war. Accessed on 8 December 2018.

[31] "China becomes single largest contributor of Africa's FDI- Report." *Africa News*. 4 May 2017.http://www.africanews.com/2017/05/04/china-becomes-single-largest-contributor-of-africa-s-fdi-report//. Accessed on 8 December 2018.

[32] Sow, Mariama. 2018. "Figures of the week: Chinese investment in Africa." *Brookings*. 6 September. https://www.brookings.edu/blog/africa-in-focus/2018/09/06/figures-of-the-week-chinese-investment-in-africa/. Accessed on 8 December 2018.

[33] Tunningley, James. 2017."Special Report: Can China overcome the Malacca Dilemma through OBOR and CPEC?" *Global Risks Insights.* 8 March. https://globalriskinsights.com/2017/03/china-overcome-malacca-dilemma-obor-cpec/. Accessed on 8 December 2018.

'Sovereignty' as principled opposition

India's biggest objection to the CPEC has been the passage of the corridor through PoK as it undermines India's sovereignty claims over contested territory. On the surface this appears a credible concern but it is also selective. Another regional connectivity corridor, the Quadrilateral Traffic in Transit Agreement (QTTA), a transit trade deal between Pakistan, Kyrgyzstan, Kazakhstan and China has been in the works since 1995 and has undercut India's sovereignty claims.[34] Most recently this corridor has been subsumed under the BRI and will connect with the CPEC. Tajikistan has also expressed interest at joining the QTTA to access markets in the gulf and Africa via the CPEC. Trade between Pakistan and Tajikistan has grown steadily from $15 million in 2011 to $90 million in 2016 with the latter aiming to increase this volume up to 4500 million. Up until now, Tajikistan and Pakistan have depended on Afghanistan to provide them access to each other's market and Pakistan has been trying to negotiate a transit agreement with Afghanistan for the same, but Afghanistan's insistence that India be a part of this agreement and that Pakistan provide Afghanistan access to India via Pakistan has led to a deadlock[35]. While we can put the blame of Pakistan for being the spoilsport and even argue that its objection to allowing India access to Afghanistan proves that India must object to the CPEC, we have to also consider that the presence of the CPEC has provided Pakistan and Tajikistan an option and has invigorated the QTTA. If pressuring Pakistan to provide transit for India-Afg trade was the objective, it has found other ways to get what it wants through the CPEC.

India's principled opposition to the BRI may be softening[36] after PM Modi's informal summit with President Xi Jinping in April 2018 and China's decision to not push India to endorse and join the BRI over its reservations on CPEC.[37]The two leaders seems to have reached an understanding by which India would 'India would quietly join BRI-linked projects while formally sticking to its official stand of opposing the initiative over CPEC.'[38] The Bangladesh China Myanmar India (BCIM) corridor is one such example along with joint projects in Afghanistan involving road and railway links from Iran to Afghanistan and further up to Central Asia. Initially India was opposed to the BCIM being subsumed by the BRI and was suspicious of Chinese investments in its North Eastern states, especially Arunachal Pradesh (parts of which are claimed by China) but PM Modi's focus on making north eastern states stakeholders in his 'Act East' policy[39] have allayed these suspicions. India has now offered China access to the Chittagong port in Bangladesh along with 'limited' investment opportunity in its north eastern states.

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[34] Stobdan, P. 2017. "India Gears Up to Enter the Eurasian Integration Path." *IDSA Issue Brief.* 7 June. https://idsa.in/system/files/issuebrief/ib_india-eurasian-integration-path_pstobdan_070617.pdf. Accessed 8 December 2018.

[35]"Tajikistan To Reach Arabian Sea Via Kashmir Route." *Kashmir Observer*. 24 February 2017. https://kashmirobserver.net/2017/local-news/tajikistan-reach-arabian-sea-kashmir-route-15011. Accessed on 8 December 2018.

[36]Bhaya, Abhishek G. 2018. "Analysis: Ahead of SCO Summit, is India softening its stand on China's BRI?". *CGTN*. 14 May.https://news.cgtn.com/news/3d3d514f3359444e77457a6333566d54/share_p.html. Accessed on 8 December 2018.

Bhaya, Abhishek G. 2018. "India offers China access to northeast in BRI strategic shift." *CGTN*. 29 August. https://news.cgtn.com/news/3d3d414d7a597a4e79457a6333566d54/share_p.html. Accessed on 8 December 2018.

Sengupta, Ramananda. 2018. "Whispers on India joining China's Belt and Road Initiative." *The New Indian Express*. 1 May. http://www.newindianexpress.com/nation/2018/may/01/whispers-on-india-joining-chinas-belt-and-road-initiative-1808576.html. Accessed on 9 December 2018.

[37]"Ready to wait for India to join BRI as CPEC-BCIM link will benefit all: China." *The Economic Times*. 29 June 2017. https://economictimes.indiatimes.com/news/politics-and-nation/ready-to-wait-for-india-to-join-bri-as-cpec-bcim-link-will-benefit-all-china/articleshow/59324075.cms. Accessed on 8 December 2018.

[38]Patranobis, Sutirtho. 2018. "China did the calculations before backing off from urging India to join Belt and Road Initiative." *Hindustan Times*. 29 April. https://www.hindustantimes.com/india-news/china-weighed-options-before-backing-off-from-urging-india-to-join-belt-and-road-initiative/story-J2vWh3EE2WlfmyhIkk7eTP.html. Accessed on 8 December 2018.

[39]"Northeast states active stakeholders in 'Act East' policy: V K Singh." *The Economic Times*. 22 July 2018. https://economictimes.indiatimes.com/news/politics-and-nation/northeast-states-active-stakeholders-in-act-east-policy-v-k-singh/articleshow/65092368.cms. Accessed on 9 December 2018.

These may be signs of India's softening stand on the BRI but whether they have served India's core interests is doubtful. The Afghans are disappointed with what India has decided to offer along with China after the Wuhan summit.[40]While the Afghans were expecting large scale infrastructural investments, India and China have offered capacity building initiatives, the first of one being training of Afghan diplomats in China and India. On BCIM, India's initial objection with China was that it subsumed BCIM into the BRI without consultations with all partners, given that the BCIM is a much older initiative than the BRI.[41] Over time India realised that it has more to lose by digging its heels on this principled position and we are now seeing a softer stance. So in both these examples it becomes clear that while India may have waited and objected, the outcomes in both the cases was China getting what it wanted and India accepting a compromised position. If the informal summit at Wuhan changed India's position because China decided to sit across the table, take India on board and listen to its objections, it put up an excellent show. India's insistence that China respect its primacy in the region may have been placated but it perhaps it paid a high price for it. On CPEC too, if India decides to 'wait it out' till China agrees to bring it on board as an equal partner, the results have a high likelihood to be the same.

TAPI or ISI

India is currently world fourth largest consumer of natural gas in the world[42] and plans to double the share of natural gas in its energy basket to 15 percent (from 6.5 percent) by 2022.[43] To achieve this target India is looking to diversify its sources beyond the US, Australia and Qatar.[44]Recently India's state owned GAIL signed a 20 year contract with Russia's Gazprom for purchase of 2.5 million tonnes of natural gas a year.[45] The first shipment under this agreement reached India's Dahej import terminal in June 2018. Importing Liquefied Natural Gas (LNG) via the sea is much more expensive than getting it through pipeline and India's move to increase imports from Australia, US and Qatar with the addition of Russia speak of its frustration at not being able to complete the Iran Pakistan India (IPI) or the Turkmenistan Afghanistan Pakistan India (TAPI) pipelines. To add to its list of diversified sources of India has been. These two pipeline projects have been played against each other with little progress on either from their inception. The Iran Pakistan India pipeline, first conceived in 1993 promised cheap natural gas to Pakistan and India was abandoned in 2008 after US sanction on Iran. US was also interested in weaning India and other states in the region away from Iran and encouraged alternate sources of energy through TAPI.Pakistan is also to be blamed for unilaterally jeopardising the IPI under pressure from Saudi Arabia[46] as the Iranian section of the pipeline if complete. Lack of funds was cited as a reason by Pakistan, but that seems to be changing with the coming of Chinese investments through the CPEC. In May 2018 Pakistan invited Iran to reopen negotiations on completion of the pipeline.[47] The Iranians, reeling under US sanctions and understanding the opportunity provided by

[40] Patranobis, Sutirtho. 2018. "Afghanistan disappointed by scale of China-India infrastructure project in country." *Hindustan Times*. 12 September.https://www.hindustantimes.com/world-news/afghanistan-says-disappointed-by-scale-of-china-india-infrastructure-project-in-country/story-KsTLZILbprFX48AcrIBRXP.html. Accessed on 8 December 2018.

[41] Bose, Saheli. 2018. "Can an India-China 'Reset' Help BCIM?" *The Diplomat.* 9 June. https://thediplomat.com/2018/06/can-an-india-china-reset-help-bcim/. Accessed on 9 December 2018.

[42] "India 'strongly committed' to TAPI gas pipeline project: M J Akbar." *The Economic Times Energy World.* 22 February 2018. https://energy.economictimes.indiatimes.com/news/oil-and-gas/india-strongly-committed-to-tapi-gas-pipeline-project-m-j-akbar/63032642. Accessed on 8 December 2018.

[43] Jaganathan, Jessica. 2018. "India plans massive natural gas expansion, LNG imports to soar." *Reuters*. 7 February. https://www.reuters.com/article/indonesia-lng-summit-india/india-plans-massive-natural-gas-expansion-lng-imports-to-soar-idUSL4N1PW5M0. Accessed on 9 December 2018.

[44]Press Information Bureau, Government of India, Ministry of Petroleum & Natural. 2018. "Import f Natural Gas." 23 July. http://pib.nic.in/newsite/PrintRelease.aspx?relid=180889. Accessed on 9 December 2018.

[45] "India begins importing LNG from Russia". *The Economic Times*. 4 January 2018. https://economictimes.indiatimes.com/articleshow/64449583.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cpps. Accessed on 9 December 2018.

[46]Bhutta, Zafar. 2017. "Iran wants Pakistan to revive gas pipeline project." *The Express Tribune.* 25 October. https://tribune.com.pk/story/1540538/2-amid-saudi-arabia-us-pressure-iran-wants-pakistan-revive-gas-pipeline-project/. Accessed on 12 December 2018.

[47] "Pakistan asks Iran to resume natural gas pipeline negotiations." *The Economic Time Energy World*. 9 May 2018. https://energy.economictimes.indiatimes.com/news/oil-and-gas/pakistan-asks-iran-to-resume-natural-gas-pipeline-negotiations/64088020. Accessed on 12 December 2018.

CPEC funds to Pakistan welcomed both, the opening of negotiations as well as getting China on board.[48] On its part, China too in subsuming this pipeline into CPEC as it would provide for energy needs of other important legs of the CPEC.[49]

Work was finally started on the Afghan section of the TAPI pipeline in early 2018[50] but has immediately run into problems. Funding being one of the primary constraints, even after Asia Development Bank approved a five year country partnership with Afghanistan including support for building the trans-Afghan pipeline. There are also indications that Saudi Arabia is interested in providing funds to Afghanistan in its attempt to undermine the IPI pipeline in conjunction with the US.[51] The complete nature and extent of this offer has not been revealed. Analysts argue that even if both these sources of funds were to come through for Afghanistan, it may be much less than what is needed in constructing and securing the pipeline in the future. Currently other than Turkmenistan, none of the other countries involved have done any construction. Analysts have even questioned the status of construction in Turkmenistan since 'No international journalists have been allowed anywhere near works and state media has produced little by way of documentary evidence of their engineers efforts'.[52] The pipeline is scheduled to be completed in 2020 but given these fundamental issues, this likely to be overshot.

So as compared to the ISI, where the Iranian part of the pipeline is complete and the Pakistani part has Chinese funding along with a new set of negotiations between Pakistan and Iran over pricing and liabilities, it seems that TAPI has more chances of becoming a pipe dream. In this context India must recalibrate its position on the IPI and its status in the context of CPEC. If India was to join the CPEC, completion of the IPI and import of CNG could start before the ground works on TAPI and anywhere near completion.

Moving from 'absolute satisfaction' to 'balanced dissatisfaction'

In his commentary on the Ukraine crisis, Henry Kissinger wrote in early 2014, "The test is not absolute satisfaction but balanced dissatisfaction. If some solution based on these or comparable elements is not achieved, the drift toward confrontation will accelerate. The time for that will come soon enough."[53]India's unstated strategy to 'wait and watch' as the cards fall over CPEC is fraught with too many risks along with ignoring some potent opportunities and undermining what India's participation could mean for Indo-Pak relations. Since India has shown signs of slowly warming up to the BRI, it should reconsider its position on CPEC. The arguments here is not to blindly join the CPEC but to move from seeking 'absolute satisfaction' to 'balanced dissatisfaction' simply because waiting for the former could prove costly given the proclivities of Pakistan's foreign policy and Chinese strategic culture and economic might. There are some non-negotiables, which India does not need to give up. Its participation can be contingent upon the status of the

[48] Aneja, Atul. 2015. "Pakistan gas deal: Iran backs China's inclusion." *The Hindu.* 24 April.https://www.thehindu.com/news/international/iran-backs-chinas-inclusion/article7138630.ece. Accessed on 12 December 2018.

[49] "Iran-Pakistan Gas Pipeline critical for CPEC's energy needs: Iranian Ambassador." *Institute of Policy* Studies. https://www.ips.org.pk/iran-pakistan-gas-pipeline-critical-cpecs-energy-needs-iranian-ambassador/. Accessed on 12 December 2018.

Iranian gas can be 'indispensable' to CPEC." *The Express Tribune.* 22 September 2017. https://tribune.com.pk/story/1512890/iranian-gas-can-indispensable-cpec/. Accessed on 12 December 2018.

[50] "TAPI gas pipeline project breaks ground at Turkmenistan's border with Afghanistan." *The Hindu*. 23 February 2018. https://www.thehindu.com/news/international/india-bound-gas-pipeline-breaks-ground-on-afghan-section/article22835139.ece. Accessed on 12 December 2018.

[51] "TAPI Enters Afghan Phase with Little Cash and Many Problems." *Eurasianet*. 8 Feb 2018. https://eurasianet.org/tapi-enters-afghan-phase-with-little-cash-and-many-problems. Accessed on 12 December 2018

[52]TAPI Enters Afghan Phase with Little Cash and Many Problems." *Eurasianet*. 8 Feb 2018. https://eurasianet.org/tapi-enters-afghan-phase-with-little-cash-and-many-problems. Accessed on 12 December 2018

[53]Kissinger, Henry. 2014. "To settle the Ukraine crisis, start at the end." *The Washington Post*. 5 March 2014. https://www.washingtonpost.com/opinions/henry-kissinger-to-settle-the-ukraine-crisis-start-at-the-end/2014/03/05/46dad868-a496-11e3-8466-d34c451760b9_story.html?noredirect=on&utm_term=.f1663fa4a9ce. Accessed on 13 December 2018.

contested territory, i.e. under no circumstance the contested nature is to change or any territory be ceded by Pakistan to China. Additionally, India can also ask for constraints in the nature and number of Chinese military personnel to be posted in PoK along with Chinese non-intervention in the bilateral dispute.

Improved trade in PoK could assist in stabilising the region and its impact could dissipate to the rest of Jammu & Kashmir (J&K). Being a stakeholder would also give India the advantage of pressurising Pakistan through China to cease its support to non-state actors working to ferment instability in J&K. Given the current state of affairs in J&K, this year proving to be the bloodiest year (413 deaths) since 2008[54], public sentiment is turning rapidly against India and reaching levels reminiscent of early days of the insurgency. India's response under Prime Minister Modi has been to double down on insurgents leading to many more civilian deaths (103 in 2018 alone) as compared to previous years. India's participation in CPEC holds the potential to arrest this revival of civil strife in J&K as this would be in the interest of Pakistan and China. The new government in Pakistan along with the Army has also shown interest in stabilising relations with India.[55]India could also discuss opening CPEC to J&K and improving connectivity further south, thereby bringing much needed normalcy to the entire state. Once such a settlement is reached, persistent road-blocks to Indo-Pak trade along the western border could also be opened for negotiations along with easing CNG supply through the IPI pipeline and ease of access to Afghanistan. Additionally, CPEC could also provide India with access to Xinjiang and Central Asian states.

China has shown interest in opening negotiations with India over CPEC as conveyed by Chinese foreign ministry spokesperson Hua Chunying to India's ambassador to China, Gautam Bambawale[56] in early 2018. Now it remains with India to understandthat the risks of not joining CPEC are immediate and detrimental to India's security. If India continues to stay out, the risks will neither dissipate nor will India find alternate ways to balance without further militarising J&K or affecting bilateral relations with Pakistan. A 'balanced dissatisfaction' now will be less costly than 'absolute dissatisfaction'that India will most certainly face by waiting. India's current stance on CPEC, based on seeking 'absolute satisfaction', a rare commodity in international politics, will do more harm than good.

[54]Ahmad, Rouf. 2018. "At least 413 killed in 2018 due to violence in Kashmir. " *India Today.* 28 November. https://www.indiatoday.in/india/jammu-and-kashmir/story/at-least-413-killed-in-2018-due-to-violence-in-kashmir-1397684-2018-11-28. Accessed on 13 December 2018.

[55]Parashar, Sachin. 2018. "Imran Khan writes to PM Modi, calls for resumption of peace dialogue." *The Times of India.*https://timesofindia.indiatimes.com/india/imran-khan-writes-to-pm-modi-calls-for-resumption-of-peace-dialogue/articleshow/65879017.cms. Accessed on 13 December 2018.

KK, Sruthijith. 2018. "Pakistan government and army on same page, desire peace with India: Imran Khan." *The Economic Times.* 29 November. https://economictimes.indiatimes.com/news/politics-and-nation/pakistan-pm-says-his-party-army-on-one-page-to-mend-india-ties/articleshow/66848403.cms. Accessed on 13 December 2018.

[56]Aneja, Atul. 2018. "China shifts stance, offers to open talks with India on CPEC." *The Hindu.* 29 January. https://www.thehindu.com/news/international/china-shifts-stance-offers-to-open-talks-with-india-on-cpec/article22552480.ece. Accessed on 13 December 2018.