

ONE BELT ONE ROAD INITIATIVE: ASIA PERSPECTIVE

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ABSTRACT: *The inception of the One Belt One Road initiative and associated programs have attracted significant attention from around the world to the not just the Asian growth story in the new century but to the growing influence of China as an inductor of a new global world order. Amidst this, there is also a brewing discussion about the impact of these developments on India and the interplay between India and China in the following decades in the context of trade and geopolitics. The One Belt One Road initiative has been conceptualized as a new age institution that can effectively promote trade and development in the 21st Century, and the rise of Asian economies and the growth of China and India, among other nations, indicate an impending shift in the global power balance. This paper analyzes these developments from an Indian perspective in the context of Sino-Indian relations and the future of the Asian regional relations, and argues that for sustainable and harmonious development in the new century, India and China should enter their golden age of unrealized and unfulfilled cooperation.*

KEYWORDS: One Belt One Road, Regional Integration, Economy, Asia, Sino-Indian Relations

INTRODUCTION

China's effort to consolidate a future as an Asian superpower is reflected in its deep ambitions presented as the One Belt, One Road (OBOR) initiative; it would suffice to say that the program has gained sufficient traction to gain legitimacy as an international program with vast potential to change the face of Asia, for the better. However, development and growth do not take place in a vacuum, and no other aspects reflect this better than the politics of growth and development in the context of geopolitics, namely, Asian geopolitics. Despite India's support for AIIB, the country remains non-committal on the extent of its contribution to the remaining programs under OBOR, and the intellectual class remains divided on the stance of alignment.

Both nations having achieved independence at around the same period have undergone their own set of trials and tribulations, and have moved through periods of mutual strife. A fairly weak system of coordination and cooperation between the two Asian giants beset by political and cultural differences has resulted in a partial stalemate in the past many decades, and if it were not for China's relatively recent efforts to lead the orchestration of a new world order, the scope for regional integration and collaboration would remain stagnant as it has been till date. This paper analyses relations between India and China and their status as important Asian countries, on the basis of its examination of the current situation, offer insight into the regional dynamic and give an Indian perspective on the path ahead, and argue for the need for India and China to collaborate in the coming decades, and will propose how they should do so.

Bilateral Relations

India and China have a deep-rooted history spanning two-thousand years. Their early friendly relationship witnessed several cultural, political and economic exchanges. Sino-Indian relationship in the 1950s was not ideal, and the growing tension between the two countries erupted into a border dispute in 1962. Their relationship between India and China took a rocky turn during the Cold War; several observers believe that India-China relations improved significantly in the post-cold war era, especially due to efforts made by India. Former Chinese Premier Zhou Enlai's visit to India in 1954 established diplomatic relations between the two countries, and the relationship subsequently went through "friendship, setback and normalization" from the 1950s through 1970s. Indian Prime Minister Rajiv Gandhi's visit to Beijing in 1988 and the subsequent visit of Indian Prime Minister Narasimha Rao's visit to China in 1993 reflected a "thaw" in the mistrust that had grown over the years. Since the 1980s, the steady improvement in the bilateral relationship has led to opening up of cultural and trade links between India and China.

Regional Development

Among the developing countries which were struggling to achieve economic growth, India and China were the only rays of hope in Asia. As the Asian countries started coming together, scholars predicted a likely shift of the economic fulcrum of the world to Asia. Since China and India have followed completely different economic policies to achieve their economic growth which were, in turn, influenced by their political structures, the two countries have faced asymmetrical growth. The power dynamics between both the countries were always shifting.

Recent Developments (OBOR, MAUSAM)

The launch of the AIIB indicates the growing importance of China in the 21st century. It also shows that the center of economic activity is now shifting to the east of the globe. The OBOR project is hailed by many scholars as one step closer to establishing infrastructural and trade links between the participating countries. Scholars feel that the AIIB will foster multilateral development in Asian countries along with infrastructure building. Many others are equally skeptical about the AIIB and OBOR and cast their doubts in China's political reasons behind the initiatives. The New Silk Road Fund established along with the OBOR is also expected to support the project. To counter the Maritime Silk Route (MSR) proposed by China, India came up with Project Mausam, devised to take advantage of India's unique geographical position as a peninsula in the Indian Ocean, and to rekindle trade ties with its old partners through the maritime zone. Experts also hold the view that since India does not have the infrastructural and economic capacity to compete with China's AIIB, it prefers to join the AIIB and compete with the MSR with Project Mausam. Though India is a party to the MSR, it also prefers to have its own project as a precautionary measure against China's growing friendship with India's neighbors.

An Overview

The Sino-Indian relationship has gone through ups and downs characterised by "friendship, setback and normalization", from enmity in the 1950s through 1970s to establishment of cooperation in the 1980s.¹ After India and China individually gained independence from

¹ Arif, M. S. (December 2013). A History of Sino-Indian Relations: From Conflict to Cooperation. *Academic Research Journals*, 1(4), 129-137. Retrieved from <http://academicresearchjournals.org/IJPSD/PDF/December/Arif.pdf>

imperialist powers, diplomatic ties were forged between both of them followed by high-level visits to each other.² India recognised Communist China and supported its claim for membership to the United Nations, running contrary to the America's suspicion of China, trusting that nationalism was more important for China than communism; the Nehru-led government in India even extended a gesture of friendship to China, despite facing criticism from the opposition leaders.³ Nehru's strategy involved diplomatically keeping tabs on China and he successfully managed to obtain peace on its north-eastern frontiers for at least ten years: but even after signing the Five Principles of Peaceful Coexistence (Panchsheel) and conducting the Bandung Conference, the relationship between India and China began to suffer, with tensions escalating over the border issue leading to war in 1962.⁴

Prior to that, India and China witnessed a period of fairly unproblematic relations in the 1950s.⁵ The cooperation between former Prime Minister Jawaharlal Nehru and former Premier Zhou Enlai resulted in the establishment of the "Five Principles of Peaceful Coexistence" (Panchsheel, or Panch Shila in Hindi) - the result of their advocacy of stronger India-China relations and an exchange of high-level representatives' visits.⁶ However, The India-China relationship took a somewhat hostile turn towards the 1960s and 1970s.⁷ In the 1980s the tensions gradually cooled down and both countries entered into a period of reconciliation, however, this was short-lived and disrupted by the 1988 nuclear tests carried on by India.⁸ After Zhou Enlai⁹, five Chinese Premiers visited India afterwards,¹⁰ including Wen Jiabao's visit in 2005 which was the third Chinese prime ministerial visit to India after diplomatic

See also: China. (n.d.). Retrieved from <http://countrystudies.us/india/129.htm>

Nehru believed that the *Panchsheel* (signed in April 1954) was in India's geopolitical interests since it introduced a psychological buffer. This resulted in the coinage of the phrase "*Hindi-Chini Bhai-Bhai*" translating into "Indians and Chinese are brothers".

² Ibid., at page 131

³ Ibid.

⁴ Ibid.

⁵ Zhu, Z. (2011). China-India Relations in the 21st Century: A Critical Inquiry. *Indian Journal of Asian Affairs*, 24(1/2), 1-16. Retrieved from <http://www.jstor.org/stable/41950508>

⁶ Ibid.

⁷ Ibid.

In August 1971 India signed the Treaty of Peace, Friendship and Cooperation with the Soviet Union, while the United States and China sided with Pakistan in the India-Pakistan war of December 1971.

⁸ Ibid.

⁹ A. A. (April 2005)., India-China Relations: Beyond The Bilateral. *Economic and Political Weekly*, 40(14), 1421-1424., 1421.

Zhou Enlai's visit in 1954 had launched one of the most cordial albeit fleeting phases in India-China relations. Zhou's visit was made in the heydays of the cold war that happened to coincide with the Afro-Asian resurgence. It was the first peacetime visit by a communist head of government to a non-communist state.

See also: Acharya, A. (2001). Li Peng's India Visit: Ritual and Reality. *Economic and Political Weekly*, 36 (5/6), 437-439. Retrieved from <http://www.jstor.org/stable/4410253>

Acharya, A. & Deshpande, G. (2003). Talking of and with China. *Economic and Political Weekly*, 38 (28), 2940-2942. Retrieved from <http://www.jstor.org/stable/4413775>

Acharya, A. & Deshpande, G. (2002). A Still Moment in a Volatile Situation: Zhu Rongji Visits India. *Economic and Political Weekly*, 37(5), 367-370. Retrieved from <http://www.jstor.org/stable/4411674>

Acharya, A. (2005). India-China Relations: Beyond the Bilateral. *Economic and Political Weekly*, 40 (14), 1421-1424. Retrieved from <http://www.jstor.org/stable/4416425>

Acharya, A. & Deshpande, G. (2003). India-China Relations: The Territorial Imperative: Past and Present, *Economic and Political Weekly*, 38 (45), 4728-4730. Retrieved from <http://www.jstor.org/stable/4414238>

Acharya, A. (2008). India-China Relations: Towards a 'Shared Vision', *Economic and Political Weekly*, 43 (4) 10-13. Retrieved from <http://www.jstor.org/stable/40277071>

¹⁰ Ibid.

Li Peng visited India in 1991, in the post-Soviet era in international politics; Zhu Rongji in 2002, the post-September 11, 2001 world. More recently, Premier Li Keqiang visited India in May 2013 on invitation on then Prime Minister Manmohan Singh

relations were re-established post 1976.¹¹ When Zhu Rongji visited India after the south Asian subcontinent had been nuclearized, it demonstrated that both countries had moved on from the dispute regarding Pokhran II, thus marking a positive step in India-China economic ties.¹²

Wen Jiabao's visit to India was not exclusive- he had clubbed together his visit to India with Pakistan, Bangladesh, and Sri Lanka, giving the impression that India was only one among the countries with which China wished to strengthen regional cooperation and establish trade links.¹³

After the on-and-off friendship between India and China from the 1950s to the 2000s, a significant breakthrough was achieved in 2003 during the visit of former Prime Minister Atal Bihari Vajpayee.¹⁴ Both the countries set up special bodies to "explore from the political perspective of the overall bilateral relationship, the framework of a boundary settlement," which took the bilateral understanding between both the countries to a qualitatively new phase.¹⁵ It initiated a series of high level meetings and exchanges between India and China and the first meeting was held in January 2005 between the Chinese Vice-Minister for Foreign Affairs and the Indian Foreign Secretary.¹⁶ Bilateral security consultations, visits by top military leaders of both the countries and trainings of the navy held conducted together became more common and partnership between both countries increased in diverse fields such as education and health, law and administration, renewable and non-conventional energy, space research, ocean science and technology, increased as the idea of 'learning from each other' became popular.¹⁷ Essentially, this could be termed a golden phase in India-China relations post the 1962 war, where actual contributions and outcomes of the endeavours notwithstanding, the simple effort extended by both sides seemed to signal a conscious and productive approach to regaining lost ground in regional diplomacy and collaboration.

¹¹ Ibid.

Li Peng's visit came after Rajiv Gandhi's landmark visit to China which brought about a breakthrough in the decade long stalemate or even stagnation in Sino-Indian relations after rebuilding of diplomatic ties during 1976. It inaugurated a new era of managing bilateral tensions through a series of confidence-building measures as was reflected in the 1993 Agreement on the Maintenance of Peace and Tranquility in the Border Areas that was signed when Narasimha Rao made a visit to China, and later the 1996 agreement on Confidence Building Measures in the Military Field that was signed during president Jiang Zemin's visit. More importantly, Li Peng's visit could be evaluated with respect to the efforts made by both countries to reinforce the significance of the India-China relationship in region.

¹² Ibid.

India cited China as a driving factor in its program to nuclearize itself, as was revealed in correspondence from former Prime Minister Vajpayee to US President Bill Clinton.

¹³ Ibid., at page 1422

¹⁴ Ibid., at page 1423

¹⁵ Ibid.

There are certainly differences in the approaches and expectations of both sides regarding border settlement; there are quite likely existing differing strategic calculations; the discussions are not likely to reach a speedy conclusion. But what is germane to the issue is that both sides are now seized of the immense benefits that will flow from a settled border and are committed to take the process decisively forward. In the meantime, peace and tranquility have continued to be maintained in the border areas, which have rendered the border areas remarkably tension-free. More crucially, the border is no longer the sum and substance of a relationship that is now multi-layered and operating at several different levels.

¹⁶ Ibid.

It apparently covered a range of national and international issues reflecting areas of common interest and concern to both sides: international terrorism, non-proliferation, multi-polarity, energy security, Iraq, North Korea, Afghanistan, UN reforms, globalization, etc.

¹⁷ Ibid.

There are wider dimensions to cooperation and collaboration as can be seen in the proposed Russia China-India triangular relationship, and also at the Track II levels (as the foreign ministers of the three countries have already been meeting on the side lines of international conferences).

It is established that the Sino-Indian relationship is deeply rooted in history, extending to almost two thousand years back.¹⁸ The two countries exchanged cultural, commercial and educational knowledge which forged intimate ties between them,

Views from Across the Border

Post-independence India's policy towards China was motivated towards preserving and restoring the traditional friendship. During the Chinese civil war, India accepted China's Nationalist Government and continued to deal with it. Indian leaders were not bothered about what form of government came into power in China. They accepted the ruling government and urged Western powers to do the same. India was also one of the foremost supporters for admitting Mao Zedong's government into the United Nations. China, however, did not always reciprocate India's attitude.¹⁹

China was also aware of the advantages of being on good terms with India and sought India's support in many international problems through India's feeling of traditional friendship and Asian solidarity.²⁰

In February 1951, India and the then Burma were the only two countries outside the Soviet bloc to vote against a United Nations resolution naming Communist China as an aggressor and the Indian delegations also refused to take part in a United Nations General Assembly vote, in the same year, which imposed an arms embargo against North Korea and Communist China.²¹

India's Support for China

The events that unfolded after Indian Prime Minister Rajiv Gandhi's visit to Beijing in 1988 showed a new resolve between India and China to put an end to the border dispute and forge new ties of cooperation, without any hegemonism, expansionism or subordination by both of them.²² The Chinese government started to face internal pressure to solve conflict through political conciliation instead of confrontation; this was especially so after China got admitted

¹⁸ Leng, S. C. (1952). India and China. *Far Eastern Survey*, 21(8), 73–78. <http://doi.org/10.2307/3023737>

¹⁹ *Ibid.*, at page 75

²⁰ *Ibid.*

For example, the stand of Nehru's government on such issues as Chinese representation in the United Nations, the Korean war, and the Japanese peace treaty have been, by trend, positive and leaning towards China.

²¹ *Ibid.*

Although its position was criticized in the United States as one of appeasement, New Delhi pointed out that the best way to settle fundamental issues in Asia was through negotiations with Peking. The following statement of Nehru is typical of his view on the importance of Peking with respect to Korea: Whatever happens in Korea is of the utmost significance to Chinese citizens. *"We cannot ignore that fact unless one is prepared completely to ignore China and the Chinese people, which also one cannot do because they are more than a mere handful. So our approach has always been that this problem of Korea can only be solved in co-operation with the Chinese or, if you like, with their acquiescence."*

Reporting to a cheering Parliament, Nehru justified his government's decision on the ground that the treaty failed to restore Formosa to China, left the Ryukyu and Bonin islands to US control, and included an agreement to keep American troops in Japan made before that country was independent and sovereign. Although he did not raise the issue of Communist China, there appeared no change in his view that Peking should take part in any settlement of Far Eastern affairs.

²² Jain, B. M. (1989). India-China Relations: New Directions. *Indian Journal Of Asian Affairs*, 2(1), 1–15, 1. Retrieved from <http://www.jstor.org/stable/41950344>

The Chinese Vice-Premier Wu Xueqian's 1989 visit to the Indian capital, New Delhi that took place within a year of Rajiv Gandhi's visit to Beijing was considered rather significant for defusing border tensions. Mr. Wu gave clear hints that Beijing did not believe that the solution to the Sino-Indian border issues was exceedingly difficult. What he implied was that without intensive efforts, it would be hard to settle the issue. Although Wu's visit was not to be interpreted as the clear indication of an immediate settlement of the problem, it gave New Delhi the sense that it would be wise to wait for Premier Li Peng's impending visit to India the following year.

into the United Nations.²³ Changes in China's leadership also helped in resolving conflict- the leadership changed from carrying out its foreign policies based on Mao's personal dictates to a collective form of decision-making.²⁴

Diplomacy: Success Tempered with Setbacks

The main events that brought about a breakdown in the India and China and contributed to the tension started growing between India and China towards the end of the 1950s.²⁵ India's support of East Pakistan (now Bangladesh) during its war with Pakistan in 1971, and India's refusal to stop Nuclearization raised suspicion in China against Indian motives.²⁶ The Indian Prime Minister Rajiv Gandhi was very keen on cooperation between India and China, and was the first Indian prime minister to make a visit to China in 1988 over a period for three to four decades, leading to the establishment of diplomatic ties between India and China.²⁷ However, this emerging friendship faced a major slow down after India carried out nuclear tests in 1988 after which India made keen efforts to rekindle its ties with China.²⁸

Asian Development Dynamics

As the developing countries around the world struggled to achieve economic success and turn stagnation into growth, in Asia only India and China, which are home to a considerable amount of population (a great part of which is poor), showed some hope of being able to do so in the coming years.²⁹ Their achievements, despite the stark difference between the totalitarian and democratic regimes of China and India respectively, are quite significant to the rest of the world and were likely to impact the policies of less developed countries, as well as the US and Soviet Union.³⁰

The direction in which the collaborations between the different Asian countries was heading, pointed to a process of Asian economic unification, which would help the Asian countries to come together and mutually benefit each other.³¹ As cooperation between Asian countries grew, propelled by the formation of ASEAN and ASEAN+1 (ASEAN and China), and with Asian

²³ Ibid, at page 4

²⁴ Ibid.

²⁵ Rusko, C. J., & Sasikumar, K. (2007). India And China: From Trade To Peace?. *Asian Perspective*, 31(4), 99–123, 101. Retrieved from <http://www.jstor.org/stable/42704610>

²⁶ Ibid.

²⁷ Ibid., at page 102

This diplomacy led to the establishment of a Joint Working Group (JWG) to address border disputes. Several scientific and cultural exchange agreements were signed by Rajiv Gandhi and the CCP, and this diplomacy was continued to be extended by Narasimha Rao (1991-1996), who signed an agreement for "the maintenance of peace and tranquility along the Line of Actual Control (LAC)" with Jiang Zemin in 1993. The two were also associated with setting up of the India-China Expert Group of Diplomatic and Military Officers, an advisory body that reported to the JWG. These events and agreements led to an increase in confidence- in 1997 the Indian parliament and the CCP approving reductions in numbers of troops stationed along the LAC. tasked with advising the JWG. During the mid-1990s, China adopted an increasingly even-handed stance in matters concerning India-Pakistan relations, especially in the matter of Kashmir. In addition to this, in the mid- 1990s, China also began to adopt more even-handed rhetoric in discussing Indo-Pakistani relations, and the issue of Kashmir in particular.

²⁸ Ibid.

The 1996 New York Times leaking of the letter sent by Prime Minister Vajpayee (1998-2004) to US President Clinton where Vajpayee explained India's nuclear program to be a counter to the potential threat that China posed resulted in Beijing refuting Vajpayee's claims as "groundless", declaring Pakistan's own nuclear tests a reasonable reaction to India, and cancelling the annual JWG meeting.

²⁹ Malenbaum, W. (1959). India and China: Contrasts in Development Performance. *The American Economic Review*, 49(3), 284–309, 284. Retrieved from <http://www.jstor.org/stable/1809902>

³⁰ Ibid.

³¹ Yao Chao Cheng. (2005). China's Role in the Asian Economic Unification Process. *Economic and Political Weekly*, 40(36), 3949–3952, 3959. Retrieved from <http://www.jstor.org/stable/4417110>

unification was in progress, it was predicted that all of Asia would have a single economic currency in the future and become the centre of economic activity in the world.³²

The China Story

China's exceptional and sustained growth rates of 9-10% in the recent past and increasing investments in other countries, especially Europe, make many analysts believe that economic fulcrum of the world is going to shift from the West to the East.³³ Even despite the recent economics concerns do not essentially pose a huge challenge to what is indisputably an Asian powerhouse

China's Economic Strengths

China began to experience phenomenal growth since 1978, making it surpass Japan in 2010 to emerge as the second biggest economic power with respect to GDP, and the US in the same year, to establish itself as the largest export and manufacturing power.³⁴ The main reason behind this achievement has been China's exports and savings driven economic policy, making it the EU's and the US's second largest trading partner.³⁵ There has also been a large effort for China to "go-global" with a rise in China's overseas investments, generating speculations of China becoming on the leading countries for overseas direct investments in the near future but despite China's tremendous growth, analysts believe that it is still a developing country trying to achieve economic success with a population of 1.3 billion people, and has a long way to go to catch up with the OECD countries.³⁶ Given the Chinese leadership's focus on delivering predictable and steady economic growth to the nation, it does not seem unlikely that China will be able to weather occasional economic issues, as is usually the norm in any other country.

China's Economic Weaknesses

Like all other developing economies, China too faces certain standard socio-political challenges like having to maintain a minimum growth rate to sustain its economy; more specifically China has to deal with problems particular to itself like reduction in foreign demand and slowing down of its economy since 2012.³⁷

The Chinese government's present concerns are mainly fivefold. First, to reduce wastage produced by its export-dependent economy, which is characterised by production on a huge scale along with high inputs of labour and capital; second, to increase internal household consumption and reduce the gap between the wealthy and the poor in order to boost the emergence of an affluent middle class³⁸; third, bridge the development gap between the western

³² Ibid.

This is in reference to a famous Nobel laureate, economist Robert Mundell's predictions in a 2002 speech in Guangzhou. Mandell opined that a single Asian currency in the near future was highly likely. This was soon followed by a speech ("Promote a New Centennial Asian Cooperation with Common Efforts", delivered at the opening ceremony of the Asian Cooperation Dialogue held in Qingdao.

³³ China's Strengths and Weaknesses. *RobertShuman.com* (2012, April 02). Retrieved from <http://www.robert-schuman.eu/en/european-issues/0235-china-s-strengths-and-weaknesses>

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ The problem of household consumption persists, and remains at a low of accounting for only 35% of the entire GDP-compared to other OECD countries where household consumption contribution to GDP stands around 60-70%. Income inequality measured through the GINI coefficient is at 0.41 in the period of 2000-2010, up from 0.26 in 1985; this represents the pervasiveness of income inequality in China post-reforms. The 12th Five Year Plan aims to bring about a change in this

and central (prosperous) and eastern (non-prosperous) regions with respect to GDP growth³⁹; fourth, to reduce the amount of non-renewable energy it uses by improving its energy efficiency and shifting to renewable energy sources, and to conserve its natural resources;⁴⁰ and fifth, making advances in tertiary and highly advanced industries.⁴¹

Comparing India and China

India and China make a good case for comparison considering the similarity in their economic system- China opened up its markets in 1978 itself whereas India did so only in 1991- and difference in their political regimes.⁴² Due to early reformation of the Chinese market, its per capita growth rapidly surpassed India's growth in the 1990s, in spite of high volatility in microeconomic variables in China; it maintained its growth rate by keeping interest rates low but positive, making credit conveniently accessible and encouraging savings and domestic and foreign investment, at the cost of transparency and accountability but on the other hand, due to the late reform of India's market, the real interest rates remained very high and stifled India's economic growth.⁴³

China's phenomenal economic development over the past few decades, growing hold over Southeast Asia, admission into the UN Security Council, and increasing nuclear power have all served as factors for India, who considers itself as an equal to China, to perceive "threat" from China.⁴⁴ India faces major competition in trade and global positioning from China- for instance China's trade with the SAARC countries increased from USD 3.9 billion to USD 19.4 billion from 1998 to 2004, whereas India's trade with the SAARC nations increased by only USD 2 billion in the same period.⁴⁵ The bilateral trade between India and China, though on a rise, is far from the agreed target of USD 100 billion; not surprisingly so because even though

pattern of wealth distribution by reducing sector differences and income regulation, and targets a rise above 7% in the average citizen's income between 2011 and 2016.

³⁹ The economic clout of coastal regions is well established- 50% of the GDP in 2009 was generated in these regions. The high rate of urbanization results in difficulties in transition management of the economy (urban population increased at the rate of 36% in 2000, and in 2011, at 50%). Over 150 million migrant workers from rural parts of China live in a poor economic condition in the cities. Reforms in resident permits have not been able to keep up with the growth in migration and population, and it remains to be seen how China prioritizes the need for an inclusive and efficient social security system.

⁴⁰ Coal consumption in China remains high, and it is estimated that the nation's reserves may run out in 35 years; this indicates the dependency on coal as an energy source- at 65% of the country's energy requirements are met by use of the fossil fuel. China has been making strides in investments in alternate, cleaner forms of energy technology but is yet to see energy efficiency at par with Europe's standards (which is four times more than China's current ones). Another crisis is in form of water pollution- the vast majority of river banks in China's major towns are polluted. The cost of environmental degradation is apparent not only in physical form but in economic terms as well- in 2007 the cost of water shortages was approximately 1% of the GDP, and as per 2008's figures, the cost of China's decreasing natural resources was placed at around 9% of the GNP. China also faces exposure to increasing prices of raw materials in the fields of agriculture, energy and metal, all of which have shown a high rate of volatility in recent years.

⁴¹ *Supra*, n. 65

⁴² Ashima Goyal, & Jha, A. K. (2004). Dictatorship, Democracy and Institutions: Macro Policy in China and India. *Economic and Political Weekly*, 39(42), 4664-4674, 4664. Retrieved from <http://www.jstor.org/stable/4415684>

⁴³ *Ibid*.

⁴⁴ Hong, Z. (2007). India and China: Rivals or Partners in Southeast Asia?. *Contemporary Southeast Asia*, 29(1), 121-142, 130. Retrieved from <http://www.jstor.org/stable/25798817>

⁴⁵ *Ibid*.

The value of bilateral trade between China and India increased from US\$1.9 billion to US\$13.6, while China-Pakistan bilateral trade value grew by 44% on a year-on-year basis, and reached US\$3 billion in 2004. Due to political issues such as the secession of Kashmir, India-Pakistan trade has been stagnant for the most part, while China's bilateral trade with India rose from the figure of US\$1.9 billion to US\$13.6 billion. Additionally, the bilateral trade between China and Pakistan has shown an increase by 44 per cent on an annual basis, and in 2004 it reached US\$3 billion. The trade relations between India and Bangladesh usually stay static, an annual figure of around \$1.6 billion, and though Sri Lanka has FTA with India, the political issues over India's position on the Tamil Hindus that form a minority in Sri Lanka that have conflict with the Sinhalese Buddhist majority is a sore point.

China is India's biggest trading partner, China fails to give India the same importance, causing India to be only the seventh largest trading partner of China (up from being the tenth in 2005).⁴⁶

Since the 1980s China was quick to make economic reforms and increase imports by removing trade barriers and expanding duty exemptions beyond the special economic zones, especially on becoming a part of joining the World Trade Organisation (WTO), whereas, on the other hand, India started transforming its economy as late as the 1990s, with duty exemptions and free trade areas for exports coming in as late as 2001; even though both the countries were becoming more and more incorporated into the global economy, China's exports surpassed India's by a huge margin, reflecting a greater level of economic openness on China's part.⁴⁷ Since China set off its market reforms as early as the 1980s and India followed suit only in the 1990s, even though India's share in the trade in South Asia increased, China had already reached far ahead, creating a wide gap between India and China; this gap continued to broaden in the 2000s- it rose from six fold in 1990 to almost eightfold in 2003.⁴⁸ Even though both China and India are chasing a similar goal of economic growth with increase in science and technological developments and exports, the strategies followed by them vary largely- China proceeds in an organised and calculated manner whereas India is haphazard and diplomatic.⁴⁹

One Belt One Road Initiative

China's One Belt One Road Initiative is a trade and economic infrastructure corridor that will connect the Asia-Pacific economic circle in the East and the European economic circle in the West. It started with Chinese President Xi Jinping's announcement of the Silk Road Economic Belt (SREB) in Kazakhstan in September, 2013.⁵⁰ It then expanded to include the 21st century Maritime Silk Road (MSR) in February 2014 and these two belts are commonly known together as the "Belt and Road Initiative" or "One Belt, One Road Initiative", the main aim of which is to unlock the massive untapped trade potential and boost economic development throughout the proposed belt.⁵¹ The SREB will connect Western China to Central Asia and Middle East, linking China with the Persian Gulf and Mediterranean Sea through Central Asia and the Indian Ocean; the MSR will connect China's coast to Europe through the South Pacific through the South China Sea and Indian Ocean in one route, and through the South Pacific in another route and will thus form a connecting maritime route through Southeast Asia, Persian Gulf, and Horn of Africa.⁵²

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank (MDB) conceived for the 21st century.⁵³ Through a participatory process, its founding members are

⁴⁶ Devadason, E. S. (2012). Enhancing China—India Trade Cooperation: Complementary Interactions?. *China Review*, 12(2), 59–83, 60. Retrieved from <http://www.jstor.org/stable/23462217>

Given India's market importance in global exports, Bhat et al. opine that China's current exports to the former are lower than expected.

⁴⁷ Ibid.

⁴⁸ Jean-Joseph Boillot, & Mathieu Labbouz. (2006). India-China Trade: Lessons Learned and Projections for 2015. *Economic and Political Weekly*, 41(26), 2893–2901, 2983. Retrieved from <http://www.jstor.org/stable/4418410>.

⁴⁹ Konana, P., Doggett, J., & Balasubramaniam, S. (2004). Comparing India and China Growth Strategies: Chaotic Or Planned?, 1. Retrieved from <http://faculty.mcombs.utexas.edu/prabhudev.konana/indiachina.pdf>

⁵⁰ Viehe, A., Gunasekaran, A., & Downing, H. (2015, September 22) Understanding China's Belt and Road Initiative: Opportunities and Risks. *Americanprogress.org*. Retrieved from

<https://www.americanprogress.org/issues/security/report/2015/09/22/121628/understanding-chinas-belt-and-road-initiative/>

⁵¹ Ibid.

⁵² Ibid.

⁵³ Asian Investment Infrastructure Bank (n. d.); aiibbank.org. Retrieved from www.aiibank.org

involved in the development its core philosophy, principles, policies, value system and operating platform.⁵⁴ The Bank's foundation is built on the lessons of experience of existing MDBs and those from the private sector⁵⁵. The AIIB's modus operandi is defined through three words: lean, clean and green.⁵⁶ Lean, with a small efficient management team and highly skilled staff; clean, because it aims to be an ethical organization with zero tolerance for corruption; and green, because it is an institution built on respect for the environment, therefore, the AIIB has put in place strong policies on governance and accountability, as well as environmental and social frameworks; as a modern-knowledge institution, the AIIB is focused on the development of infrastructure and other productive sectors in Asia, including power and energy, transportation and telecommunications, urban development and logistics, etc.⁵⁷

Silk Road Fund

China put together a funding of \$40 billion towards the SREB, known as the Silk Road Fund (SRF).⁵⁸ The fund is set to work similar to a Private Equity venture, with China as its centre and will contribute towards setting up the infrastructure for roads, railways, fibre optic highways, etc. and eventually breaking the "connectivity bottleneck" in Asia.⁵⁹ Some experts are of the opinion that the OBOR is a strategic move by China to create new "growth engines" along the proposed links, to utilise China's tremendous capacity for production of construction material like steel and cement, in the wake of China's economic slowdown.⁶⁰ China aims at keeping the SRF open and inclusive to all investors from and outside Asia.⁶¹ China has tried to assuage many of the concerns, about China's growing domination in the world, being raised globally due to its ambitious projects; it has offered huge loans to countries in Southeast Asia and Africa to prove its philanthropic nature and desire to help poverty stricken countries, and has claimed that the AIIB will function alongside and learn from the World Bank and Asian Development Bank instead of substituting them.⁶²

Silk Road Economic Belt

The SREB is a proposed to be a present-day counterpart for the ancient Silk Route that was used to exchange silk and spices between Asia and the Mediterranean region and as per experts, it will create a "massive free trade zone", a "belt of prosperity" and "an area of common economic interest" based on the rich cultural heritage of the ancient Silk Road.⁶³ The SREB is a smooth strategy for China to increase its regional influence without raising objections from other countries since it is a way for countries to reciprocate with and complement each other.⁶⁴ Along with creating the SREB, China also has plans to establish new ancillary roads for traffic

⁵⁴ Ibid.

⁵⁵ Xinhua, (2013, October 03). "China proposes establishing Asian infrastructure investment bank". *CCTV English*. Retrieved from <http://english.cntv.cn/20131003/100747.shtml>

⁵⁶ Supra, n. 124

⁵⁷ Ibid.

⁵⁸ Aneja, A. (2015, February 16). China's 'Silk Road Fund' Becomes Operational. *The Hindu*. Retrieved from <http://www.thehindu.com/news/international/chinas-silk-road-fund-becomes-operational/article6902549.ece>

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ China to establish \$40 billion Silk Road infrastructure fund. (2015, November 8). *Reuters.com*. Retrieved from <http://www.reuters.com/article/us-china-diplomacy-idUSKBN0IS0BQ20141108>

⁶² Ibid.

⁶³ Cantazaro, J., Qi, R., Jia, C., & Han, B. (2015, July 03). Silk Road initiative connects countries on path of prosperity. *The Telegraph*. Retrieved from <http://www.telegraph.co.uk/sponsored/china-watch/business/11706380/silk-road-initiative-china.html>

⁶⁴ Ibid.

and goods, airports, deep-water ports and high-speed railways; all these plans have been applied to the Karot hydropower project in Pakistan.⁶⁵

The MSR is proposed to work on three dimensions: strategically it is aimed at improving China's contact with the Indian Ocean and waters in the West Pacific region, commercially it seeks increase trade between China and other Asian countries, and politically it expects to rectify China's international reputation.⁶⁶

India's Options with the New Silk Road

The big question for India is whether OBOR will be beneficial or detrimental to India's interests. Mixed opinions have emerged on the issue- some observers point that China will use the OBOR surround India with Chinese allies, while other observers believe that the project will draw much required capital into India to finance infrastructure growth and fulfil its goals of development, and that India should take active part in the project to benefit as much as possible from it.⁶⁷

Project Mausam is designed to leverage India's unique geographical position which can enable it to take active part in maritime trade through Indian Ocean.⁶⁸ It is being heralded as Prime Minister Modi's most ambitious initiative to counteract China's growing importance and will establish India's maritime position in a manner to refresh everyone's memory on where the Indian Ocean got its name from.⁶⁹ India and China's pursuits in Asia and in the Indian Ocean have been facing an overlay and have left observers wondering whether both the countries will compete with each other or collaborate; it is likely that India assumes that regional cooperation will promote its friendship with China, whereas China is looking at regional cooperation to conquer diplomatic deficiencies.⁷⁰

AIIB, Development Diplomacy and Regional Cooperation

Given India's position on other projects associated with OBOR, for now it would be prudent to analyze the manner in which relations may play out in context of the AIIB. As previously noted, the AIIB's aim is to finance infrastructure projects throughout Asia and it is a practical application of Xi Jinping's One Road, One Belt vision, in which he intends to recreate the historic Silk Road that connected China to the Mediterranean, the Middle East and Western Europe, passing through Central Asia.⁷¹

China's commitment to ensuring smooth functioning of its policies enabling OBOR is mirrored in the manner in which the Judiciary too has been involved; the Supreme People's Court's issuance of a "Several Opinions on Providing Judicial Services and Guarantee for the Building

⁶⁵ Ibid.

⁶⁶ Len, C. (2015). 21st Century Maritime Silk Road Initiative, Energy Security and SLOC Access. *Maritime Affairs: Journal of the National Maritime Foundation of India*, 11(1), 1-18, 7. Retrieved from <http://www.tandfonline.com/doi/full/10.1080/09733159.2015.1025535>

⁶⁷ Supra, n. 115, at page 25.

⁶⁸ Pillalamarri, A. (2014, September 18). Project Mausam: India's Answer to China's "Maritime Silk Road". *The Diplomat*. Retrieved from <http://thediplomat.com/2014/09/project-mausam-indias-answer-to-chinas-maritime-silk-road/>

⁶⁹ Ibid.

⁷⁰ Godbole, A. (2015). India and China: Competition and Cooperation in the Evolving Asian Security Scenario. *Asian Strategic Review*, 230-250, 230, 236. Retrieved from http://www.academia.edu/10753621/India_and_China_Competition_and_Cooperation_in_the_Evolving_Asian_Security_Scenario

⁷¹ Supra, n. 94

One Belt One Road by People's Courts" (No. 9 of 2015)⁷² involves the People's Courts in trial capacity wherein they will apply foreign laws in a manner so as to not only effectively decide relevant cases but in order to enhance the authority of the Courts' judgments.⁷³

CONCLUSION

Considering the failure of Nehru's Panchsheel a turning point in the early relations of India-China relations and the unwillingness of Chinese leaders throughout the following decades to openly discuss territorial issues is an indication of cultural values rather than just a political stand. And the international environment wherein most governments openly or covertly acknowledge the importance of peace in their regions is better suited as assurances of these kinds. Still, the Panchsheel may actual have been ahead of its time, seeing that it was established in a context lacking a long mutual history and long-term goals.

Though there were initiatives in the past that were categorically joint institutions, the institution building mechanisms and incentives during the reign of earlier Prime Ministers and Premiers was not only stagnant but largely directionless; one could argue that it is the advent of an age of OBOR that essentially brings to the fore incentives for nations to deepen their ties with China. As a long-overlooked relation, the time is right for India and China to frame and commit a new, dynamic set of common goals. It is easy to assume that successful execution of projects under OBOR would not only fill gaps in trade but make way for further trade opportunities, among many other benefits. Economic progress, even when not entirely inclusive, is seen to have a number of positive effects in developing and developed countries alike, but it is the effect in developing countries that is the most pronounced. Improvements in standards of living, education, skill training, healthcare, sanitation, as well as increased exposure to information work together to create sustainable development. China's adoption of OBOR as an important part of its foreign policy not only indicates its maturity in this matter but also represents a strong symbol of leadership.

It can be safely assumed that the benefits of the same outweigh any potential negative outcomes; political considerations and domestic sentiments may at times act as barriers to these, however, these variables are not static, and are prone to change given there are substantial economic concerns that present viable results. India and China can serve as extremely significant strategic partners in the region that would not only themselves stand to gain a number of benefits from such collaborations, but could also bring gains to other lesser developed Asian nations. Improvement in relations would serve to strengthen regional peace and predictability in diplomatic relations while promoting inclusive growth in respective economies through exchanges in innovation and know-how.

⁷² Supreme People's Court. (2016, July). 关于人民法院为“一带一路”建设提供司法服务和保障的若干意见. Retrieved from <http://www.court.gov.cn/fabu-xiangqing-14900.html>.

⁷³ Ma, Y., Liu X., Liu I. (2015, August 3). Conflict of Laws and Solutions in One Belt One Road. Retrieved from <http://www.kwm.com/en/knowledge/insights/analysis-of-typical-case-issued-by-the-supreme-people-court-on-one-belt-one-road-20150803>

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