What’s Driving Beijing’s ‘Pivot to the West’

China’s New Silk Roads

The Silk Road was for millennia a trade bridge between East and West. Now China, as it pushes to be a global power again, is investing in a network of road and sea routes between the Pacific Ocean and the heart of Europe as a Silk Road fit for the 21st century.

The obstacles, the costs and the potential benefits are all immense — while the politics are complex and fraught.

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India’s Take on China’s Silk Road: Ambivalence With Lurking Worries
By Gareth Price

There is little doubt that South Asia can benefit from the greater connectivity offered — on paper at least — by China’s New Silk Road initiative. But regional tensions and India’s wariness over China’s intentions make the initiative a hard sell in New Delhi, writes Gareth Price. Smaller countries in the neighborhood see the benefits more clearly.

Despite broad cultural similarities across countries, South Asia is one of the least connected regions in the world, and it has long suffered because of the need for post-colonial nation-building. The tension between India and Pakistan after independence and the size differential between India and each of its neighbors has meant that the regional multilateral organization — the South Asian Association for Regional Co-operation (SAARC) — has made slow progress in fostering co-operation.

Intra-regional trade is growing, but slowly and from a low base. The countries of South Asia have traditionally competed against each other, exporting textiles, for example, to Western Europe and North America. There is clear scope for greater regional trade, but even when trade liberalization has occurred, countries have complained about the imposition of non-tariff barriers.

While the region demonstrates a high tolerance for opportunity costs — for not taking advantage of almost-certainly beneficial policy options — that is not to say that the countries are unaware of the probable benefits. Millions of Indians, notably from Gujarat, moved into Africa as traders early in the 20th century. More recently, India has played a leading role in the “Heart of Asia” process, attempting to better integrate Afghanistan with its neighbors, though economic integration has been stymied by India-Pakistan tensions.

**Modi and Looking East**

India’s “Look East” policy was first articulated in the 1990s and it reflects a desire for greater integration between India and the countries of South-east Asia. Progress has been, as expected, slow, but trade between India and ASEAN has grown. Land links, however, are still undeveloped, and India’s northeast, bordering Myanmar, remains troubled. Myanmar itself remains ASEAN’s least developed member, with infrastructure to match. Ships rather than trucks provide the obvious link between India and Southeast Asia.

But the other hurdle to regional integration in South Asia has been China — the omnipresent elephant in the room. China’s close relationship with Myanmar added a further impediment to India’s Look East policy. Having fought, and lost, a war with China in 1962, India’s trepidations over China’s intentions have remained unabated. China’s “all-weather” friendship with Pakistan, along with its relationships with Sri Lanka, Bangladesh and Myanmar, have given New Delhi cause for concern. Even among those Indians who are more sanguine about China’s short-term intentions, there are worries over the potential longer-term threat. Until the last decade, New Delhi’s response to the Chinese threat to Northeast India had been not to develop transport links in Arunachal Pradesh (which China claims) so as to provide a buffer to deter Chinese expansionism.

The election of Narendra Modi as India’s prime minister has changed the thinking somewhat. His approach is not unlike that of many Chinese politicians — acknowledging that political differences exist with neighbors while encouraging greater economic integration. His acceptance of Chinese support to develop high-speed trains in India reflects a new, more self-confident approach.

At the same time, Indian policy-makers see that the country’s main priority is “development.” While millions have been lifted from poverty over the past two decades, India remains home to one in three of the world’s poor, with eight states alone accounting for 25 percent of global poverty. India’s working-age population is growing, and whether it proves to be a demographic dividend or disaster depends on their skills and on investment. The source of that investment — the West, the Middle East or China — is of little concern.

**New Silk Road Hesitation**

And yet India remains ambivalent about China’s Silk Road initiative. Business may be largely supportive and military strategists largely opposed, but this has left politicians and decision-makers with a difficult balancing act. For now, the prevailing response has been to delay making decisions on proposals affecting India while expressing varying degrees of concern about proposals to better integrate its neighbors with China.

Some Indian commentators have called for a more coherent response, given India’s broad acceptance of a need for greater regional connectivity. The Maritime Silk Road proposal, in particular, could potentially offer significant benefits for India. Other analysts, however, have described the maritime links and development of land routes as a policy that takes the string of...
Pakistan's first deep-water port, at Gwadar, as it appeared when construction was completed in 2007. In 2013 Pakistan handed operations over to China Overseas Port Holding Company (COPHC) to run, and China is expanding the port as part of its US$46 billion package of strategic infrastructure investment in Pakistan.

Sri Lanka also could benefit from the development of the Maritime Silk Road. However, Sri Lanka’s domestic politics may well confuse the extent of Sri Lankan support. By and large, Sri Lanka has attempted to balance its relationship with India and China; the previous government was clearly tilting toward China and away from India, in part because of India’s concerns over Tamil casualties at the end of Sri Lanka’s civil war. The ending of Mahinda Rajapaksa’s rule in Colombo has cast some doubt over Sri Lanka’s future foreign-policy priorities, as the new government tilts back toward India. Whether Sri Lanka’s shift imperils its involvement in the New Silk Road project remains in question. In March, Sri Lanka suspended the US$1.4 billion China-backed “Colombo port city” project. Numerous recent reports have claimed that the project would soon resume, but it remains suspended.

India announced several inducements to Sri Lanka during the mid-September visit of new Sri Lankan Prime Minister Ranil Wickremesinghe to New Delhi, with the two sides saying that they have “closely aligned security interests” after bilateral talks.

India’s concern over the Colombo port intensified in 2014 when two Chinese nuclear submarines docked in Colombo. The likely solution — which will to some extent demonstrate China’s longer-term ambitions — would be to prevent the development of infrastructure that would serve both military and civilian purposes.

However, some Indian commentators argue that China’s “encirclement” plan will now shift to the Maldives. While the government of the Maldives has stated that it has no intention of allowing any other country to set up a military base there, hawks in India appear skeptical. The recent political liberalization in Myanmar has been widely interpreted, in part, as being driven by a desire to reduce Chinese influence. China is developing a deep water port at Kyaukpyu, but an MOU to construct a rail connection between the port and the town of Muse, on the Chinese border with Myanmar, expired in 2014.

As with Gwadar in Pakistan, China’s attempts to develop these land links are seen as both positive and negative, largely dependent on the view taken of China’s longer-term ambitions. On the one hand, they will enhance economic opportunities in the neighborhood. On the other, they give China the means to bypass the US-dominated Malacca Strait.

MOVING FORWARD
While India is ambivalent regarding the Silk Road initiatives, it is more positive about the Bangladesh-China-India-Myanmar Economic corridor. This involves improving connectivity between Kolkata and southern China in a region with a vast population but, at present, very poor integration. Low levels of connectivity in South Asia also reflect the size disparity between India and its neighbors. These smaller neighbors are wary of being “swamped” by Indian goods, and fear that economic domination could imply political control. Over the past decade (and more in some cases) each has, to a greater or lesser degree, attempted to hedge its relationship with India by edging toward China. The New Silk Road initiatives play into this: each of India’s neighbors (except Bhutan) could potentially benefit from Chinese infrastructure investment. And across the region, policymakers see connectivity as an opportunity rather than a threat.

For India, however, the initiatives present a dilemma. First, policymakers in India prefer projects they have helped develop rather than those imposed upon them. Recent statements in China suggest that these concerns are being taken on board. Second, while the economic opportunities are unquestionable, is the proposed infrastructure a means of providing China with some future military benefit?

The second concern is, for now, unanswerable. The New Silk Road may well spur India to develop new ideas for integration, or expedite the implementation of existing plans. But India lacks China’s resources, and developing domestic communications links — through, for instance, the Delhi Mumbai Industrial Corridor — will be a greater priority than developing international connectivity. Suggestions that India should take advantage of the China-Pakistan Economic Corridor, linking it with Indian-controlled Kashmir, and reducing the salience of the border in Kashmir are unlikely to be heeded for the foreseeable future.

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