

India, China and Pakistan: The need for a nuanced approach to CPEC

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India has expressed its concerns about The China-Pakistan Economic Corridor (CPEC) but it does not have to power to stall the project between its neighbours. In this light **Tridivesh Singh Maini** writes that strategic actors in India would be well advised to take a longer-term view of the potential benefits of CPEC, although he acknowledges that current political climate makes it hard to contemplate strengthening India-Pakistan economic ties in the immediate future.



Recent strains in the India-Pakistan-China relationships

Tensions in the past few months have soured ties between New Delhi-Beijing and further exacerbated strains between New Delhi and Islamabad. China scuttled India's bid to join the Nuclear Suppliers Group (NSG) much to the delight of Pakistan, which has also been upping the ante on Kashmir with provocative statements from their leaders as the violence unfolded. China had also refused to support UN sanctions against Masood Azhar, head of Pakistan-based terrorist group Jaish-E-Mohammad (JEM). As a consequence India has also been more aggressive in expressing its concerns vis-à-vis the China-Pakistan Economic Corridor (CPEC).

The \$46 billion USD project, an important component of the One Belt One Road (OBOR) project, seeks to connect Kashgar (Xinjiang) to Gwadar Port in Balochistan passes through Pakistan-occupied Kashmir and Gilgit-Baltistan – both disputed territories. India has raised concerns on more than one occasion. During Chinese Foreign Minister Wang Yi's India visit in August 2016, Indian External Affairs Minister, Sushma Swaraj [conveyed India's apprehensions](#), and when PM Modi met with Chinese President Xi Jinping on the sidelines of the G20 Summit in Hangzhou last Sunday [CPEC was high on the agenda](#). PM Modi's references to human rights violations in Balochistan during his [independence day speech](#) are also significant because the corridor passes through Balochistan and a number of activists from the region have [expressed apprehensions](#).



Khunjerab Pass on the border between Gilgit-Baltistan in Pakistan and the Nagar District of China's Xinjiang region. Credit: [Keith Tan](#) CC BY-NC-ND 2.0

The fact is that although India's objections to the China-Pakistan Economic Corridor (CPEC) might be legitimate, this

does not mean that India has the ability to stall the project. So how should New Delhi approach CPEC?

Improving in economic relations with China

Recent tensions aside, economic ties between India and China have witnessed a significant rise with bilateral trade between both countries estimated at 60 billion USD for the period of April-January 2016. At the same time there remains a massive trade deficit estimated at nearly [45 billion USD](#). Chinese investments in India have also grown in the last couple of years with investment for the year 2015 estimated at [870 million USD](#) – a six-fold increase on 2014.

A number of state governments from India too have been proactive in reaching out for investment. Despite tensions between India and China over the NSG bid at the end of June 2016, Chief Ministers Shivraj Singh Chouhan from Madhya Pradesh and Chandrababu Naidu from Andhra Pradesh [visited China in order to draw investments](#) to their respective states.

Looking specifically at CPEC, China has made strong overtures on a number of occasions towards India to include it in the initiative. In February 2015, the Chinese Ambassador to India, Le Yucheng, spoke at a Confederation of International Chambers of Commerce and Industry (CICCI) gathering in Amritsar about the [potential of extending CPEC](#) to the Indian side of the border.

This proposal may seem utopian for the time being, but it needs to be kept in mind that Punjab India has taken the lead in strengthening economic ties with Pakistan since 2004. Business communities on both sides have [consistently lobbied for enhanced economic linkages](#), but politics at the centre has continued to act as a major impediment. Rajasthan and Sindh have also been keen to enhance people to people economic linkages and [resume cross border trade through Munabao-Khokhrapar](#). Even businesses outside Punjab, which have interests in Afghanistan and Central Asia, have been seeking land access. For instance, the Steel Authority of India Limited-led consortium AFISCO (Afghan Iron & Steel Consortium) has been unable to convince the Pakistan government [to allow transportation of the Hajigak iron ore deposits](#) by land to Karachi. If Pakistan were to agree to the Indian demand, the iron ore can be shipped to the western and southern ports of India and be used by Indian steel mills including JSW Steel – a part of the consortium.

Even aside from the business community in Punjab India, pragmatists in the strategic community also realise that obstructionism to CPEC is not the answer. If the project is to go ahead regardless of Indian objections it is worth looking for the benefits that might be derived from integrating with elements of the project. A number of analysts have already argued [in favour of finding common ground](#). In a [paper published last year](#), Alok Ranjan of the Institute of China Studies for instance speaks about developing economic corridors in the two Punjabs as well as Rajasthan-Sindh and Gujarat-Sindh and connecting these corridors with CPEC as well as the Bangladesh, China, India, Myanmar Economic Corridor (BCIMEC). He writes,

'these mini economic corridors could be linked with the BCIMEC and the CPEC through already existing or proposed connectivity projects such as the Amritsar-Kolkata Industrial Corridor¹³ and the Delhi-Mumbai Industrial Corridor (which passes through Punjab, Rajasthan and Gujarat and other states)¹⁴ in India, and National Highway N5 (from Karachi to Torkhum) and the Lahore-Karachi Motorway in Pakistan, or the SAARC Highway Corridor-1 (Lahore-New Delhi-Kolkata-Petrapole-Benapole-Dhaka-Akhaura-Agartala).'

Steps Pakistan needs to take

For this to work Pakistan will need to take important steps, such as granting India [Most Favoured Nation Status](#). This

is unlikely in the near future given tensions, but could be a possibility after the 2018 election.

Similarly, existing agreements could be expanded: for example, Pakistan and Afghanistan signed the Afghan-Pakistan Trade and Transit Agreement (APTTA) in 2011 which permits Afghan trucks to carry Afghan goods to India, via Pakistan. However, these trucks are not currently allowed to return with Indian goods. At [The Heart of Asia Conference](#) in Islamabad in December 2015, Indian External Affairs Minister Sushma Swaraj [spoke about New Delhi's readiness to join the APTTA](#). She said,

'India is willing to receive Afghan trucks on its territory, at Attari, and create necessary facilities for Afghan products there...We have also formally indicated our willingness to join the Afghanistan-Pakistan Trade and Transit Agreement'

So far Pakistan has opposed India's entry into the APTTA. The main reason is the security mindset in Pakistan, which is wary of India's role in Afghanistan. Swaraj raised the issue during her meetings with Pakistan PM Nawaz Sharif and foreign minister Sartaj Aziz on the sidelines of the conference. However, in the absence of any agreement, India went ahead and signed an alternative [transit agreement with Iran and Afghanistan](#) in May 2016.

Conclusion

Strategic actors in India would therefore be well advised to take a longer-term view of CPEC, rather than a uni-dimensional approach. A lot will depend upon whether or not Beijing can convince Islamabad, especially the GHQ, to give up its zero sum thinking vis-à-vis India and whether or not business lobbies in India and Pakistan persuade the central governments to reinvigorate the India-Pakistan economic relationship. Finally, there needs to be greater transparency with regard to the project, a number of Indian analysts open to joining CPEC have argued that if Beijing wants India to come on board, it needs to be [more open with regard to the detailed plan of the project](#). Although the possibility of either of the above events in the near future is bleak, the possibility of working towards them in the longer term.

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