

# China, India and “Maritime Silk Road”: Seeking a Confluence

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*In the coming years, the texture of China–India relations will be a crucial determinant of the geopolitical, economic and security environment of Asia, with a strong impact on the global order. Both countries have lately emerged as major economies. This has led to a dilation of their areas of maritime interest, and thereby a growing China–India interface at sea. This may be accompanied by both opportunities and challenges. Given the dynamism of recent developments, these need to be continually assessed and appraised as inputs for policy making. Among the most significant developments is China’s “Maritime Silk Road” (MSR) initiative. In context of this development, this paper attempts to examine the convergences and divergences between China and India. While the bilateral divergences may continue to persist, the paper attempts to assess whether the two countries could capitalize upon the convergences to seize the opportunities presented by the MSR.*

In the global context, the salience of China–India relations may be described as being second only to China–US relations. In the coming years, the texture of India’s

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interactions with China will be a crucial determinant of the future geopolitical, economic and security environment of Asia, with a strong impact on global affairs.

China and India are immediate neighbours with a common land border, but the two countries do not share a maritime boundary. Since their emergence as nation-states in the contemporary times, therefore, the interface between the two countries has been restricted to the continental domain. However, both countries have lately emerged as major economies with growing maritime and overseas interests, leading to growing interactions at sea. Such a maritime interface between China and India is accompanied by both opportunities and challenges, dictated by convergences and divergences of respective interests. While the bilateral divergences would continue to persist, the national imperatives of both countries dictate that their efforts are directed to capitalize upon the convergences to seize the emerging opportunities for cooperation.

In October 2013, while on a visit to Indonesia, the Chinese President Xi Jinping announced the 21st-Century Maritime Silk Route Economic Belt concept (commonly called the “Maritime Silk Road” or MSR), primarily as a platform for economic cooperation across the maritime–littoral realm, stretching from East Asia to Europe across the Indian Ocean. China has approached all countries located along sea-route, seeking their partnership. It formally invited India to join the MSR during the 17th round of bilateral border talks held in February 2014.<sup>1</sup> Does the MSR present an opportunity for India to further cooperation with China? India has reserved its stand on supporting the MSR, indicating that the details of the concept are not yet known. Chinese analysts indicate that Beijing is working out the details. This paper attempts to examine the known facets of the MSR concept, and in this context, identify the convergences between China and India.

## The MSR Concept

In conceptual terms, the MSR is meant to be a reincarnation of the ancient “Silk Road” that was used to carry trade – predominantly silk – and cultural imprints from the Han Dynasty China (206 BC–220 AD) to Europe across the South China Sea, the Indian Ocean and the Mediterranean Sea.

Citing the *China Securities Journal* of April 2013, China’s *Xinhua* news agency carried the broad contours of the MSR plan. It said that the “priority” of the plan was “port construction ... (with) focus on infrastructure construction of countries along

the route”.<sup>2</sup> The *Xinhua* article added that MSR is also envisaged to address aspects beyond simply speedy transportation. In this context, China envisions a trade network where “goods are more abundant and trade is more high-end”.<sup>3</sup> Through MSR, China’s intends to “coordinate customs, quality supervision, e-commerce and (the actions of) other agencies ... (and set up) free trade zones”.<sup>4</sup> This translates into China offering assistance to its partners to boost trade-linked industrial productivity.

This may be seen in the context of Beijing’s encouragement to its companies to shift their manufacturing hubs to the countries of the Indian Ocean Region (IOR), due to China’s overcapacity and rising production costs.

Notably, two days ahead of the key APEC summit beginning 11 November 2014, the Chinese President announced a fund to assist the partner countries to develop their seaport infrastructure,<sup>5</sup> and to “break the bottleneck in Asian connectivity by building a financing platform”. Besides the US\$40 billion-dedicated “Silk Road Fund”, the Asian Infrastructure Investment Bank (AIIB), with an expected initial capital of US\$50 billion, may also be used to support China’s Silk Road initiatives.<sup>6</sup>

## Conceptual Convergence

China seeks international recognition for the MSR as a “World Cultural Heritage”. In March 2014, China applied for the MSR to be included into the list promulgated by the United Nations Educational, Scientific and Cultural Organisation (UNESCO).<sup>7</sup> A similar endeavour with UNESCO was initiated by India in the form of the “Mausam” and the “Spice Route” projects.

### Project “Mausam”

Project Mausam is an interdisciplinary academic enquiry into the ancient sea-routes distinct to the Indian Ocean. These routes were premised upon the regularly reversing regional wind phenomenon called monsoon (the derivative of the Arabic word “Mausam”), whose easy predictability facilitated sea-borne commercial and cultural linkages since the beginning of the third millennium BC between the Indian sub-continent and the rest of the Indian Ocean Region (IOR), besides Southeast Asia and China. The enquiry aimed not only to string together the historic past of the countries involved, but also to understand the impact on the IOR societies in terms of the exchange of commodities, culture, religion, ideas, values and technology.<sup>8</sup>

## Project “Spice Route”

Since around the same period of the third millennium BC, merchants involved in trade in spices (besides some other commodities like gems, metals and medicines) sailed from the Indian sub-continent to Africa, Arabia and East Asia. Eventually, the spice trade became lucrative for the Europeans, providing an overwhelming incentive for the Dutch, French, Portuguese and English to sail to the Coromandel coast of southern India in search of these valued condiments, essential for preservation and flavouring of food and also used in ritual practices. For this reason, this coast became known as the Spice Coast.<sup>9</sup>

The two Indian projects are being perceived by some as India’s rival concepts to China’s MSR initiative.<sup>10</sup> In reality, however, these Indian projects complement MSR. Along with MSR, these denote and revive Asia’s historic maritime heritage, traditions and practices, which together lend credence to the “resurgence” of Asia as the economic powerhouse of the world, and contribute to integrate the diverse Indo-Pacific<sup>11</sup> region. In particular, the MSR would serve to integrate Asia economically, creating mutual dependence, and thereby, contributing to regional stability.

## Asia’s “Top-down” Policy-Making Approach

Asia is lately fortunate. The Asian Quartet (China, India, Indonesia and Japan) has lately received worldwide attention on account of the coming to power of new “clear-eyed” apex leaders, who are pushing for growth-oriented policies and mutual prosperity, thereby imparting momentum to Asia’s “rise”. In this context, the MSR concept initiated by President Xi Jinping may be seen as an element of China’s top-down approach to implement constructive policies driven by a single-minded constructive vision, in contrast to the conventional bottom-up approach to state policy making, which has greater probability of being mired in parochial interests of the various organs, departments and individual officials of the government machinery. India – under its new Narendra Modi-led government at New Delhi – has adopted a similar top-down approach.

For Asia in general, and for China and India in particular, the political transitions in the Asian Quartet countries is a rare occurrence that could be considered an opportunity to be capitalized upon by the “current generation” on both sides to further cooperation, while also resolving their outstanding disputes.

## **Functional Convergence**

### **Economic Connectivity**

India's national aim is to seek the unhindered economic progress and socio-political development of the nation and its people, and the fulfilment of their legitimate aspirations. However, India encounters major geographical and infrastructure-related constraints for economic connectivity within and beyond the Indian subcontinent, which translate into a major impediment for New Delhi to pursue its national developmental agenda. The "Diamond Quadrilateral" Project involving the establishment of country-wide freight and industrial corridors is an example of the Indian government's emphasis on overcoming the infrastructural constraints. Notably, the large industrial corridor between Delhi and Mumbai featuring high-speed trains and superhighways is planned to be financed through China's US\$ 20 billion in investment (besides Japan's US\$ 35.5 billion investment).<sup>12</sup>

Notwithstanding these efforts, geographical constraints continue to impede India's land-based foreign trade, even with two of its immediate neighbours, China and Myanmar. Hence, nearly all of India's merchandise trade with these countries transits via the sea. India's endorsement of the BCIM (Bangladesh–China–India–Myanmar) Trade Corridor proposed by Beijing may be seen as a measure to offset this adversity. It is, however, realised that such steps are grossly inadequate, and need to be supplemented by maritime connectivity. The revival of the former Indian Prime Minister Vajpayee's "Sagar Mala" Project by the new Modi-led government may be seen in this context. Involving the development of new seaports along peninsular India, the Project would enhance overseas trade connectivity, while also progressively leading to "port-led development" of the hinterland, and the SEZs. The MSR – as a supplement to the BCIM Corridor – could facilitate these seaport and SEZ development plans.

In the context of the aforesaid, in principle at least, the broad objectives of the MSR concept seem to be convergent with India's efforts to enhance maritime–economic connectivity towards its overarching developmental agenda.

### **Manufacturing and Market Rationalism**

The "Make in India" campaign recently launched by the Indian Prime Minister Narendra Modi is being seen in China to be convergent with the MSR concept.

The leaders of Chinese industry and provinces are visiting India looking for opportunities in sectors like textiles, chemicals, iron and steel, low-end motors and machines. On November 27, 2014, the Chinese *Peoples' Daily* published an article recommending India to absorb China's "sunset industries".<sup>13</sup> The following day (November 28, 2014), the *Times of India* published an article dismissing the suggestion.<sup>14</sup> Was this reaction by the Indian media a result of adequate academic enquiry? Or does it flow from the prevailing mistrust between the media of the two countries? It is an adverse knee-jerk reaction that fails to objectively consider the merit of the case? In other words, is it tantamount to "throwing the baby with the bathwater"?

The suggestion carried by *Peoples' Daily* is certainly driven by China's interest. Lately, China's "Export and FDI-driven economic model" is losing steam. On December 27, 2014, China's Ministry of Commerce published a report on the nation's foreign trade, showing that volumes of trans-border goods circulation added only 3.5% in 2014, compared with the government's target of 7.5%.<sup>15</sup> China's economic slowdown may be explained by the decline in the global competitiveness of its manufactured goods as production costs continue to increase. Outsourcing low-technology manufacturing to partner countries bears major economic dividends for China. Its exports would become more competitive and would secure new markets. Chinese companies are also likely to reap substantial profits on the capital invested in port infrastructure development. The infrastructure so created would also facilitate market access for Chinese exports.

However, the proposal may be in India's interest as well. It is necessary to acknowledge that Chinese manufacturing industries are decades ahead of India's, and it is with low-technology industries that China began its journey. Indian industries must learn to walk before they aspire to run. It may be recalled that in the 1980s, the neo-liberal concept of the "Flying Geese Paradigm" (FGP) – a model for international division of labour in East Asia based on market rationalism and comparative advantage – was employed by Japanese multinational companies to outsource component production to Southeast Asia.<sup>16</sup> This provided the much-needed fillip to Southeast Asia's manufacturing industries benefiting the export-led economies of these "Asian Tigers" in a major way.

Similarly, in the Indian context, this dimension of MSR is promising, at least theoretically. China's manufacturing industries are lately beset by overcapacity and rising production costs, particularly in terms of land and labour. On the other hand,

India has advantages of low-cost of land, and land acquisition regulations are poised to become more investor friendly. Besides, India's labour costs are among the lowest in the world. Its possesses a nearly 500-million-strong labour force comprising unskilled workers and English-speaking scientists, researchers, and engineers, making it a potential destination for cost-effective research and development-oriented manufacturing.<sup>17</sup> India could thus gain from MSR, not only through infrastructure development, but also by generating widespread employment opportunities within the country. India is also steadily gaining the global edge in manufacturing.<sup>18</sup> However, if it opts to stay out of the MSR, it may lose an opportunity being offered by China, while all other MSR partners would benefit. India's participation in the MSR may also help it to redress its substantial trade imbalance with China.

### **Development of Maritime Economy**

Besides development of miscellaneous manufacturing industries, industrial parks and SEZs, the MSR may assist India to develop its economy in the maritime sectors through bolstering its marine industry and ship-building capacity, which also fall in the purview of the MSR concept. Notably, China is among the world's largest shipbuilding nations. In 2010, it overtook South Korea as the world's largest shipbuilder in terms of shipbuilding capacity and new orders.<sup>19</sup> Chinese companies could explore joint shipbuilding ventures with private players in India. While India's shipbuilding industry could benefit from Chinese shipbuilding practices, design expertise and technologies, China could benefit by outsourcing some of its shipbuilding to Indian yards, which have advantages like low costs of labour and raw material. Through the recently established BRICS Development Bank and the Asian Infrastructure Development Bank (AIDB), China may be able to facilitate the funding for such projects.<sup>20</sup>

### **Divergences and Challenges**

#### **Bilateral Discord**

Convergence and divergence usually co-exist in relations between any two countries. China-India relationship is no different in this regard. However, when the discord between two countries is pitched at a level that hampers political trust, it does cast an ominous shadow over the prospects of cooperation, even if such cooperation – such as

in terms of economic connectivity, infrastructure development and enhanced employment opportunities – is realized not only as a win-win endeavour for both countries, but also because it is an exigent imperative for the two countries to meet their overarching national objectives.

Specifically regarding the MSR, India would need to consider the details of the concept (when articulated) for its potential to accrue mutual economic benefit. While the broad contours of the concept are known, in the current state of affairs with regard to bilateral relations, India is unlikely to accede to Chinese companies investing in what it considers as its “strategic sectors”. Hence, such cooperation would not be able to yield its full potential unless both sides “demonstrate” the political will to resolve bilateral disputes, and some “tangible” breakthrough is achieved.

### **Environmental Factor**

The possible adverse effects of establishing low-technology industries in India’s “production zones” is another aspect that New Delhi is likely to factor while stating its stand on the MSR. For obvious reasons, including meeting its international commitments to reduce greenhouse emissions, it would be in China’s interest to relocate these industries to its prospective MSR partners. However, these polluting industries are likely to have severe deleterious effects on the environment in India’s maritime–littoral areas.

### **Motives of Heritage Revival**

It is understandable for any emerging power to revisit and capitalize upon its historical civilizational maritime heritage as a component of its soft power to propagate its influence in the areas of maritime interest. China and India are no different in this regard. However, their MSR and Mausam/Spice Route concepts diverge in terms of one element of their respective conceptual underpinnings. Besides its economic focus, the MSR is motivated by the Beijing’s need to assert its historic maritime claims in the Western Pacific, while India’s Mausam/Spice Route is merely aimed at searching for cultural and societal convergence with the IOR nations. The objection raised by Vietnam on China’s approach to UNESCO and its archaeological plans off some disputed islands of the Paracel group<sup>21</sup> is a notable indicator.

Given India’s vital economic and strategic stakes in the Western Pacific necessitating freedom of navigation, and its emerging proactive role as a factor of stability in the Indo-Pacific region premised on upholding international norms and legal tenets, New Delhi cannot ignore this aspect.

## Conclusion

An objective assessment of MSR in context of India’s national interests indicates major convergences between China and India. However, the divergences are grave and cannot be ignored. As and when Beijing articulates the specifics of the MSR to its prospective partners, it would also need to address the divergences with India, particularly in terms of India’s security concerns. Whatever approach New Delhi finally adopts to China’s MSR concept, it would have significant ramifications not only for bilateral relations, but also for regional geopolitics.

## Notes

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