



RAISINA

FILES

2016

## Connecting Asia





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## “A conversation and an exploration of ideas, thoughts and opinions”



In its essence, a dialogue is a conversation and an exploration of ideas, thoughts and opinions. Great societies represent a continual dialogue—ever in conversation with themselves. At its root, the Raisina Dialogue, the inaugural edition of which takes place this year, sees itself as a legatee of that great Indian, Asia and human tradition of conversation and of an exposition of thought.

The Raisina Dialogue 2016 focuses on Asian connectivity—an expression that can be interpreted in diverse ways. The imperative for an Asian connectivity is physical and digital, economic and strategic. The integration of Asia within itself as well as the integration of Asia with the rest of the world is the abiding geoeconomic, geopolitical and geostrategic quest of our age. As such, the theme of the Raisina Dialogue is not just apposite, it is emblematic of the major continental and global challenges of the coming decades, if not of all of the remaining 21st century.

Few countries and societies have as much at stake in this endeavour as India. Asia is a vast continent that stretches from the gates of Europe and the heartland of Eurasia to the shores of the Indo-Pacific. These flanks, to India’s west and east, constitute India’s economic hinterland and its strategic geography. Yet, it is not just India that is implicated. Packed into that fascinating and incredibly diverse geography are the deepest questions of our time. They include, though are not limited to, finding common pathways that take this continent and its stakeholders towards that aspiration of connectivity and integration.

Inevitably, there is a search here for an Asian identity—not in some philosophical, artificial manner, for how could one find one idiom and rubric to describe a native of Baku and a resident of Bali, or Kirkuk and Kalimpong for that matter? That search for a togetherness needs sinews such as economic prosperity, social development; it needs to lay the building blocks of a shared destiny.

In turn, this is the inspiration behind *Raisina Files* and the collection of essays it features. Of course, this theme will also inform the coming Dialogue, of which this volume is in a sense a trailer. The essays cover a gamut of subjects from energy cooperation to river-basin development, from

realising the potentialities of the internet and the digital ecosystem to crafting an architecture to secure maritime-Asia and the seas and oceans that are the lifeline of this continent.

The essays are written by leading Indian analysts, the selection being carefully curated by the Raisina Dialogue team at the Observer Research Foundation. Having said that, the views and assessments that feature in these essays do not purport to represent the long view from India, or from Raisina Hill, the elevation in New Delhi on which India's presidential palace—the Rashtrapati Bhawan—and the seat of the Union government lie. Rather, they represent the individual minds of their authors, but also seek to encapsulate and conflate a larger continental discourse on the most salient and trenchant challenges before Asia and its peoples.

It is crucial to contextualise those challenges. At one level, they are challenges for the entire planet—for Asia's vulnerabilities and opportunities are increasingly vulnerabilities and opportunities for the broader world order and human community, given the economic engines that power the continent as well as the conventional, non-status quoist and increasingly asymmetrical threats that rumble within.

In another calculus, the *Raisina Files* essays allude to the range of imperatives driving Indian foreign policy: securing the country's frontiers and its people, wherever they may be, from war, terrorism, disaster and other physical harm; laying the foundations of a middle-income, middle-class economy by filling the energy gap; creating new and sustainable urban spaces; opening up avenues for growth and jobs; providing uninterrupted and disintermediated access to information, education and public services by using digital platforms; and being sensitive to the environment.

Each of these is a domestic conundrum. Each of these is also a clear foreign policy goal, the realisation of which will not only enhance India's connectedness to the region, continent and world beyond, but will also lead to the generation of still greater diplomatic leverage and surplus.

As India attained independence on 15 August 1947, Jawaharlal Nehru, the new nation's first prime minister, gave a remarkable address that spoke for the moment and anticipated the tasks ahead. "Peace," he explained, "has been said to be indivisible; so is freedom, so is prosperity now, and so also is disaster in this one world that can no longer be split into isolated fragments." While he did not quite use those words, Nehru was linking domestic prosperity to foreign policy, physical connectivity and a more intangible sense of connectedness.

The Raisina Dialogue 2016 seeks to reimagine this mission in a new century, with very different capacities and technologies as well as very different defining questions. The appeal of connectivity is one mechanism; there could be complementary themes. In the coming years, successor editions of the Raisina Dialogue and the Raisina Files will strive to take these themes—and this legacy—forward.

—Ashok Malik, Convenor, Raisina Dialogue 2016

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F I L E S

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# India and the Ideas of Asia

C. Raja Mohan

**A**s one of the world's oldest continuing civilisations, India has always been enriched by its interaction with other cultures and civilisations around it. As India's first prime minister Jawaharlal Nehru told the delegates to the 1947 Asian Relations Conference in Delhi, India is "so situated to be the meeting point of western and northern and eastern and southeast Asia. Streams of culture have come to India from the west and the east and been absorbed in India, producing the rich and variegated culture which is India today." "At the same time," Nehru added, "streams of culture have flowed from India to distant parts of Asia... If you would know India you have to go to Afghanistan and Western Asia, to Central Asia, to China and Japan and to the countries of Southeast Asia. There you will find magnificent evidence of the vitality of India's culture which spread out and influenced vast numbers of people." If the idea of a culturally interconnected Asia animated the Indian national movement, the hopes of constructing an "Asian Federation" emerged as

an aspiration on the international stage.

Yet, the fact is that the scale, scope and intensity of its connectivity with Asia varied over the millennia. There have been periods of expansive engagement with its neighbouring regions, interspersed by centuries of isolationism. Nehru's own stewardship of independent India saw Delhi intensely embrace Asia only to turn its back on it soon after. Today, integrating with Asia has once again become a major theme of India's economic and foreign policies. This essay reviews the changing ideas of Asia, the tension between forces of unity and division within the great continent, and India's imperatives in connecting Asia and promoting peace and prosperity in the region.

## United and Divided

The idea of Asia's unique identity endures and takes many forms. There is the notion of a 'cultural Asia' that has been propounded by the Japanese art historian Okakura Kakuzo way back at the turn of the 20th century, as the region began to discover shared civilisational roots. "Asia is one," was the simple but profound first





INDIA & ASIA

sentence of Kakuzo's highly influential work, *The Ideals of the East*, published in 1903. As they gained national consciousness, became more aware of the world around them and intensified the effort to free themselves from colonial yoke, many in the region defined Asia as the 'spiritual other' in the East to the 'materialistic West.' Some in Asia were deeply wary of the idea of an Asia that defines itself in anti-Western terms. Instead, they sought to imagine the Asian identity in more universal terms.

Contemporary Asia's first great power, Japan, instrumentalised the idea of pan-Asianism to promote its own imperial interests in the first half of the 20th century. As it occupied vast swathes of Asia, Japan talked of an 'Asia for the Asians' and presented its own conquest of the region as a 'liberation' from European colonialism. In contrast to the notions of Asia's imperial unity, the anti-colonial struggles generated a very different version of Asian unity. This sense of solidarity expressed itself at Asian Relations Conference in Delhi and the Afro-Asian Conference at Bandung (1955). It eventually morphed into the Non-Aligned Movement.

Asia's sense of unity, however, was shattered quickly as inter-state and intra-state conflicts, exacerbated by narrow nationalism and Cold War geopolitics, enveloped the region. As the West prepared for a triage of the new nations, the so-called 'Asian Tigers' surprised the world by demonstrating the prospects for rapid economic growth through globalisation in the 1960s. Their example was emulated by others, including China and India, in the subsequent decades. Their separate efforts turned Asia into the world's economic powerhouse

and laid the foundation for the great reverse in the balance of power between the East and the West.

Complementing the rise of an 'economic Asia' was the new 'institutional Asia.' If Asian regionalism and internationalism in Asia rapidly dissipated in the 1950s, the end of the Cold war saw the dramatic expansion of trans-regional institution building in Asia under the leadership of the Association of South East Asian Na-

tions (ASEAN). What seemed an impossible dream in the middle of the 20th century turned into a reality by the beginning of the 21st century amidst the proliferation of regional institutions, including those focusing on political cooperation such as the ASEAN Regional Forum, the East Asia Summit and the Conference on Interaction and Confidence-Building in Asia.

Asian nations are now more economically connected than ever before. They are striving to deepen regional integration through trade liberalisation agreements at the sub-regional, trans-regional and international levels. In the middle of the 20th century, regionalism ran into opposition in Asia from those emphasising 'economic sovereignty.' Today Asian nations have the

luxury of dealing with competing trade pacts. As it seeks to build an economic community among its ten members, the ASEAN is also promoting the Regional Comprehensive Economic Partnership with six other partners—China, Japan, Korea, India, Australia and New Zealand. The United States has led the effort to draft a more ambitious trade pact among 12 nations, including some members of the ASEAN, called the Trans-Pacific Partnership. China has proposed a much wider arrangement called the

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Free Trade Area of the Asia Pacific. Meanwhile, market forces are pushing different parts of Asia and its immediate neighbourhood together. The rise of China and India has made them the largest and preferred customers for the oil resources of the Gulf and mineral resources of Africa. Trade, investment and aid volumes from China and India with the Middle East and Africa have surged.

Beijing has also led the creation of new Asian and international financial institutions, such as the Asian Infrastructure Investment Bank and the New Development Bank, the latter under the non-geographic forum BRICS involving Brazil, Russia, India, China and South Africa. Its ambitious Belt and Road initiative to build physical connectivity across borders promises to recast Asia's economic geography. Its project for overland industrial belts extend all across Eurasia. Beijing's Maritime Silk Road project connects the Indian and Pacific Oceans, long viewed as separate maritime domains. Japan, which had led the efforts in the second half of the 20th century to build Asian infrastructure, is now taking fresh initiatives. As a result of these initiatives, Asia is going to be more intricately tied to itself through new roads, high-speed railway systems, energy pipelines and optical fibre networks.

The moment to celebrate the extraordinary triumph of the idea of Asian unity, however, seems to be marred by the re-emergence of conflict and power rivalry in the region. Regaining control of national destinies was one of the main objectives of the post-colonial states in Asia. The region today is no longer a mere theatre for European colonial powers. It is the motor of global growth and

has agency in shaping the world's financial and political order. If the reviled Vasco da Gama moment has ended in Asia, the region is also facing sharp internal divisions. While the focus of the last two decades has been on the shifting balance between Asia and the West in favour of the former, the region is now coming to terms with structural changes in the evolution of Asia's 'internal' balance of power. The rapid rise of China relative to the other

powers in Asia has raised big questions about the future strategic order in Asia. China has overtaken Japan to become the second largest economy in the world and is poised to surpass the US in the near future. The widespread hopes for Beijing's peaceful rise have evaporated amidst the sharpening maritime territorial conflicts between China and its neighbours.

To make matters worse, the great power harmony in Asia that has existed since the normalisation of Sino-American relations in the 1970s and the collapse of the Soviet Union in 1991 has been replaced by mounting tension between China and Japan on the one hand, and between Beijing and Washington on the other. There is renewed emphasis on alliances, defence part-

nerships and military modernisation across the continent. At the same time, the project to build a comprehensive cooperative security architecture for the region is in disarray. There are deep disagreements on the nature, scope and terms of any such arrangement, some of which have turned the idea of Asia into a contested one. One view, articulated with great vigour in Beijing, reaffirms the slogan of 'Asia for Asians' and demands that outside powers quit the region. Others wary of Chinese power eagerly seek

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American military presence in the region. As they develop strategic partnerships with America, they also strengthen military cooperation among themselves as an insurance against a potential US-China duopoly in the region. A century after the ideas of unity and shared identity gained regional traction, Asia enjoys levels of integration and cooperation that few could have imagined. Yet, the political fault lines in the region have never been so deep.

## Engagement and Isolation

As Asia enters a period of great churning, the question of India's role in the region has become an important one. The great potential and persistent challenges to India's role in Asia can be seen in terms of a paradox: Through the ages, India was both a self-contained (sub)continent in itself as well as the geographic pivot between different parts of Asia. India's history has seen periods of expansive engagement with the neighboring regions interrupted by extended periods of self-imposed isolation. This pattern has repeatedly played out over the centuries.

The dynamic interaction with the Aryans from inner Asia, its maritime linkages with Greece and Rome, the spread of Buddhism from India by land and sea and its links to the Silk Road all marked a significant interaction with the world in the pre-Christian and immediate post-Christian era. This engagement took place despite the physical barriers—the seas to the south, the deserts to the west and the great Himalayas to the north and east. When the Indian society turned inward around the 10th century, its engagement with the world was confined to the margins of the subcontinent. In this era too, the im-

pact of Muslim rulers from Arabia, Turkey and Central Asia saw the enrichment of Indian society. But it was the rise of capitalism in Europe and the colonial era that dramatically reconnected India to the world.

While it subjected India to alien rule, colonial rule began the process of globalising the Indian economy. The region was no longer producing for itself and trading with the limited agrarian surpluses. The new era saw local pro-

duction for global markets and the emergence of India itself as a market for goods produced elsewhere in the world. The colonial era also saw the movement of Indian capital and labour across the world and formed the foundation for India's global footprint and human connectivity. Through the colonial era, India became the economic connector of different regions in Asia and in the Indian Ocean littoral. The colonial era saw the construction of three major ports—Bombay, Madras and Calcutta—that became critical nodes in the new global maritime trading network. The British Raj continuously opened new markets and new trading routes between India and its abutting regions in inner Asia, from Xinjiang to Yunnan. It built road and rail networks, much in the manner

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that China is doing with its Silk Road initiative today.

At the political level, the colonial Raj saw the territorial consolidation of India. Although the Raj never fully approximated to the coherence of modern European states, it did become the largest empire that the subcontinent had ever seen. The need to concentrate the means of violence under colonial rule saw the creation of a massive armed force, that built on the many indigenous formations before. This force inevitably

emerged as the centre of British imperial defence system. India's armed forces became the main security provider in the Indian Ocean and its abutting regions—from the South China Sea to the Mediterranean and from Southern Africa to Siam.

Independent India, wittingly or unwittingly, abandoned this legacy of a massive external economic and military engagement with Asia and the Indian Ocean. By making

a conscious choice in favour of economic self-reliance and import substitution, India disconnected itself from the regional markets. The great Partition of made matters worse by breaking up the political and economic unity of the subcontinent. The creation of new borders and the tensions between India and Pakistan meant that the region's military energies, directed outward during the Raj, were now turned inwards. The unification of China, its control of Tibet, and the boundary dispute between Delhi and Beijing resulted in shutting down the long frontier between India and China. If an insular approach to development diminished India's relative

economic weight in Asia and the Indian Ocean, Delhi's foreign policy rooted in non-alignment reduced India's weight in the security politics of Asia. That India became increasingly isolated in a region that was its natural space for leadership underlined the tragic paradox of India's foreign policy in the early decades after independence. It took the end of the Cold War and an internal economic reorientation to put Asia back at the Centre of India's foreign and economic policies.

## Reconnecting India

That India's Look East policy came in the wake of its eco-

nomics reforms initiated at the turn of the 1990s was not surprising. Reconnecting to Asia, Delhi recognised, was critical for the modernisation of the Indian economy that had fallen behind the rest of the region and to rejuvenate its foreign policy in the new era. Since then, India has made considerable advances in connecting with Asia. It is now part of the major regional institutions, has growing economic and trade links and has stepped up its security

cooperation with most Asian nations. Yet, there is a widespread sense of disappointment in Asia with India's recent record in the East. Asia's regional dynamic—in economic, political and strategic domains—has moved much faster than Delhi's readiness to adapt. Asia today hopes that the 'Act East' policy unveiled by the government of Narendra Modi will bridge the gap between India's promise and performance. To meet the regional expectations for leadership, India will need to accelerate its internal economic reforms, deepen its integration with its South Asian neighbours, seize the opportunities for strengthening physical connectivity with different parts

of Asia, play a more active role in the regional institutions and intensify its defence diplomacy. Delhi cannot afford to miss the unprecedented opportunity to accelerate Asia's march towards prosperity or disavow the historic responsibility to shape its future political order.

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*World: Expanding India's Sphere of Influence (2015).*

# Balance in a Tilted, Technicolour World

Samir Saran & Abhijnan Rej

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uturists often hedge their prognoses with Yogi Berra's dictum that prediction is difficult, especially when it comes to the future. And yet, when it comes to drawing the broad contours of how the future would look like in the medium run, all one needs to do is revisit yesterday's news. The past year saw five meta-narratives emerge around 'asymmetries' between means and abilities, 'multiplicities' of malign and benign norms, and glaring 'contradictions' between aspirations and capabilities. This is true—in equal measures—both at home and abroad.

If predicting the future is a difficult exercise, doing so for Asia is doubly so. Looking at the continent, one sees certain centrifugal forces dominate the centripetal forces that would promote status quo ante when it comes to continuity of norms and practices. These forces correspond to five meta-trends—the consolidation of geopolitical asymmetries; the rise of big economies that are poor in per capita terms and weak states with demographics which are double-edged swords; competing models of globalisation; the continued tug of war between the pre-modern and post-modern; and economic

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**The centrifugal forces correspond to five meta-trends—the consolidation of geopolitical asymmetries; the rise of big economies; competing models of globalisation; the continued tug of war between the pre-modern and post-modern; and economic growth trajectories in which the fruits of innovation do not translate into rise in purchasing power.**

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TRENDS



growth trajectories in which the fruits of innovation do not translate into rise in purchasing power.

### The Era of Dangerous Asymmetries

Asia is home to states that have significant military capabilities, but very limited stakes in the liberal international order. Such states cultivate hard military power—and the consequent ability to upend the geostrategic status quo—but have very little ability (and desire) to shape the collective economic order. From the global governance perspective, the challenge, therefore, is to discover means by which these 'military-maximalist' states can be integrated further into international processes.

Consider this. On one hand, out of the nine nuclear powers in the world, six are Asian, including Russia. On the other hand, Asia's share of global gross domestic product (GDP, computed at purchasing power parity levels) is only 35.6 percent, Russia included.<sup>1</sup> The Russian atomic arsenal is actually bigger than that of the United States (US, at 7,500 weapons against 7,200)<sup>2</sup> but its GDP is a small fraction compared to the US GDP.

China has the world's largest military but it has only 3.8 percent of voting shares at the International Mon-

etary Fund.<sup>3</sup> Pakistan's nuclear arsenal can be put to apocalyptic use, and yet it remains a non-starter as a responsible player in global governance. Then there is North Korea, a nuclear power with absolutely zero stakes in global governance.

This asymmetry—between military capability and limited global governance stakes—becomes more pronounced as one traverses Asia from the North to the

South and from the West to the East. To integrate these states into an open world order, it becomes an imperative to further empower the few initiatives in which these states have a stake. For example, Russia has been enthusiastic about BRICS (acronym for association of Brazil, Russia, India, China, South Africa) since it perceives the grouping as a balancing coalition. Irrespective of its perceptions, however, empowering BRICS does increase Russia's involvement in the global governance architecture.

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### Big, Poor, Young and (In)capable. The Rise of Testosterone Politics

Two of the largest Asian economies, China and India, are

poor in per capita terms, the middle-income tag notwithstanding. This tyranny of arithmetic is compounded by the fact that such big economies with relatively poor populations are also growing at the fastest rates. Such states also face significant demographic challenges in terms of growing old and young populations

1 Computed by summing the 2014 GDP share of individual Asian G20 countries in global GDP. "GDP as a Share of World GDP at PPP by Country," Quandl, accessed February 1, 2016, <https://www.quandl.com/collections/economics/gdp-as-share-of-world-gdp-at-ppp-by-country>.

2 "World Nuclear Weapons Stockpile," Ploughshares Fund, accessed February 1, 2016, <http://www.ploughshares.org/world-nuclear-stockpile-report>.

3 "IMF Members' Quotas and Voting Power, and IMF Board of Governors," International Monetary Fund, last updated February 1, 2016, accessed February 1, 2016, <https://www.imf.org/external/np/sec/memdir/members.aspx#C>.



and gender imbalance.

Traditionally, big economies that were also rich in per capita terms assumed significant responsibilities in managing global crises. Today's 'big and poor' Asian countries are unable to respond similarly due to their understandable 'domestic development-first' agendas.

Demographics would continue to limit the commitments that these 'big and poor' states can make to their own populations as well. The United Nations estimates that by 2050, India will have 300 million elderly, more than the current population of the US, while its median age will be 37.<sup>4</sup> This means that the Indian state will have to provide for substantial young and old populations by then. How we design our institutional mechanisms today—from pensions to skilling, from social sector redesign to incentivising market forces to play a greater role in what has been the province of the state—will determine and foil the crowding-out of the old by the young in the future.

If the rise of the young and the old is one challenge, gender imbalance is the other. China's preference for male children—a deep-seated Asian prejudice—has led to 118 boys for every 100 girls (against the global average of 103 to 107).<sup>5</sup> India's gender imbalance now stands as the worst in re-

corded history—93 girls to every 100 boys.<sup>6</sup> This imbalance points to the rise of testosterone politics, where the voices and imperatives of men will crowd out those of women. They also point to the possibility of deep structural changes in the very fabric of Asian societies.

### The Multiverse of Globalisation

Between the fall of the Berlin Wall in 1989 and the destruction of the New York World Trade Centre in 2001, there was broad consensus that Fukuyama's Last Man having arrived and overseen the end of Hegelian history, Globalisation (with an uppercase 'g') was the magic bullet that would lift billions out of poverty and be the vanguard of liberal internationalism. Things have not turned out to be as simple: What Asia is seeing now are multiple globalisations, characterised by exclusion of the Other.

At the same time, the world is witnessing the rise of a Middle-Kingdom version of globalisation, promoted by China. In this version, China's 'opening outwards' will create a physical web of land and sea routes linking inner China to Europe, cutting through the Asian heartland and the seas. Through its One Belt, One Road (OBOR) initiative, China seeks to export a model of authoritarianism at home and part of global value chains. The US-led Trans-Pacific Partnership (TPP), signed in 2015, is a reactive geoeconomic rebalance to OBOR, which seeks to homogenise trade and remake economic activity in the

6 "India's gender imbalance 'worst in recorded history'," LifestyleNews, April 15, 2011, accessed February 5, 2016, <https://www.lifesitenews.com/news/indias-gender-imbalance-worst-in-recorded-history>.

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4 Prachi Priya and Anuj Agarwal, "India's two-speed demography," *The Financial Express*, January 16, 2015, accessed February 1, 2016, <http://www.financialexpress.com/article/fe-columnist/indias-two-speed-demography/30570/>.

5 Sui-Lee Wee, "China says its gender imbalance 'most serious' in the world," Reuters, January 21, 2015, accessed February 5, 2016, <http://uk.reuters.com/article/uk-china-onechild-idUKKBN0KUOV720150121>.

member-states in its own image. Both OBOR—and the partial policy connectivity support, the Regional Comprehensive Economic Partnership (RCEP) will provide it—and the TPP are similar in their exclusionary nature: The US is absent in RCEP, China in the TPP.

Which universe would India choose to inhabit? Would it actively participate in the US-led one, as a “Western power”<sup>7</sup>? Would it be co-opted into China’s vision? Or would it—through the dent of soft power and influence—create its own? The forthcoming years will see answers emerging.

### Digital Engagements, Feudal Mindsets

The state is back. The patriot is back. The misogynist is back. One of the paradoxical features of the social media explosion is that it consolidates the obnoxious and the obsolete instead of transplanting us into a virtual classless international utopia as it was billed.

One of the reasons behind this is premature de-industrialisation that promoted a leap-frogging from the pre-modern to the post-modern. Whether it is the use of matrimonial sites in India to arrange marriages according to class and caste lines, or the remarkable efficacy of Twitter as free advertising for the Islamic State (IS), social media has consolidated old prejudices instead of upending them.

Authoritarian states have learned—après China—that the best way to contain the challenges of social media is by selective and tailored access. The Chinese are happy with Weibo because it offers the surrogacy of

7 C. Raja Mohan, “India and the Balance of Power,” *Foreign Affairs*, July/August 2006, 18.

experience; the Communist Party of China exists, because of its total control over it.

These bring up an important point. Karl Popper famously identified ideologies such as Marxism as enemies of open societies; could the cult of the Digital—in the sense of being a pawn of constricting mindsets—be another one?

### Fissuring of the Link Between Innovation and Consumption

That innovation is key to economic growth is now recognised. The role of technology innovation in increasing individual purchasing power and consumption, however, is becoming weaker than ever, thanks to the ever-important role of global value chains. Simply put, the fruits of innovation, originating in advanced economies, are not contributing to the upliftment of consumers of high-end technology, mostly in poor countries in the global South.

The Fordist model of industrial organisation was such that the fruits of innovation—the assembly line, to begin with—translated to higher incomes for workers, which in turn made them consumers of the very products they were manufacturing. This virtuous cycle

promoted higher standards of living and incentivised continuous innovation. The breakdown of this cycle necessitates course-correction for the current technology and intellectual property rights regimes.<sup>8</sup>

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8 Samir Saran, “The Tyranny of Technology: Time to Change Old Systems to Align With New Realities,” *The Lowy Interpreter*, December 4, 2015, accessed February 1, 2016, <http://www.loyyinterpreter.org/post/2015/12/04/Tyranny-of-technology-Aligning-the-old-with-the-real.aspx>.

## Conclusion

The five meta-trends identified here can be situated within five crises of global governance the world faces today.<sup>9</sup> These crises are of legitimacy—of international institutions and even national governments failing to deliver lifeline support to their populations; of sovereignty—the ongoing clash between the state and the world; of the collective—the push-and-pull of aggregation and devolution; of identity—where globalisation, instead of dissolving identities, consolidates it; and finally, of representation—where the global South finds itself with a disproportionately small voice in the global governance architecture. The crises of legitimacy and the collective have led to multiplicities of globalisation. The crises of identity have led to the hijacking of information and communication technology to promote global

<sup>9</sup> Samir Saran, "The Global Crisis of Governance: India's Options in a Polycentric World" (Lecture at the Nehru Memorial Library, October 7, 2015).

extremism à la IS. The crisis of sovereignty is reflected by the unenviable choices members of mega-free trade agreements such as the TPP face. Finally, the crisis of legitimacy points to nations that have great power to harm the international order without fulfilling their basic domestic obligations.

One needs to watch how these crises are resolved in the coming years—if at all—to determine Asia's, and the world's, trajectory.



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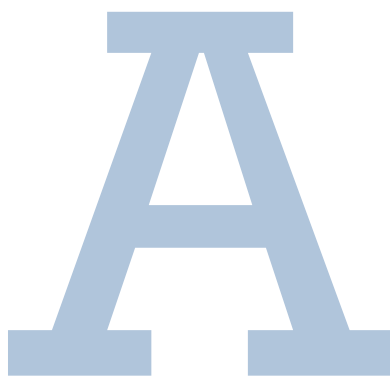
**Abhijnan Rej** is a Fellow at ORF. He works on geoeconomics, Indian foreign policy and applied game theory.

# Asian Connectivity and its Geoeconomic Imperatives

Abhijnan Rej

“The history of mankind is the instant between two strides taken by a traveller.”

– Franz Kafka, *The Blue Octavo Notebooks*



As the geopolitical centre of gravity shifts back to the Eurasian landmass—after the brief interlude between 1989 and 2001, of the unipolar moment—the question that emerges for strategists is how to maximise national power under the precondition of geopolitical stability in inner Asia and its rims. Former United States national security advisor Zbigniew Brzezinski defined geostrategy as the strategic management of geopolitical interests.<sup>1</sup> This essay defines geoeconomics as the economic management of such interests—where the notion of ‘balance of power’ is broadened by ‘balance of influence.’ It argues that an Asian Century is one where Asia emerges as a connected entity which will, in turn, ensure geopolitical stability at the inter- or intra-continental levels.

But if connectivity—understood in all its manifestations: physical, policy, digital or human—is a geoeconomic

<sup>1</sup> Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1997), xiv.

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conomic imperative, it is also a key determinant of national power which fuels socio-economic growth at home. As India seeks to grow with a stated reliance on international trade, connecting itself to the world becomes a key way in which its main domestic goals of rapid poverty alleviation and ex ante provision of opportunities are served. The question of regional connectivity can thus be framed in terms of bridging domestic goals and geopolitical ambitions.

The discourse around Asian connectivity so far has been primarily focused on the Chinese 'One Belt, One Road' (OBOR) initiative that proposes to link the two flanks of the Eurasian landmass both through land (the Belt) and sea (the Road). China watchers over the past year can attest to the financial and political will China's leadership has shown towards pushing OBOR. As India asserts itself as a confident power conscious of its geographical centrality in South Asia, it too has sought to transform the region into a loose economic confederation, beginning with its leadership in the South Asian Association for Regional Cooperation (SAARC), created in 1985; its interest in creating

a Bay of Bengal economic forum—the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) initiative is an example; and its outreach to the Association of Southeast Asian Nations.

The physical—pipelines, highways and sea routes—is only one aspect of connectivity. If physical connectivity is made to work to the advantage of all parties, it should be predicated by policy connectivity—a set of institutions and formal and informal norms that facilitate and harmo-

nise the flow of labour, capital and goods. Indeed, it is argued in this essay that there ought to be a feedback and feed-forward loop between the “software” of policy and the “hardware” of infrastructure, to rephrase David Dollar.<sup>2</sup> The recent geoeconomic component of the US Asia-Pacific rebalance, the Trans-Pacific Partnership (TPP), seeks to provide the software; the hardware of physical links is being, almost exclusively, being promot-

ed by the Chinese. One expects that as OBOR progresses, China will also introduce a set of norms, albeit informally, on top of the existing mega-free trade agreements (FTAs) in Eurasia. Thus, the real geoeconomic competition that will define Asia in the 21st century will be between the two drivers of connectivity in the region: the actors who shape norms and the ones who provide the infrastructure.

### Connectivity Constellations in the Geoeconomic Order

Both physical and policy connectivity initiatives have to be situated in the contemporary geoeconomic architecture. This is characterised by the two drivers of the 'new normal': a China that is in retreat in terms of its

domestic growth and yet on an ascent when it comes to playing a greater—and more muscular—role in establishing new international institutions and initiatives; and a US that has finally put the global financial crisis of 2007-2009 behind it and has sought to aggressively reshape the Asian trade agenda as a strategic policy to rebalance the Asia Pacific.

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2 David Dollar, “China's Rise as a Regional and Global Power,” *Horizons*, Summer 2015, 164.

China's "opening outwards," as it calls the OBOR initiative, is driven by three domestic problems that it seeks to redress. One, China's economy is experiencing a significant slowdown after a couple of decades of very high growth rates. As it moves from exporting manufactured goods to a path of economic growth driven by domestic consumption, China will most definitely experience problems associated with industrial overcapacity. The OBOR initiative seeks to absorb some of this.<sup>3</sup> Two, as William Overholt wrote last year, Beijing's massive accumulation of foreign reserves was a major strategic error, and OBOR will act as redressal.<sup>4</sup> Three, China seeks to correct its persistent problems with total factor productivity by an increased focus on innovation in high-end manufacturing. OBOR states will act as natural markets for Chinese innovation, as well as provide cheap labour that will feed the lower ends of China-designed global value chains.

The TPP, signed last year by 12 countries, represents a more balanced American rebalance in the Asia Pacific. The US Pivot to Asia had, for far too long, focussed exclusively on military capacity; with the TPP, it seeks to dramatically expand its economic presence in the region as well. US Defence Secretary Ashton Carter famously noted last year that the TPP "was worth an aircraft carrier"—the strategic component is thus far from being understated. But equally pres-

ent in the American calculation is the diminishing role of the World Trade Organization (WTO) as the final arbiter of international trade. With the Doha Development Agenda finally buried in the December 2015 WTO Ministerial Meeting in Nairobi, the US will seek other ways to shape global trade regimes. The TPP—with its intrusive and extensive 'behind-the-border' measures that run the gamut from labour to environmental standards—along with the

under-discussion Transatlantic Trade and Investment Partnership (TTIP), seeks to reengineer the global trade architecture as economic containment of China.

The shape of the geoeconomic order that is emerging is clear. China seeks to push physical connectivity before policy connectivity. The US, having failed at promoting its own version of the Silk Route under then Secretary of State Hillary Clinton, is now left to push policy connectivity along the lines of TPP and TTIP alone. If connectivity is indeed destiny, in the words of geostrategist Parag Khanna, it will be shaped by the push and pull between its hardware and software.

Beyond any security challenges OBOR poses for India, as a physical economic

connectivity project it is unprecedented. It seeks to link, by land and sea, the western flank of Eurasia to the eastern, connecting more than 60 countries at the last count. Indeed, if Indonesia is where OBOR was co-announced by Chinese President Xi Jinping in 2013, "Europe [too] wants in," in the words of François Godement.<sup>5</sup> China has put aside \$40 billion for the

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3 "China's One Belt, One Road: The Land Strategies, Part 2 of 2," BNP Paribas, July 8, 2015.

4 William H. Overholt, "Posture Problems Undermining One Belt, One Road and the US Pivot," *Global Asia*, Fall 2015, 16.

5 François Godement, "Europe Stands to Benefit from China's 21st Century Silk Road," *Global Asia*, Fall 2015, 35.

Silk Road Fund, and seeks an equal amount from the new Asian Infrastructure Investment Bank towards OBOR. The maritime component of the initiative, the Maritime Silk Route, will stretch beyond the Eurasian landmass and seek to connect with Africa. OBOR can also be viewed as a culmination of a variety of China-led initiatives, such as the China-Pakistan Economic Corridor, various arrangements under the Shanghai

Cooperation Organisation, the proposed Bangladesh-China-India-Myanmar connectivity project, and the China-Mongolia-Russia corridor.<sup>6</sup>

One of the goals of OBOR, as stated above, is physical connectivity that seeks to create alternative global value chains where China becomes the locus of innovation. But at the same time, it passes through some of the most politically unstable regions of the world, in South, Central and West Asia. The world has, speaking candidly, bought China's 'peaceful rise' narrative mainly because of remarkable self-restraint exercised by China in terms of non-interference as it sought to expand its economic interests. As China continues to push OBOR, this will be severely tested, and will become the arbiter of the project's success in the long run. Ultimately, the lack of explicit policy connectivity underlying OBOR will mean that any Chinese hard intervention to secure the Belt and Road will be unilateral and contrary to the image China has promoted for itself.

6 Alain Guidetti, "Confront or Accommodate? The Maritime Silk Road Will Test US-China Rivalries," *Global Asia*, Fall 2015, 43.

## India in the Connectivity 'New Normal'

Where does India fit in these emerging connectivity constellations? The answer can be broken down to the *why* and the *how*. The 'why' is, in many ways, the simpler aspect to answer.

One, as India's economy seeks greater integration into the world—more than 40 percent of India's GDP

is through international trade—it becomes paramount that it is networked, both physically and in terms of shaping the norms and practices of global trade. This will inevitably call for shedding some prejudices when it comes to security concerns, real and imagined, something this essay turns to later.

Two, as is known from literature on international bargaining, a state either becomes an 'agenda-maker' as a first mover, or ends up being an 'agenda-taker.' Not participating in the Chinese and/or American initiatives at their formative stages risks India being left out much in the same way it was in the second wave of globalisation of the 1980s.

Three, the failure of the 'single undertaking' Doha Development Agenda and the

ascend of mega-FTAs point to a diminishing role of the WTO and simultaneous increasingly larger role of arrangements such as the draft US Trade in Services Agreement, along with TPP and TTIP, that are shaped by plurilateral consensus.<sup>7</sup> It becomes imper-

7 Chakravarthi Raghavan, "How the US is Using Secret Agreements on Services to Wriggle Out of Its WTO Obligations," *The Wire*, July 17, 2015, <http://thewire.in/2015/07/17/how-the-us-is-using-a-secret-agreement-on-services-to-wriggle-out-of-its-wto-obligations-6459/>.

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**One of the goals of One Belt, One Road (OBOR) initiative is physical connectivity that seeks to create alternative global value chains where China becomes the locus of innovation. But at the same time, it passes through some of the most politically unstable regions of the world, in South, Central and West Asia.**

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ative that India engage with these arrangements. For those who imagine the still-to-be-finalised Regional Comprehensive Economic Partnership as a ‘counterweight’ to TPP, the low ambition levels of the former could very well render it ineffective as such. Plurilateral policy connectivity—as a pathway to larger multilateralism—that integrates India’s economy selectively then becomes the only way forward in this ‘new normal.’

Four, both Beijing and New Delhi share the Hormuz Dilemma. From the energy security point of view, it becomes important that India routes some of its energy needs through land pipelines. The recent progress on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline is a welcome development, with an added bonus: By integrating Pakistan and Afghanistan into a single initiative with India, TAPI can become the harbinger of better ties between India and its immediate neighbours.

Coming to the ‘how,’ it goes without saying that the fiscal capacities of Beijing and New Delhi are vastly different at present, so an Indian version of OBOR is little more than a pipe dream. India’s options essentially boil down to promoting plurilateral physical connectivity in the Indian Subcontinent, buttressed by co-opting regional components of OBOR but in a way that does not compromise its core national security interests.

The Bangladesh-Bhutan-India-Nepal (BBIN) initiative is a signature example of a physical connectivity initiative built on top of policy convergence. The BBIN initiative

is broad-based, contained in scope and consultative in design. (A separate essay in this volume focuses exclusively on it.) An exclusively policy connectivity initiative, albeit at a low-ambition level, is BIMSTEC. Often viewed as “SAARC sans Pakistan,” it could serve as a natural entity to facilitate further trade in the Bay of Bengal region. Setting environmental concerns aside, the Andaman and Nicobar Islands could emerge as a regional shipping hub for BIMSTEC in the future.

But these initiatives are, welcome as they may be, too small in scale to fully serve India’s connectivity interests. This is where co-opting OBOR becomes a very important part of India’s geoeconomic strategy. The Indian argument against OBOR is clear, and is largely driven by two concerns. One, the China-Pakistan Economic Corridor complicates India’s strategic environment seriously—not to mention that it legitimises Pakistan’s occupation of Kashmir. Two, for China’s Mari-

time Silk Route to fructify, India would have to allow for greater Chinese naval presence in the Indian Ocean which would, in turn, nullify the strategic advantage India has there. India can, however, creatively reimagine OBOR, and sell it to China as such, in a way that either or both concerns are mitigated even as the two coun-

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tries' connectivity objectives remain intact.

One potential strategy to address the first concern would be the following.<sup>8</sup> India should mitigate Beijing's Malacca Dilemma by offering to co-develop an Indian port in the Arabian Sea through the Sagarmala initiative, connect this port through a land-based economic corridor centred around a highway that links the west of India to Kolkata, and finally greenlight through all rungs of the Indian bureaucracy the Bangladesh-China-India-Myanmar component of OBOR that will link Kolkata to Kunming. This way, CPEC's attractiveness is reduced without compromising the Chinese objectives that had taken them to Gwadar in the first place. By building a land highway running parallel to the Tropic of Cancer through the heart of India, this corridor can be controlled by New Delhi at will, thus vastly diminishing any strategic use of the same by Beijing—unlike a land corridor through India's Northeast, for example.

### Conclusion

This essay has laid down the geoeconomic imperatives for Asian connectivity from an Indian perspective. As has been argued, India ought to engage plurilaterally when it comes to both physical and policy connectivity initiatives, without forsaking the benefits that come from leveraging Chinese and American initiatives as well as without compromising core security interests. This might sound like a tall order. How might India do all this, giv-

8 Samir Saran and Abhijnan Rej, "Engage the Dragon on Balochistan," *The Times of India*, February 4, 2016.

en its rather limited fiscal ability?

The answer lies in revisiting David Dollar's metaphor of physical infrastructure as the "hardware" of connectivity and policy connectivity initiatives such as free/preferential trade agreements as the "software." In a computer, the hardware and software interface at the 'middleware,' which connects the operating system that drives the hardware to more complex software applications. India ought to be that 'middleware' in the new geoeconomic architecture.

To explain this point further: India's foreign policy, (strangely) free from any domestic impetus, was activist-internationalist for most of the post-independence era. Whatever be the costs of this posture—and there were indeed many—it did win India a certain goodwill throughout the erstwhile Third World. By pragmatically engaging both Beijing, the supplier of the "hardware" of connectivity, and Washington, the maker of the "software" of new norms, and cashing in on its goodwill from the non-alignment era, India can emerge as an honest broker between the two powers and shape competing visions at the same time. If connectivity is what would make Asia an

entity in its fullest sense, New Delhi must realise that its real strength lies in this role.

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# The New Pathway: Is Sub-Regional BBIN a Role Model for Asian Connectivity?

Nilanjan Ghosh

**E**ver since Bangladesh, Bhutan, India and Nepal (BBIN) signed the landmark multilateral Motor Vehicles Agreement (MVA) on 15 June 2015 for the regulation of passenger, personnel and cargo vehicular traffic, much is being discussed in the context of sub-regional connectivity in South Asia. The MVA is expected to pave the way for seamless movement of people and goods across their borders, leading to regional integration and development. However, even before there is realisation of benefits of connectivity, BBIN is being projected as a role model for broader Asian connectivity. But, is it really so? To answer this question, one needs to understand the broader context of connectivity, a concept that is being increasingly discussed today with respect to South and East Asia.

A prime driver of BBIN are the economic interests of China and India, two emerging Asian economies. China is contemplating actualising the design of its new maritime Silk Route, creating new trade avenues through the Bangladesh, China, India and Myanmar Forum for

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INFRASTRUCTURE

Regional Cooperation (BCIM) and development of its relatively underdeveloped Yunnan province. India's 'Act East' policy reckons that opening trading corridors with its eastern and southeastern neighbours will usher in an era of development for its northeastern states. Further, connectivity is also meant to unlock India's tremendous untapped trading potential with its immediate South Asian neighbouring economies. People-to-people connect and cultural ties are, of course, important objectives of such initiatives and have deep geopolitical implications for promoting regional peace and harmony. But, the underlying driver is definitely economics.<sup>1</sup>

### India's Dilemma: BCIM or BBIN?

India is faced with the choice of being part of two regional blocs: BBIN or BCIM. In both blocs, Bangladesh is a common partner. Apart from economics, another prime motive for becoming a member of these regional blocs is strategic/political motives. Some even say there are cultural aspects as well.

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The proposed corridor, covering 1.65 million square kilometres, entails connecting China's Yunnan province, Bangladesh, Myanmar and Bihar in northern India through the combination of road, rail, water and air linkages in the region.

While this interconnectedness is envisaged to facilitate cross-border flow of people and goods, minimise overland trade obstacles, ensure greater market access and increase multilateral trade, China has a special interest in the BCIM economic corridor. It wants to connect its relatively less developed Yunnan province with other parts of South Asia and develop it as a major economic hub. China's interest in BCIM further emerges from the perspective of labour costs. China envisages a future with rising labour cost, which might negatively affect its labour-intensive industries such as textile and agro-processing. As a rational economic agent, China will want to transfer these industries to newer hubs with lower labour costs. Quite logically then, Chi-

nese industry will accord priority to this trade corridor, given the ease of access and a ready market. This is evident from the Chinese interest evinced in funding infrastructure projects in certain parts of the corridor.

On the other hand, after India signed the BBIN MVA, there has been renewed interest among policy circles and academics to discuss the potential of BBIN as the new emerging economic order of South

1 N. Ghosh and M. Bhonsale, "Act East for Better Connectivity," *Hindu Business Line*, June 25, 2015.



Asia. A study by the Asian Development Bank proposed 10 regional road networks as South Asian Corridors, of which seven have been identified in the BBIN region. The land-locked trading centres of Nepal and Bhutan can get access to ports in India and Bangladesh. Tripura in Northeast India can get access to Bangladesh's Ashugunj port, and Chittagong and Mongla ports can be accessed to move foodgrains from Kolkata to the Northeast.

The opening of the Bangabandhu bridge over the Jamuna river and the development of the Padma bridge, the Dhaka-Chittagong transport corridor and other strategic transport corridors can facilitate trade between Bangladesh and India's Northeast and West Bengal. India is the largest trader in the BBIN sub-regional bloc. India's trade ties with Nepal and Bhutan comprise a significant share of the total international trade conducted by the latter two countries. For instance, Bhutan's exports to India account for about 90 percent of its total exports.<sup>2</sup>

If analysed properly, the advantages accrued by BCIM, however, seem to peter out significantly, when compared with BBIN. While trade may flourish in BBIN through removal of tariff and non-tariff barriers, thereby helping the creation of a free-trade zone, there remain possibilities of having smoother international mobility of capital and labour in the re-

gion. If capital movement restrictions are removed over time, one may even think of developing a regional stock exchange, a regional agricultural spot exchange and the like. This is because there seems to be a higher possibility of achieving fiscal and monetary convergence in BBIN than BCIM. Once that is achieved, BBIN could be dreaming of a common currency in the near future.

However, China wants BCIM to flourish more for its own market development. There are apprehensions that China will define oceans off its shores as territory to be owned and controlled. Beijing is poised to assume a more prominent presence in both the Indian Ocean and the South China Sea.<sup>3</sup> While this in itself may not indicate an intimidating prospect, the situation may go either way. China, on its part, dismissed India's apprehensions regarding its ambitious multi-billion dollar Silk Road projects, stretching across continents to build infrastructure and improve connectivity with the avowed aim of expanding trade and development. It also sought to assure India that there are benefits for countries joining

the projects envisaged under the One Belt, One Road initiative, unveiled by President Xi Jinping two years ago.<sup>4</sup>

Whatever be the unfolding of the geopolitical reality,

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2 N. Ghosh, "India must watch Chinese plans when opting between BBIN & BCIM blocs," ABP, December 11, 2015, <http://www.abplive.in/blog/india-must-watch-chinese-plans-when-opting-between-bbin-bcim-blocs>.

3 N. Ghosh and P. Basu, "Trimming the Dragon's Sails," *Hindu Business Line*, March 14, 2015.

4 PTI, "China dismisses India's apprehensions on Silk Road projects," *The Indian Express*, September 2015, <http://indianexpress.com/article/india/india-others/china-dismisses-indias-apprehensions-on-silk-road-projects/#sthash.stPlpxO1.dpuf>.

the real connectivity challenge lies with economic and trade links. Regional economic integration with China as a partner is a distant dream for India as well as South Asia. The macro structure of the capital market, currency regulations, fiscal management parameters, etc. in China is completely different from that in the economies of India and Bangladesh. At the same time, China is also in a completely different developmental trajectory, as compared to South Asian nations.<sup>5</sup>

Bangladeshi and Nepali policy scholars feel that China views them as economic ‘opportunities.’ While China definitely sees Bangladesh as an opportunity because of cheap labour and a growing upper-middle class population (as a market opportunity), it is a myth that Nepal merits the same attention from China. India needs to wait and watch the Chinese designs, maintain good relations with them and engage them in a manner that offsets any adversity. Given uncertainty about China’s plans, it is better for India to move slowly on BCIM, while fully exploring the BBIN initiative.

### Challenges Facing BBIN

While the BBIN MVA is definitely a departure from the virtual stagnation of initiatives for South Asian integration, this move is merely a small beginning. The success of this move is yet to be re-

5 N. Ghosh, “Challenges to Environmental Security in the Context of India-Bangladesh Trans-boundary Water Relations,” *Decision* (Springer) 42, no. 2 (2015): 211-28. Special Issue on Managing Critical Resources: Food, Energy and Water.

alised. Yet, there is no denying that signing the MVA clearly signals the willingness of countries in the region to promote connectivity and ignore broader obstacles created by political forces. In fact, there have been earlier attempts to create a strong sub-region within South Asia. For example, in 1994, the eastern states intended to form the South Asia Growth Quadrangle but the initiative could not take off for various reasons.<sup>6</sup>

It might be a bit too early to infer the fate of BBIN. Opportunities are immense, as noted above. But the challenges are no less. First of all, one needs to understand that the definition of ‘connectivity’ cannot be confined to mere road constructions, aviation and maritime pathways. The bigger concern is development of the region: To reiterate, economics is the prime driver of connectivity. The challenge for BBIN lies in the various developmental parameters and use of resources.

The most interesting discourse here is that BBIN is one of the very few regions of the world that presents the critical paradox of development theory: “ample water, ample poverty.”<sup>7</sup> In 2011, Ghosh and Khan inferred that the major problem with resource sharing in BBIN would create a

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6 A. Basu Ray Chaudhury, P. Basu and M. Bhonsale, “Driving Across the South Asian Borders: The Motor Vehicle Agreement between Bhutan, Bangladesh, India and Nepal,” ORF Occasional Paper No. 69, 2015.

7 J. Bandyopadhyay and N. Ghosh, “Holistic Engineering and Hydro-diplomacy in the Ganges-Brahmaputra-Meghna Basin,” *Economic and Political Weekly* 44 (45): 50-60; Ghosh and Basu, “Trimming the Dragon’s Sails.”



threat for the general environmental security in the region.<sup>8</sup> Bandyopadhyay has long been talking of the problems created by the reductionist engineering framework that has been responsible for various water-related problems in South Asia.<sup>9</sup> Ghosh blames “arithmetic hydrology” behind non-cooperation of the transboundary waters as also the looming concern of poverty and development.<sup>10</sup>

The other concern is trade within the region. BBIN trade relations are significant considering, for instance, that Bangladesh’s exports to India comprise 2.09 percent of its total exports. Bangladesh’s exports today stand at \$27 billion. Similarly, 1.79 percent of India’s exports are bound for Bangladesh. India’s trade ties with Nepal and Bhutan comprise a significant share of the total international trade of the latter two countries. A joint statement by the four transport ministers of BBIN during the MVA meeting stated that “transforming transport corridors into economic corridors could potentially increase intra-regional trade within South Asia by almost 60 percent and with the rest of the world by over 30 percent.” But this is not an easy task. Poor physical infrastructure in the sub-region is one of the most serious causes of concern. Road density in Bangladesh,

Bhutan, Nepal and Northeast India is poor; even parts of connecting highways in this region are in bad shape, which augment the time and cost of transportation.<sup>11</sup>

Further, though the joint statement adequately acknowledges the benefits from trade, the costs of the BBIN initiative are not yet known. There is no clarity on the sunk costs of construction of roadways and the recurring externality cost, once some of the proposed

roadways come up. These externality costs are social and environmental. Certain costs are to be borne by the communities in the context of their relocation, as well as ecological costs. One such example is the road within Terai Arc Landscape, expected to inhibit trans-boundary wildlife movement and affect the livelihood of the poor. The concern is whether these socio-environmental costs are going to exceed the expected benefits of trading.<sup>12</sup>

Hence, the fundamental hypothesis with which BBIN connectivity is sought is enhancement of trade. More importantly, the trade multiplier within the region is supposed to generate growth and development. Mere infrastructure connectivity, however, is not

sufficient to promote trade, unless the non-tariff barriers are removed. While it is a fact that tariff barriers within the nations concerned in South Asia have been substantially lowered, domestic interests still often prevail over regional connectivity issues and non-tariff barriers

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8 N. Ghosh and S.E. Khan, *Situation Analysis on Environmental Security, Ecosystems for Life: A Bangladesh-India Initiative* (New Delhi and Bangkok: IUCN, 2012).

9 J. Bandyopadhyay, “Water Science in India: Hydrological Obscurantism,” *Economic and Political Weekly* 47, no. 16 (2012): 45-47.

10 See note 5.

11 A. Kumar, “BBIN MVA: Embracing Sub-regionalism in South Asia,” *Indian Council of World Affairs Policy Brief*, 2015.

12 See note 1.

have traditionally been used for movements of goods and services. Yet, one cannot deny the fact that trade has increased substantially between nations in South Asia in the recent past.

A bigger challenge lies with movement of capital. None of the BBIN nations have opted for full capital account convertibility. Therefore, until now, free movement of capital has been restricted. There is an immense opportunity to open up BBIN economies for capital movement, which will diminish the transaction costs of trade manifold. The extent of the reduction needs to be estimated through a separate study.

### From Economics to Politics

As stated earlier, the MVA marks the beginning of a much broader objective of sub-regional cooperation. The route chosen towards achieving this goal is inherently economics, through trade cooperation. Over time, therefore, if the BBIN connectivity initiative moves in its desired direction, sociocultural cohesion and economic interdependency among BBIN member countries can only increase. Seamless connectivity is directly linked with regional economic prosperity and people-to-people contacts.<sup>13</sup> It is a fact that while the benefits can only be monetised through trade and economic variables, the cultural connectedness and resulting political cohesiveness might be the net non-monetised benefit, thereby ushering in an era of peaceful geopolitics in

13 See note 11.

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the BBIN region. This is the dream dreamt by an erstwhile fragmented Europe that led to the formation of the cohesive European Community.

India has been the prime mover of the BBIN initiative thus far. Being the largest and the most powerful nation (both politically and economically), India's role will be the most important one. The BBIN initiative is a reflection of the clinical shift of the trajectory of India's neighbourhood policy, with economics and trade being the key driver. Therefore, the success of the BBIN initiative will help India alter its perception as a hegemonic power.<sup>14</sup> As rightly pointed out by Kumar, "Economic cooperation and good relations are reciprocal to each other. The BBIN MVA could not have been possible if India-Bangladesh relationship had not improved in recent years."<sup>15</sup>

Whether BBIN will emerge as a replicable model for bigger Asian integration is difficult to state for various reasons. Firstly, it is too early to comment given that the MVA only marks the tip of the iceberg. Secondly, Asian integration remains a distant dream given the various political and governance structures in various Asian nations, which all have different political goals. Political will might not be present, as some nations might be more interested in exploiting their own resources for their own wellbeing. Thirdly, the different nations are on different economic growth tra-

14 Ibid.

15 Ibid.

jectories; 'management models' of said trajectories and further ambitions also differ. In that sense, they might not find it too remunerative to move into a multilateral structure with other Asian partners vis-à-vis partners from other continents.

The opportunities for BBIN are huge—so are its challenges. The challenges rather present themselves as opportunities. It now solely depends on the political

will of the BBIN nations to implement what has been dreamt of.



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# India and Maritime-Asia: Seeking Economic Convergence Amidst Strategic Discord

Abhijit Singh

MARITIME

**M**aritime-Asia presents both challenges and opportunities. This vital space is set to play a crucial role in the political and economic future of the Asia-Pacific region. Its security challenges are grave and cannot be overlooked. But its economic opportunities must be seized to India's advantage. In the coming years, littoral-Asia will be a key determinant of prosperity in the Indo-Pacific region. For long, maritime experts have regarded the waters around Asia as a combination of two dissimilar strategic sub-systems. The Indian Ocean was thought of as a theatre of irregular threats amenable to a collective form of maritime security. The Western Pacific, on the other hand, was perceived to be a domain of intractable geopolitical conflict and warring maritime agencies. Many believed the two sub-regions had so little in common that applying similar solutions to

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MARITIME

their problems was akin to prescribing the same medication for different physical ailments. Yet, a subtle shift is now underway and a gradual equalisation of challenges is beginning to occur across this vast strategic system. Evidence suggests that the strategic differential between the two sub-theatres comprising maritime

Asia is narrowing, with the Indian Ocean littorals beginning to resemble the troubled waters of the Western Pacific.

The rebalancing of security threats, among other things, can be put down to the prevalence of three factors. First, there is a growing maritime militarisation occurring across the Asian littorals characterised by a gradual build-up of naval forces. The modernisation of the People's Liberation Army Navy (PLA Navy) and other navies in Southeast Asia is matched by a maritime military build-up in India, Pakistan, Iran, Saudi Arabia and other Indian Ocean states.

Second, huge investments are being made in maritime infrastructure in both sub-theatres. China has been leading in the race for infrastructure creation thus far, but others are not far behind. Japan, Indonesia and Thailand have undertaken construction of huge maritime projects, even as India, Sri Lanka, Maldives, Mauritius and Seychelles have expanded their investments in coastal development and the blue ocean economy. This has led to the presence of extra-regional maritime forces, triggering anxiety over the increased militarisation of the littoral spaces.

Third, there has been a gradual expansion of non-traditional threats in both sub-regions. Even though piracy off the coast of Somalia has been successfully tackled,

drug-running, arms trafficking, illegal fishing and climate change continue to test the effectiveness of maritime forces on either side of the Strait of Malacca.

## The Security Conundrum

From New Delhi's perspective, what is vital is the contradiction between the two main factors that mediate the maritime environment in South Asia. While increasing deployment of modern naval forces near critical choke points in the Indian Ocean region (IOR) has led regional navies to assume robust postures, new dangers are being posed by non-traditional security threats, which require a collective response. Indian experts are concerned by the modernisation of Pakistan's navy, the growing deployments of the PLA Navy in the Indian Ocean and China's reclamation of maritime features in South China Sea. These threats require robust deterrent action by the Indian Navy. But Indian analysts also recognise the challenge posed by non-traditional adversaries, tackling which needs joint and sustained

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effort. An instructive example is the grave danger posed by 'hybrid' forces (non-state actors launching attacks on regular forces). Al Qaida's audacious attack on a Pakistani frigate docked at Karachi port in October 2014 led Indian naval planners to strengthen the coastal security architecture, and enhanced consensus in favour of joint surveillance.<sup>1</sup> The militants' plan to hijack the ship and

1 "Indian Navy to approach Pakistani ships with caution after al-Qaeda hijacking attempt," *Mail Online Today*, December 4, 2014, <http://www.dailymail.co.uk/indiahome/indianews/article-2859847/Indian-Navy-approach-Pakistani-ships-caution-al-Qaeda-hijacking-attempt.html>.



use it to mount attacks against United States' and Indian naval forces in the Indian Ocean was foiled in the nick of time. No one, however, is willing to bet on the same result every time.

Despite clearly converging security interests, quality cooperation among regional maritime forces has been hard to engender. This is principally on account

of the distrust that exists among powerful nations with strong geopolitical interests in maritime Asia. India and China have been suspicious of each other's intentions in their primary theatres of maritime operations. Indian analysts regard China's growing IOR deployments and its announcement of a Maritime Silk Route project as elaborate covers for its military ambitions in the IOR. Some even consider the latter as a strategic ploy for naval access to ports in the South Asian littoral zones, metaphorically described as the 'string of pearls'.<sup>2</sup> But Beijing has not been welcoming of India's maritime presence in the South China Sea either.<sup>3</sup> Indian naval ships entering the South China Sea have had to

contend with an assertive PLA Navy, intent on underlining its primacy in what it considers to be its regional waters. While outwardly indifferent to Indian presence, the message to Indian naval ships has been clear: "You have entered Chinese waters. You operate here at our

sufferance."<sup>4</sup>

The economic scenario in maritime Asia, however, though stands apart from the security picture. Notwithstanding the strategic impulse that divides the Indo-Pacific, there is a strong economic rationale that binds the region. The discourse in India routinely overlooks the fact that the synergy of maritime initiatives in littoral-Asia is

premised on the leveraging of strengths and common regional interests. Not only is there a strong economic dividend to be realised by working in operational sync, pursuing joint projects can also produce substantial diplomatic and cultural gains. Yet, economic opportunities are not being currently taken seriously because nations fear these could compromise national interest and strategic influence in the wider maritime space.

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**Despite numerous attempts by China to elicit a positive response from India, New Delhi has remained non-committal about the MSR project. The real concern has been the China-Pakistan Economic Corridor, a critical component of the OBOR that will make Pakistan a critical node along both land and sea routes.**

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### China's Maritime Silk Road

One such developmental proposal that is yet to pass the litmus test of political consensus is China's 21st Century Maritime Silk Road (MSR). A key component of the larger Chinese 'One

Belt, One Road' (OBOR) project meant to promote trade, investment, services and infrastructure construction in Asia and Europe, the MSR aims at an economic, diplomatic and cultural integration of littoral Asia. To achieve the project's stated ends, Beijing has created specific instruments, such as the Asian Infrastructure Investment Bank and a \$40 billion Silk Road Fund.<sup>5</sup> These have been

2 Brahma Chellaney, "Countering China's 'string of pearls,'" *Washington Times*, May 6, 2013, <http://www.washingtontimes.com/news/2013/may/6/countering-chinas-string-of-pearls/>.

3 C. Raja Mohan, "Indian Navy in South China Sea: Beijing's unwelcome escort," *Indian Express*, June 12, 2012, <http://archive.indianexpress.com/news/indian-navy-in-south-china-sea-beijing-s-unwelcome-escort/962011/>.

4 Ibid.

5 "China to establish \$40 billion Silk Road infrastructure fund," Reuters, November 8, 2014, <http://www.reuters.com/article/us-china-diplomacy-idUSKBN0IS0BQ20141108>.

received positively by some governments in Asia, but many remain wary of its strategic implications.

To convince potential partners, Beijing has combined the drive to create infrastructure with an effort to increase trade volumes. Last year, China signed an agreement to upgrade its free trade area with the Association of Southeast Asian Nations (ASEAN).<sup>6</sup>

By dovetailing the MSR with a master plan for an integrated ASEAN community, Beijing has sought to provide greater urgency to its proposal. Among the states that it has most actively courted, India has been the most significant.

Unfortunately, despite numerous attempts to elicit a positive response from India, New Delhi has remained non-committal about the project. Indian policymakers usually point to the lack of specifics on critical projects in the Indian Ocean, but the real concern has been the China-Pakistan Economic Corridor, a critical component of the OBOR that will make Pakistan a critical node along both land and sea routes.<sup>7</sup> The Indian Navy is also wary about the PLA Navy's growing ship and submarine deployments in the Indian Ocean, which many Indian analysts believe is meant to establish China's de-facto dominance in India's strategic backyard. The new Chinese

6 "China, ASEAN seals deal to upgrade bilateral FTA," November 23, 2015, [http://news.xinhuanet.com/english/2015-11/23/c\\_134842731.htm](http://news.xinhuanet.com/english/2015-11/23/c_134842731.htm).

7 Alvin Cheng-Hin Lim, "Iron Brothers: Sino-Pakistani Relations and the China-Pakistan Economic Corridor," *Eurasia Review*, May 7, 2015, <http://www.eurasiareview.com/07052015-iron-brothers-sino-pakistani-relations-and-the-china-pakistan-economic-corridor-analysis/>.

military base in Djibouti has further fuelled Indian fears, convincing many Indian experts that China is stealthily moving to counter Indian influence in the IOR.

For its part, China insists that its investments in IOR maritime infrastructure are motivated by pure economics and that the benefits will accrue equally for all participating states. Chinese academics and experts under-

score the MSR's utility in integrating existing initiatives, including regional efforts, to improve physical connectivity and development opportunities. Consequently, Chinese scholars contest the 'string of pearls' theory. A prominent Chinese daily last year noted that Indian fears of PLA military bases throughout Indian Ocean were without factual basis. China, it claimed, has only two purposes in the Indian Ocean: economic gains and the security of sea lines of communication.<sup>8</sup> In other words, access, rather than bases, is what drives Chinese naval deployments in the IOR—'access' that will drive the creation of economic 'mega-projects' in the Indian Ocean and South China Sea, and ultimately assist Asian gov-

ernments in fulfilling their developmental mandate.

### Indian Initiatives in the Asia Pacific

Beijing's win-win propositions in maritime Asia are

8 A commentary in People's Daily quoted Fu Xiaoqiang of the China Institutes of Contemporary International Relations saying that "India's fears of military base in Maldives were unfounded," *The Hindu*, July 26, 2015, <http://www.thehindu.com/news/international/south-asia/china-says-indias-fears-of-military-base-in-maldives-unfounded/article7465222.ece>.

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worthy of empathetic consideration because they are led by the same economic rationale that drives New Delhi's own outreach in the Asia-Pacific region. India's trade with ASEAN and East Asia has grown rapidly. A rising proportion of Indian oil and container shipments now traverses the Straits of Malacca. New Delhi has energy interests off the Vietnam coast and seeks to increase investments in the oil and gas sectors in Southeast Asia. Moreover, India's Look East Policy, the main policy framework of India's engagement with Southeast Asia, has a clear economic focus.<sup>9</sup> New Delhi's regional endeavours include the India-ASEAN Free Trade Area, Mekong Ganga Cooperation and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.<sup>10</sup> Today, despite a newly invigorated approach christened; 'Act East,' India's approach essentially remains tilted in favour of economic and cultural reintegration with Southeast Asia.

While New Delhi's developmental and socio-political agenda is clear, it faces major geographical and infrastructure-related constraints. Many of its initiatives are hindered

by lack of connectivity within and beyond the sub-continent. Geographical constraints, for instance, impede India's land-based foreign trade with China and Myanmar, two of its immediate neighbours. As a result, most of India's merchandise trade with these countries is thorough the sea. A greater desire for economic synergy is one reason New Delhi has been willing to endorse the Bangladesh-China-India-Myanmar Trade Corridor (BCIM) proposed by Beijing.

While BCIM might be beneficial for India, it may yet be insufficient in overcoming New Delhi's connectivity problems, unless supplemented by larger joint projects in the common seas. The Modi government is looking to revive former Indian Prime Minister Atal Bihari Vajpayee's 'Sagar Mala' Project.<sup>11</sup> The project aims to enhance overseas trade connectivity by developing new seaports along peninsular India, and envisions 'port-led development' of the hinterland as well as special economic zones (SEZs). Indian analysts and policymakers must now consider the potential of MSR to supplement existing arrangements in a manner that can better facilitate seaport and SEZ development. More

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9 For a broader discussion on India's Look East Policy, see: A.N. Ram ed., *Two Decades of India's Look East Policy: Partnership for Peace, Progress and Prosperity* (New Delhi: Indian Council of World Affairs, 2012).

10 "India's Look East Policy: Implications for Thailand and South East Asia," Address by India's Foreign Minister, Press Information Bureau, Government of India, September 14, 2007, <http://www.pib.nic.in/newsite/erelease.aspx?relid=31253>.

importantly, there is a need to synergise blue economy initiatives for sustainable development of the littoral zones.

11 "Sagarmala: Concept and implementation towards Blue Revolution," Press Information Bureau, Government of India, March 25, 2015, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=117691>.

## A Cultural Convergence

There might also be a cultural convergence between the MSR and Indian maritime initiatives in the Indian Ocean. According to Chinese analysts, Beijing considers the MSR to be a cultural project. In this, it resembles India's 'Mausam' and 'Spice Route' projects.<sup>12</sup> The former is an academic enquiry into cultural linkages in the Indian Ocean; the latter, a plan to retrace a historical route along Coromandel Coast of southern India where ancient traders plied their wares. Taken together, the Indian and Chinese proposals symbolise Asia's historic maritime heritage, traditions and practices, lending credence to idea of a resurgent Asia. In particular, the MSR appears well-positioned to integrate Asia economically, creating mutual dependence and greater regional order and stability.

## Towards an Integrated Maritime Asia

Asia's economic growth in the past few decades has indeed been impressive. Yet, amidst a global slowdown today, the developmental agenda appears under threat. With exports falling and export costs growing, Asian states are looking for new ways to maintain growth rates. Since China is willing to create industrial capacity in its neighbouring states, the MSR appears to be a useful

12 "Modi's Mausam to co-opt Spice Route", *The Times of India*, June 4, 2015, <http://timesofindia.indiatimes.com/city/kochi/Modis-Mausam-to-co-opt-Silk-Route/articleshow/47534113.cms>

instrument to boost regional growth.<sup>13</sup>

Partnering with Beijing on the MSR could have clear benefits for New Delhi. With Chinese authorities keen to outsource manufacturing to their MSR partners, India's advantages in terms of low labour costs and raw materials place it in a good position to strengthen its manufacturing base, propagate its 'Make in India' campaign, and generate employment opportunities.<sup>14</sup> If India decides to stay out of the MSR, however, it runs the risk of losing the momentum for development. China's neighbours and MSR partners would be more than willing to make up for India's absence, thereby negating New Delhi's advantages.

While integrating maritime Asia has its own risks, especially the possibility of increased competition among regional maritime forces, India must capitalise on the opportunity for vast economic gains. It must do so by committing resources and actions, pursuing free trade and other open economic arrangements, and shaping norms and setting priorities for regional development. It must do all of these, even while deterring adversaries, taking measures to pre-

13 Mingjiang Li, China's "One Belt One Road" Initiative: The Convergence of Strategic Interests and Domestic Imperatives," in China's Maritime Silk Route and Asia, eds. Vijay Sahuja and Jane Chan (New Delhi: Vij Books 2016), 14.

14 Gurpreet Khurana, "Why is India So Coy about China's Maritime Silk Road?," *The Wire*, June 9, 2015, <http://thewire.in/2015/06/09/why-is-india-so-coy-about-chinas-maritime-silk-road-3522/>.

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serve the regional balance of power, and fighting trans-national threats like piracy and terrorism. New Delhi must demonstrate that it is willing to seize opportunities and act, not merely in pursuit of narrowly-construed national interests, but also for the greater regional good.

In effect, India must balance 'benefit and risk' to find a middle path, a compromise that allows it to pursue two seemingly conflicting goals: ensure strategic primacy in

the Indian Ocean, and regional development through economic integration of the maritime-Asia.



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# Sustaining Development: Cleaning Up Asia's Environmental Act

Vikrom Mathur and Tanoubi Ngangom

SUSTAINABILITY

## The Asian Boom

### *Growth, Poverty, Environment*

The rise of Asia is a central theme in global economic discourses today. Through economic globalisation, countries of the region currently enjoy high to moderate growth rates. Presuming that they sustain this growth momentum, Asia's GDP will grow by \$157 trillion in just 40 years, and will constitute 50 percent of the global GDP by 2050.<sup>1</sup> Seven countries—China, India, Indonesia, Japan, Republic of Korea, Thailand and Malaysia, will drive this process and will be responsible for about 91 percent of Asia's total projected growth.<sup>2</sup>

However, despite the consistent performance for at least the past two decades, and the associated optimistic forecasts, the region continues to be plagued by basic issues of hunger and poverty: Two-thirds of the world's 'hungry population' resides in the Asia-Pacific region.<sup>3</sup> In terms of overall poverty, more than 700 million Asians still live below the international benchmark of \$1.25 per day.<sup>4</sup>

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The explosive growth has also left an environmental crisis in its wake. 700 million individuals have to be pulled out of poverty but the environmental carrying capacity of our cities, rivers and landscapes is bursting at its seams. Rapid urbanisation along with corresponding processes of industrialisation has led to severe deterioration in air quality. A staggering 24 percent of the total burden of disease in Asia Pacific

is attributable to environmental risk factors.<sup>5</sup> These risks are most acute in China and India. A red alert was issued in Beijing in December and schools shut down, as pollution levels were 10 times higher than those recommended by the WHO.<sup>6</sup> In India, the situation is no better, with 13 of the top 20 most polluted cities in the world located in the country.<sup>7</sup>

A host of other environmental challenges are constraining development in Asia. Deforestation, soil erosion, desertification and land degradation are disproportionately impacting on the poor. Water is a growing concern in South Asia: Poor domestic management of water resources, along with pressures from population growth and industrialisation, have led to daily water shortages along with increased vulnerability to floods and droughts.<sup>8</sup> Global warming is expected to further exacerbate the development challenge of the region. Given the vast population, rapid rate of urbanisation, and the existence of vulnerable ecosystems such as small island countries, major river systems and long coastal lines, Asia is expected to bear a disproportionate cost of climate change.

The poor are most adversely affected by the envi-

ronmental challenge. In urban areas of Asia the poor live in slums on marginal lands without proper access to social services and the natural resource-dependent livelihoods of farmers are under maximum stress. Securing the Asian century rests on how effectively the region can sustain growth while protecting the environment and ensuring that benefits of growth accrue to all, especially those who still lack basic standards of living.

Sustainable development is now part of the economic and political discourse worldwide. The definition of the Brundtland Commission—‘development that meets the needs of the current generations without compromising the ability of future generations to meet their own needs’—is generally accepted. It suggests an equal consideration of economic, social and environmental goals. The grand narrative of sustainability needs to be brought down to earth; it is a complex multidimensional concept which provides the normative orientation for societal action but the rhetoric needs to be replaced by strategies, policies and practical ways of finding that elusive balance. Social, economic and environmental systems are complex and inter-

linked. It’s difficult to predict how they will interact and change. Sharing the benefits of growth and cleaning up our environmental act will be central to sustaining development to avoid collapse and surprise.

### Cleaning up the Environment

Environmental degradation continues to scar Asia’s economic miracle. Civil society groups and publics in Asian countries are demanding better environmental

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standards from their governments. Economic growth is driven by private businesses and three broad sets of strategies have emerged to ensure that growth is aligned with environmental objectives: regulations, laws and standards; economic policies and market incentives to support environment-friendly business practices; and voluntary private sector initiatives to improve environmental performance in response to public and investor pressure.

*Regulations, Standards and Laws*

Most Asian countries now have fairly evolved environmental laws and standards but compliance is the main concern, due to a lack of institutional capacity to enforce them. Capacity varies across the administrative levels—capacity at municipal and local authorities is often the lowest, which is where the most action is needed. Decentralisation of environmental management is an increasing trend across Asia but raises issues of local capacities and conflict across provincial jurisdictions. In India, for example, disputes across provincial borders and river basins have already been witnessed, which complicates top-down efforts towards environmental management and the success of laws and regulatory efforts.

Regulation is however critical to drive environmental modernisation. Regulatory standards drive innovation and compel industry to invest in research and development and improve vehicle technologies. This has been proven in the United States' White House directives on Corporate Average Fuel Economy standards.<sup>9</sup>

Fuel quality standards have to improve in tandem to the technology being used in vehicles. Recent efforts to control pollution in Delhi have also led to a slew of measures demanding use of Compressed Natural Gas (CNG) vehicles in all taxis as well as restrictions on the purchase of certain sport utility vehicles.<sup>10</sup> This follows a Supreme Court directive of 1998, which called for the introduction of CNG as fuel for all public transport in India.

India has also introduced a tax on coal, which serves to create a fund towards investment in clean energy technologies.<sup>11</sup> Moves to increase regulatory frameworks and improve compliance with environmental law in Asia will in the end require more effective mainstreaming of environmental consideration in sector policies related to land use, water and sanitation, urban development and transport.

*Economic Policies and Incentives*

Economic policies and incentives that push for efficiency, cleaner fuel and energy choices and less polluting technologies hold the key to sustainable and effective environmental action. In India fossil fuel subsidies are

being phased out in favour of taxes on coal through initiatives such as the Coal Cess. Market-based instruments incentivise consumers, particularly in industry, to reduce consumption, improve energy efficiency and generate savings. For example, the Indian Bureau of Energy Efficiency launched the Perform, Achieve and Trade (PAT) Scheme in 2012. PAT is a market-based mechanism designed to support improvements in energy efficiency in large industries and facilities through

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the certification of energy savings, which can be traded. The scheme resulted in about \$5 billion saved in oil imports, based on average Brent crude prices over the three-year implementation period (2012-15), and electricity savings equivalent to the output of five coal-fired power plants.<sup>12</sup> Incentives and market mechanisms are therefore key policy instruments for engaging industry in pursuing environment-friendly business decisions.

### *'Voluntary' Actions*

As Asian companies grow they will need to comply with environment laws and standards but they can also be more proactive and become partners in the sustainable development agenda. Stronger engagement with private sector through mandating corporate social responsibility, disclosure programmes, green procurement strategies, eco-labelling of products and encouraging reports on corporate environmental performance can help engage private sector actors in environmental action.

In India, for instance, a law passed in 2014 requires companies to spend two percent of their net profit on social development.<sup>13</sup> While the legislation

is a welcome step towards drawing in a wider range of actors in social development efforts, it remains to be seen whether the ruling will simply lead to forced philanthropy with solely symbolic and 'tick box' efforts or, worse, fudging of data in order to avoid compliance.

In developed countries the private sector is increasingly under pressure to develop environmentally friendly products and services as a result of growing public preference for the same. Companies are also

occasionally forced to source products from the developing world that meet certain minimum conditions with regards to environmental and labour practices. Encouraging eco-labelling to cater to environmentally conscious consumers can at times work better as a strategy than regulation. Voluntary disclosure programmes are also increasingly popular through initiatives such as the Carbon Disclosure Project, an

organisation that encourages companies and cities to disclose their environmental impacts to generate data that can change business practices.<sup>14</sup>

Environmental performance is becoming an increasingly important criteria to consumers and stakeholders. Improving standards makes increasing sense, from a business point of view, for private sector actors who are afraid to lose market share or see a lowering in stock price.

### *Regional Cooperation*

Shared efforts at environmental protection are key given that rivers, forests and mountains do not confine themselves to national boundaries. Asian countries are already working together to: share rivers, for example

cooperation in the Ganga and Mekong basins; manage contiguous forest areas, such as expanding Indian and Bangladeshi cooperation on the Sunderbans; and manage shared oceans, for example through the Indian Ocean Rim Association. There is also noticeable evidence of 'regional-think' about global problems like climate change, such as through the Association of Southeast Asian Nations (ASEAN) and South Asia Co-operative Environment Program climate initiatives.

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Regional responses are not only needed where natural resources are shared but are also useful to share knowledge and best practice on localised but common issues. There are several successful examples of regional/sub-regional projects, such as the programme on Asian Brown Cloud run by the UN Environment Program to study seasonal haze in Southeast Asia; ASEAN's Agreement on Transboundary Haze Pollution and Framework for Environmentally Sustainable Cities; Acid Deposition Monitoring Network in East Asia; South Asia's Malé Declaration on Control and Prevention of Air Pollution and its likely Transboundary Effects<sup>15</sup>; regional cooperation to control dust storms in Northeast Asia.<sup>16</sup> The Indus Treaty on water sharing between India and Pakistan also stands alone as a success story in an otherwise tense relationship between the South Asian neighbours.

### Sharing Growth

The Asian growth story is based on leveraging surplus labour for low-cost manufacturing: In fact, this phenomenon has earned the continent the moniker 'Factory Asia' in the global market. The East Asian tigers relied on such an economic model. The spectacular economic growth of China is rooted in a similar model—the share of labour income in total national income has declined drastically in under a decade (from 60 percent in 2000 to 43 percent in 2009).<sup>17</sup> Various other Asian

countries, including Vietnam, Thailand, Indonesia and Bangladesh, also depend heavily on the supply of low-wage labour.

The very factors responsible for the unprecedented growth in Asia are also feeding rising inequality in the region. The focus on cost-competitive manufacturing means that human resource investment would prove counterproductive by pushing up labour costs. However, the age structure of the Asian population will shift dramatically over the next 40 years, highlighting how unsustainable the current models are.<sup>18</sup> This is something that India, too, will have to contend with. The Indian model, though, must address an additional challenge. Despite it already experiencing the working-population explosion, India has been unable to generate proportionate employment. The country's growth has been largely due to a small, highly-skilled portion of the labour force engaged in the services sector, which contributed 72.4 percent to the GDP in 2014-15.<sup>19</sup> India's economy then suffers from the same challenge—under-investment in the major portion of its working population.

Sustaining economic growth in the future will depend more on output per worker than the actual number of workers, which calls for alternative economic models that are not beholden to labour surplus. While market-oriented reforms have created an economic boom,

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**The very factors responsible for the unprecedented growth in Asia are also feeding rising inequality in the region. The focus on cost-competitive manufacturing means that human resource investment would prove counterproductive by pushing up labour costs. However, the age structure of the Asian population will shift dramatically over the next 40 years, highlighting how unsustainable the current models are.**

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these market forces themselves are not sufficient. Addressing the development challenges of Asia requires a three-pronged strategy: redistributing income; investing in social sectors; and strengthening social protection.

### *Redistributing Income*

The current framework has resulted in high income-inequality across the region. Because low-cost manufacturing is based on extremely cheap labour, workers earn paltry remunerations, while factory owners and managers are able to reap much higher profits. In the case of India, highly-skilled workers employed in the productive services sector earn relatively higher incomes in comparison to the rest of the labour force. A recent report by the Peking University shows that the top one percent of Chinese households owns one-third of the country's wealth while the bottom 25 percent owns just a single percent of the total wealth.<sup>20</sup> The situation in India is worse—the richest one percent of the population owns 53 percent of the total economic pie.<sup>21</sup>

Inclusive development will require the creation of an efficient taxation system that is able to capture the entire spectrum of the population and leads to more balanced wealth distribution. Apart from satisfying the reallocation objective, higher taxes also mean larger revenue for increased expenditure on social sectors like health and education.

### *Investing in Social Sectors*

Rising inequality in Asia is not only limited to income;

the region is also witnessing widespread disparity in access to health and education facilities, which further widens the income gap. For instance, the probability of poor children (lowest income quintile households) staying out of primary/secondary schools is five times higher than their richer counterparts (highest income quintile households). In terms of health, infant mortality statistics for poorer households are ten-fold that

of wealthier ones.<sup>22</sup> This is because countries in Asia generally have parallel health/education systems—a high-quality, well-regulated one much like those in western economies catering to the wealthy, and a much more basic one for poorer households. There is a need to build a bridge between these two realities, and this calls for active state intervention to create more comprehensive systems that are able to provide certain minimum quality standards. This will not only bring about better quality of life, but will also dramatically increase the likelihood of obtaining productive employment.

### *Strengthening Social Protection*

The third strategy relates to the provision of social safety nets. Existing social security infrastructure in Asia is generally weak, with high out-of-pocket health expenditure being the norm. Out-of-pocket expenditure as a share of total private healthcare costs in India stood at 85.9 percent in 2003; the corresponding figure for China was 76.7 percent.<sup>23</sup>

Designing suitable social protection frameworks for the Asian region requires a better understanding of local realities. Much like the case of health and educa-

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tion, the region's protection systems are also plagued by a dualistic structure. While those employed in large public and private enterprises are often covered by various social security schemes, the majority of the population who is self-employed and/or works in the informal sector is primarily excluded from such insurance programmes. For instance, public sector employees in India enjoy a range of services—subsidised housing, health insurance, pensions and lifelong pensions for surviving spouses, and maternity and sick leave.<sup>24</sup>

Casting a wider net demands an exploration of ways to effectively capture the informal sector workers. Governments in the region recognise this challenge—social protection schemes are oriented towards a different set, which focuses on social assistance. Unlike social security schemes, which tend to disproportionately benefit the wealthier sections, social assistance programmes are specifically targeted towards the poor. Different countries have adopted different types of social assistance: the Philippines model, Pantawid Pamilya, is based on conditional cash transfer to lower-income households. Nepal has a similar cash transfer model.<sup>25</sup> On the other hand, India's largest social protection programme, the Mahatma Gandhi National Rural Employment Guarantee Act, provides a guaranteed term of employment to every rural household.

Despite the existence of such targeted pro-poor initiatives, actual outcomes remain sub-optimal in the face of large leakages and the inability to effectively target poor households. Tackling this challenge

requires extensive financial inclusion efforts that link each household to the formal financial net. This will not only allow transfers to bypass multiple bureaucratic 'check-posts,' but will also facilitate expansion of the insurance system.

In striving for shared development, attention must also be paid to the widening of pre-existing social divides caused by economic reforms. Already vulnerable groups such as women or rural residents are now exposed to higher competition, and further marginalised. Targeted policies must be created to ensure that Asian countries move towards better social cohesion.

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with new mindsets – ones that can manage the complex dynamics. Technology has been hailed as the panacea to problems of sustainable development and climate change. However, social changes are equally critical. The Delhi odd-even scheme which restricted vehicular use is an important step in that it opens the policy space for more ambitious regulation in the future. Also, it forced citizens to give up certain privileges they take for granted, thereby opening space to

further question consumption patterns and potentially change behaviour.

The current modes of production and consumption need to be re-examined and the needs of the weakest in Asia should be at the centre of economic policies. Another style of life that incorporates more socially and

environmentally conscious behaviour is vital. A change in mores and values to accompany the potential policy instruments described above will both supplement and broaden the effort to mainstream environmental action with developmental agendas.

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# Future of Energy: Regional Energy Cooperation in South Asia

Ashish Gupta & Akhilesh Sati

ENERGY

The creation of a new 'architecture' for regional cooperation in general and energy in particular will be a critical step in the process of Asia's development. This will require support of the concerned governments and various other players, including industries, institutions, regulatory bodies and consumers. South Asia is one of the most dynamic regions in the world, but it is also one of the least economically integrated. Seven of the eight South Asian countries face a persistent energy shortage and power outages that account for the loss of at least two percent of the Gross Domestic Product (GDP).<sup>1</sup>

With shared histories and cultures, the South Asian region has a huge potential for economic integration. The low trust environment between India and Pakistan, the largest nations in South Asia, is one of the biggest barriers to regional cooperation, but the story of the

European Union offers hope. European nations fought many wars and yet they took the first step of creating a coal and steel network which proved to be instrumental in bringing the nations together.

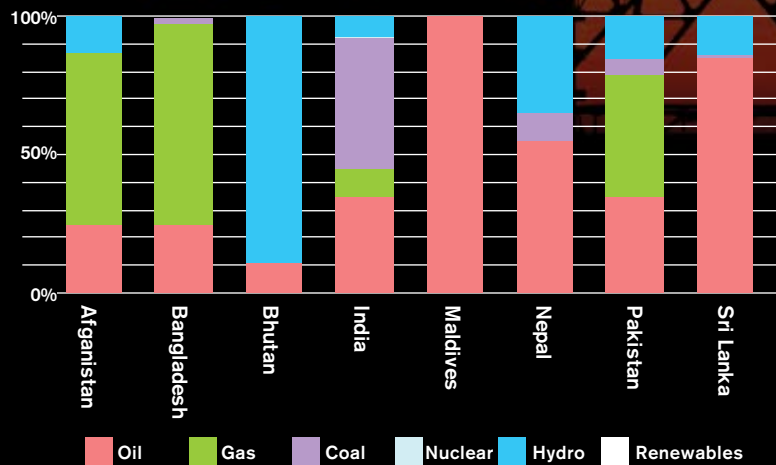
## Energy Profiles of South Asian Economies

South Asian economies are quite different from each other but have some commonalities as well. They have high degrees of dependency on energy imports, particularly of oil. All economies have highly regulated domestic energy markets and have limited ability to significantly alter their energy consumption patterns. As the price of energy does not often reflect the 'value' of energy, South Asian economies are not among the most efficient energy users.

Millions of South Asian energy consumers are energy poor, as they do not have access to modern energy services even to meet basic needs such as lighting and cooking. Energy transportation and distribution infrastructure is inadequate within each country and existing

1 Presentation on Establishing Cross Border Electricity Interconnections: Approach, Achievements and Next Steps by S. Padmanaban, SARI/Energy

Figure 1: Fuel Shares in South Asia



Source: USAID: Energy Security Quarterly

infrastructure is often poorly maintained.

India's overwhelming size dominates the South Asian region with 75 percent of the population, 64 percent of the land mass and 82 percent of the combined GDP of \$4.96 trillion in terms of purchasing power parity.<sup>2</sup> India, along with Pakistan (9%) and Bangladesh (6%), accounts for over 95 percent of the region's GDP with corresponding energy consumption.<sup>3</sup> The commercial energy mixes of South Asian economies differ widely.

India is primarily a coal-based economy while the two island states of Maldives and Sri Lanka, as well as Afghanistan, are oil-based. Bhutan is the 'greenest' among South Asian economies, as most of its commercial energy is derived from hydropower. Bangladesh's energy basket is dominated by natural gas while that of Pakistan is dominated by oil and gas. Overall, all are fossil fuel-based economies barring Bhutan (see Figure 1).

### Commercial Energy Imports

Since South Asian economies are highly dependent on imports of oil, they are vulnerable to volatility in global crude oil prices. India, the largest South Asian economy, imports 80 percent of its crude oil needs while Pakistan, the second largest, imports over 84 percent of its crude

oil needs.<sup>4</sup> Bangladesh imports over 95 percent; the remaining South Asian economies are completely dependent on imported oil.<sup>5</sup>

### Energy Intensity

The energy intensity, the amount of energy the economy consumes to produce one unit of GDP, is quite low in South Asia overall, except for in India, Pakistan, Nepal and Bhutan. Lower energy intensities are a sign of efficient energy use as well as greater industrialisation. The high energy intensity levels in these four South Asian nations indicates low levels of industrialisation and rampant energy poverty.

### Potential for Regional Cooperation

The South Asian region has countries which are amongst the top ten nations population-wise, but also some of the smallest on earth. GDP per capita among the nations is among the lowest in the world with none of the countries coming out among the top 100 in world as far as GDP per capita is concerned.

India's overall exports to its neighbouring countries are less than five percent of its total trade

and India's imports from the region are less than one percent. The energy sector cannot be divorced from this overall trade environment. The South Asian region produces one million barrels a day (mbpd) of oil, it consumes four mbpd and imports three mbpd. The net deficit situation is unlikely to change because most of South Asia is yet to

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**Table 1: South Asia—Energy Trade Prospects**

EXPORTING COUNTRIES	IMPORTING COUNTRIES									
	Afghanistan	Bangladesh	Bhutan	India	Maldives	Myanmar	Nepal	Pakistan	Sri Lanka	
	Afghanistan	X	X	X	Transit for Energy trade with East Asia	X	X	X	Transit for Energy trade with East Asia	X
	Bangladesh	X	X	Marginal hydropower & gas export via India	Significant hydropower & gas export	X	X	Marginal hydro power & gas export via India	X	X
	Bhutan	X	Marginal hydropower export via India	X	Significant hydropower export	X	X	Unlikely; Similarity of resources	X	X
	India	Supply Refined products via Pakistan	Supply Refined products	Supply Refined products	X	Supply Refined products	Supply Refined products	Supply Refined products	Supply Refined products	Supply Refined products
	Maldives	X	X	X	X	X	X	X	X	X
	Myanmar	X	Marginal hydropower export via India	X	Significant hydropower & gas export	X	X	X	X	X
	Nepal	X	Marginal peak hydropower support	X	Marginal peak hydropower support	X	X	X	X	X
	Pakistan	Supply of electricity and gas	X	X	Supply of gas	X	X	X	X	X
Sri Lanka	X	X	X	Marginal peak hydropower support	X	X	X	X	X	

Source: ORF Petro India report on “Regional Energy Cooperation,” 2012.





gain access to motorised personal transportation. Growth in demand for liquid petroleum fuels will be driven by transportation in the absence of sustainable alternatives. The demand from this region is likely to be in the range of 550 million tons of oil equivalent (mtoe) which is likely to grow to about 700 mtoe by 2020. South Asia produces 4.2 billion cubic feet (bcf) of gas but consumes more gas than it produces. The region also consumes more coal than it

produces despite the fact it has proven reserves of 125 billion tonnes. Overall energy demand of the South Asian region outstrips supply by a huge margin.

The gap between supply and demand notwithstanding—and keeping in mind opportunity to create supply—significant potential exists for regional cooperation among South Asian nations, particularly in the fields of petroleum and electricity generation.

### *Petroleum*

Inter-regional trade is possible with refined petroleum products. All countries in the region import petroleum products except India. The total consumption of petroleum products in the region is about 3.9 mbpd and the refining capacity is about 4.4 mbpd. This gives a net surplus

of 0.4 mbpd. The combined import of refined products from countries other than India is only 0.4 mbpd. The optimal trade flow of petroleum products given by any logistics optimisation software tool would be from refineries in the Indian coast to Pakistan, as it would offer the best cost and infrastructure optimisation options.<sup>6</sup>

6 Details based on presentation made by Ashok Dhar, Petro India Conference on Regional Cooperation, December 11, 2012, New Delhi.

### *Electricity*

The most obvious gains in regional integration are in the power sector, with connectivity enhancing system reliability, lowering costs and carbon emissions, and relieving debilitating shortages in all countries by enabling the sustainable development of the enormous hydro and gas-based power generation potential of the Himalayas—the “water tower” of Asia—and of Central Asia. Electricity trade will in-

crease sector revenues and also avoid or defer national generation investment costs. For example, Bhutan’s power export contributes 25 percent of its GDP and 60 percent of state revenues. Similarly, Nepal can also benefit from export of power.

### **India-Nepal**

Cooperation between India and Nepal in the power sector dates back to the 1960s when India assisting in the development of a one megawatt (MW) hydropower plant in Pokhara, which was commissioned in 1968. The Power Exchange Committee was constituted in 1992 to oversee the exchange (and other matters). Both countries share a long border, which has 22 radial links at 132/33/11 kilo Volt (kV) from

one system to the other. The first high-capacity 400 kV Double Circuit TL from Dhalkebar (Nepal) to Mujaffarpur (India) includes the strengthening of the sub-national transmission network in Nepal and the development of cross-border interconnection. The second high-capacity cross-border link has been identified as Moolpani-Naubise-Hetauda-Ballia 400 kV link project, for which preparation has started. Several other interconnections at 400 kV have been proposed, for

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Table 2: Cross-Border Power Trade Potential

IMPORTING COUNTRIES	EXPORTING COUNTRIES			
	India	Bhutan	Nepal	Bangladesh
India	X	Significant quantities of hydro-power being exported	Significant hydropower export possible	Significant amounts of gas or power possible. Some resource uncertainty
Bhutan	Dry season support	X	Unlikely: similarity of resources and seasonal shortages	Small amounts of thermal power and gas; connection via India
Nepal	Thermal power support, dry season support	Unlikely: similarity of resources and seasonal shortages	X	Small amounts of thermal power and gas; connection via India
Bangladesh	Sharing reserves; electricity swaps	Some hydropower; connection via India	Some hydropower connection via India	X

Source: Report on “Prospects for Regional Cooperation on Cross-Border Electricity Trade in South Asia” USAID, SARI/ EI & IRADe

instance Duhabi-Purnea, Butwal-Anada Nagar, Anarmani-Silguri.<sup>7</sup>

### India-Bhutan

Both the countries began to cooperate in the electricity sector in 1974 with an agreement to develop the 336 MW Chukha hydroelectric power project. The project was commissioned in 1988-89, followed with the development of Kurichu (60 MW) and Tala (1,020 MW) hydroelectric power projects.<sup>8</sup> Bhutan and India entered into an umbrella agreement in 2006 to develop hydropower projects and associated transmission systems as well as trade in electricity through public and private sector participation. Under the agreement, India has agreed to import at least 5,000 MW power from Bhutan by 2020.

### India-Bangladesh

Both the countries signed a memorandum of understanding in January 2010 to exchange electricity through cross-border grid connectivity and to jointly invest in power generation in Bangladesh. After several visits and a study by a joint technical committee, it was proposed to establish 400 kV, 30 kilometre double-circuit High Voltage Direct Current (HVDC) line

from Bheramara (Bangladesh) to Baharampur (India). This led to the establishment of a 500 MW 400/230 KV back-to-back HVDC substation at Bheramara.<sup>9</sup> The link was successfully completed in September 2013.

### India-Sri Lanka

In December 2006, Cabinet of Ministers decided in principle to study the feasibility of power interconnection between India and Sri Lanka and appoint a Steering Committee to look over technical, commercial, regulatory and legal aspects. Subsequently, a 400 kV HVDC grid interconnection was proposed, which involves the construction of a HVDC connection between Madurai in South India and Anuradhapura in central Sri Lanka through the Palk Strait.<sup>10</sup> The link may initially transfer up to 500 MW of power and may eventually be able to transfer up to 1,000 MW.

### India-Pakistan

The proposal to develop cross-border power linkages between India and Pakistan has been on the table for quite some time. The project is expected to support the import of 500 MW electricity from India to Pakistan via the Amritsar-Lahore interconnection. However, no constructive results have been achieved due to strained political relations between the two nations.

All South Asian nations are facing a severe power

7 Presentation, “Status of cross border trade and energy market–Nepal-India Exchange,” R.C. Pandey, Nepal Electricity Authority.

8 Report on “Prospects for Regional Cooperation on Cross-Border Electricity Trade in South Asia,” USAID, SARI/ EI & IRADe.

9 Ibid.

10 Ibid.



crisis. Apart from bilateral trade in power such as that between India and Bhutan and India and Nepal, there is also the possibility of a model of inter-regional power trade that includes China. If the trade route between Sikkim and the Tibet Autonomous Region of China is reopened, the southwestern part of China that faces a power shortage can be supplied by the northeastern part of India, which potentially has huge hydropower generation capability.

Cross-border transmission lines between India and Bangladesh and India and Pakistan stretch merely 30 to 40 kilometres, which can be erected in a few months. This seemingly insignificant piece of infrastructure could be among the most significant confidence building measures (CBMs) in the region.<sup>11</sup>

### Regional Energy Initiatives in South Asia

The driving vision in most South Asian forums is to integrate the region through trade and infrastructure so as to sow the seeds for deeper South Asian integration. The motivation is from the European Union, which began with the integration of its infrastructure. The Schuman Plan, as it came to be known, sought to connect energy and industry infrastructure in Europe, which eventually became the basis for European integration. The European Coal and Steel Community evolved into the European Economic Community, and in 1993, the organisation was renamed the European Union. In January 2002 the

11 Details based on presentation made by Mahendra P. Lama, Petro India Conference on Regional Cooperation, December 11, 2012, New Delhi.

Eurozone came into effect. Along with political will and resolve, the need to share and cooperate in developing resources like coal and steel contributed to promoting European economic cooperation and integration.

Towards the cherished vision of regional integration in the energy sector, energy ministers of the South Asian Association for Regional Cooperation agreed in 2005 to cooperate in harnessing all forms of energy in order to

achieve the objective of creating an 'Energy Ring' in South Asia. A special purpose vehicle called SAARC Energy Centre was established in 2006 at Islamabad to initiate, promote and facilitate cooperation in the energy sectors of SAARC member states for the benefit of all. It is funded by all SAARC member states and supervised by a governing board comprising representation from all member states.

India also proposed preparing a roadmap for a SAARC market for electricity (SAME). The proposal's main emphasis was on coupling the independent electricity grids of different countries through HVDC links. More recent rounds of SAARC discussed modalities of the earlier initiatives. Under the theme 'Building Bridges,' the

17th SAARC summit in 2011 called for implementing energy initiatives that are already in the pipeline, such as the 'Energy Ring' concept.<sup>12</sup>

Said single electricity market for the SAARC region could be developed on the pattern of NORDPOOL (4 countries), SAPP (9 countries) and/or Central West Eu-

12 Declaration of the 17th SAARC summit, April 2012, <http://www.saarc-sec.org/2012/02/15/news/Declaration-of-the-Seventeenth-SAARC-Summit/87/>.

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rope (CWE) single market.<sup>13</sup> The mechanism needs to be deployed for Single Day-Ahead Market for SAARC members and Ministries of External Affairs, Commerce and Energy should be made aware of such a possibility. Political will needs to be aligned for mutual benefits.

## Regional Approach to Energy Security: The Way Forward

The narrative on energy security within each country is the independent pursuit of self-sufficiency. This has to change with what we may call 'friendship pipelines,' 'friendship ferries' and 'friendship freight corridors.' These will convert the region into a seamless common market and an economic union on the lines of the European Union. These energy flows can be facilitated by a 'friendship petroleum product pipeline' between Jalandhar and Lahore, which may eventually go up to Kabul; between Haldia and Dhaka. South Asia could also have product ferries from Jamnagar to Karachi.

Like the barges of Europe, the region could have barges plying between Vizag, Paradip, Haldia and Chittagong or Myanmar. The SAARC region has plans for transnational corridors: Lahore-Delhi, Kolkata-Dhaka-Agartala, Thimphu-Haldia and Thimphu-Chittagong. This quantum leap in connectivity will create a Schumann plan-like transformational impact. It is now hard to think of Germany and France going to war. With transformational energy infrastructure linking nations no one can think of war between India and Pakistan in 20 or 30 years. A united South Asia can harness tradable energy resources of Iran, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan. Afghanistan could be seen as a transit linkage. Pakistan could explore for more gas and could be the transit for Iranian or Turkmenistan and other sources of gas. Nepal and Bhutan can export hydropower and gas from Myanmar. If we envision a grid of importing countries versus exporting countries, we will observe that every country has some-

thing to share with its neighbour.<sup>14</sup>

Energy security in South Asia could be seen from the sustainable development perspective and the energy security perspective. The critical question is the centrality of India, its size and its exclusive geographical location that shares common borders with all. India's borders have so far been looked at purely from a perspective of threats; from the energy security perspective, they must be looked at as opportunities.<sup>15</sup> 17 out of the 28 states in the country share borders with other countries and they have 94 districts in the border regions. Cooperation across borders means sharing control over resources, physical and social infrastructure. This is the biggest challenge for both small and large countries in the region.

What is very critical in the entire context is to build confidence. In the past, positive stakeholders were created through military CBMs, such as ceasefire agreements; these must now be extended to economic CBMs and social CBMs. Joint power projects could go a long way in building confidence at the economic and social levels.

Regional energy integration is not merely to fuel economies but to save them. Given the right vision and the capacity to learn from each other's experiences and mistakes, the coming years could see very different regional alignments as priorities are redefined and Asian neighbours increasingly deal and transact with each other. All would benefit from reliability support, reserve sharing, cleaner fuels, better investment opportunities and reduced risks for investors, and the associated sharing of knowledges and experiences.



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<sup>13</sup> Details based on presentation made by Rajesh K Mediratta, Petro India Conference on Regional Cooperation, December 11, 2012, New Delhi.

<sup>14</sup> See note 7.

<sup>15</sup> See note 11.

# Navigating Namami Gange: India's Flagship River Project

Ashok Malik

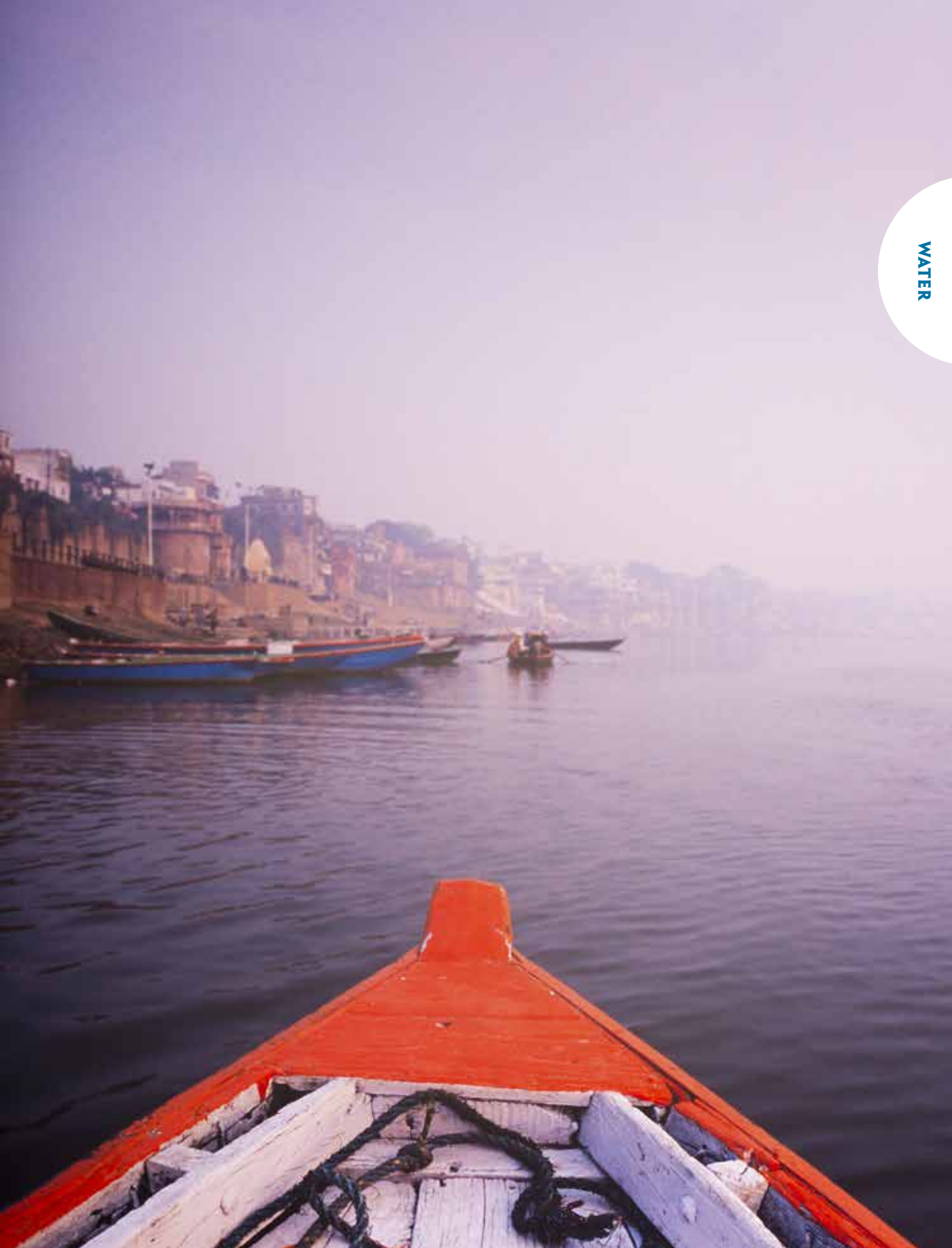
WATER

**I**s the Ganga a revered river because it is economically important, or is it economically important because it is revered? This is a crucial question, wrapped in philosophy and enveloped in the mists of time, and yet one that has a contemporary resonance. The Ganga's economic and social impact on India, and indeed the Indian subcontinent, warrants its cleaning, renewal and optimal utilisation as a river, a water resource, a waterway, natural capital as it were, for the 500 million Indians—one in three citizens—who live in the Ganga basin.

The basin covers 860,000 square kilometres (twice the size of Germany), present in 11 of India's 29 states. 40 percent of the country's gross domestic product is generated here. The states of Uttar Pradesh, Bihar and West Bengal are not just part of the Ganga basin, but locations of India's deepest developmental challenges. Some 200 million Indians in the Ganga basin live in poverty. Add Bangladesh and Nepal, and the numbers worsen.<sup>1</sup>

1 "Ganges Focus Area Strategy: 2013-2017," South Asia Water Initiative, <https://www.southasiawaterinitiative.org/ganges>.

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When one speaks of the Ganga's rejuvenation—as anticipated by the Narendra Modi government's Namami Gange initiative, which in turn widens the scope of the predecessor Manmohan Singh government's National Mission for Clean Ganga—one is not discussing merely a superficial cleansing or pandering to religiosity. The Ganga is a crosscutting phenomenon. It has consequences for fields as far apart as urbanisation, public health and job creation.

For instance, Namami Gange envisages the redevelopment of 118 towns and cities that have over the centuries emerged by the banks of the Ganga. Intelligently done, this could be conflated with the Indian government's 'Smart Cities' programme, which aims to build or revitalise 100 urban clusters that make efficient use of energy, water and waste-management technology.

Separately, there is a proposal to make 1,649 gram panchayats/villages in the basin open-defecation free. This is part of Swachh Bharat or the Clean India mission, the government's leading project for waste management and sanitation. When accomplished, this will improve health and general living conditions as well as prevent human waste polluting the river.

To consider the 'cleaning' of the Ganga as a narrow objective is self-defeating. In fact, there is need for clarity on what is meant by a clean river. What are the benchmarks we must set? The Ganga is a sediment-laden river, flowing down from the Himalayas, a comparatively young mountain range. Even when cleaned up it is unlikely to 'look' as clean as, say, a European river where

one can literally see down to the riverbed.

Do we measure a clean Ganga, then, not in terms of visual appeal but impact of its water quality and what removing pollution means for the present marine life? How does one tabulate the estimated half-a-million deaths each year due to water-borne diseases related to the Ganga? Surely an improvement in the basic quality of life of both humans and river organisms alone

would make expense to clean the river worth it.

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**Over half the water used in India is from the Ganga basin, and 90 percent of it is for irrigated agriculture. Yet, efficiency of use is below 40 percent. This means much of the water taken for irrigation purposes is wasted, though it is possible that some of it is used for domestic purposes and some simply flows back.**

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### Compelling Prospects to Revive the Ganga

Over half the water used in India is from the Ganga basin, and 90 percent of it is for irrigated agriculture. Yet, efficiency of use is below 40 percent. This means much of the water taken for irrigation purposes is wasted, though it is possible that some of it is used for domestic purposes and some simply flows back. Just how much is unclear. There is very little recorded data. A scientific study of this alone can revolutionise water use in northern India, make for much more informed social and economic choices, contribute to modernising agriculture and

restore the vitality of the river.

There is the compelling prospect of reviving the Ganga waterway, a freight corridor of ages past. The cleaning of the Rhine, which begins in the Swiss Alps and flows through 1,200 km of Europe, was carried out simultaneously with its development as an international waterway. This process took decades but left the Rhine community that much better off. Today waterways in Germany and the Netherlands carry 40 percent of

freight. In India, they carry 0.5 percent.<sup>2</sup>

The National Waterways Bill, introduced in Parliament in 2015, envisages the creation of a network of vibrant inland waterways and reimagining our great rivers as what they once were, the original expressways and freight corridors of history. It is a key element in India's emerging connectivity strategy.

For the Indian government, the thrust on inland waterways is particularly essential to realising the potential of the Ganga as economic capital, especially in the context of passenger and freight movement down the Ganga. It is also a test case for a multiyear, multi-waterway rejuvenation of other river basins across the country.

The 1,630 km stretch of the Ganga from Haldia in West Bengal to Allahabad in Uttar Pradesh is called National Waterway (NW 1). It travels through West Bengal, Bihar and eastern Uttar Pradesh, among the poorest and most infrastructure-scarce regions of the country. NW 1 has the capacity to bring goods and people from the deep east to the heart of northern India. Riverside land has been acquired in Varanasi in Uttar Pradesh to build a terminal. Strategically located at a distance of 700 metres from National Highway 2 (NH 2, part of the old Grand Trunk Road and one of India's busiest road connections), the terminal can marry a key waterway and highway.

About five km away is a small station that is on the same line as the Mughalsarai station, part of the Del-

hi-Kolkata train route. This is the geography of the proposed Eastern Freight Corridor (EFC), extending from Ludhiana in Punjab to Dankuni on the outskirts of Kolkata. The plan is to connect the EFC and NH 2 to NW 1 and make road and rail infrastructure projects part of the Ganga story, with cargo moving from river to land to rail track in a seamless, interruption-free continuum. Yet, this is not all.

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NW 2 (the Brahmaputra river) can be linked to NW 1 through Bangladesh. It carries the hope of addressing access issues in the landlocked, relatively isolated states of India's Northeast and reducing their distance from northern India. Assam and the other states of the Northeast also lay great store on NW 6 (the Barak). It can flow into NW 1, and create a Barak-Ganga waterway, through the Sunderbans and the Bay of Bengal.

Equally audacious is the designing of a link between NW 5 (the Brahmani) and NW 1 using the East Coast Canal in Odisha. The British built the canal in the 19th century but it has been damaged by decades of neglect. It is now close to being completely silted. Even so, it can be redeemed. If it is made

functional again, coal, iron ore and steel from Odisha can travel to far-off markets not by trucks or trains but on the river.

How will this help or be more efficient? River vessels of reasonable size can carry 1,500-1,800 tonnes of freight and replace a third of goods-plying trains. To be able to do so, on the Ganga at least, water depth of three metres in the navigation channel is required.

2 India – Brief: Ports, World Bank, <http://www.worldbank.org/en/country/india/brief/ports>.

The Ganga, abused by industry and individuals over the years, suffers on this count. In the stretch from Patna in Bihar to Allahabad, for example, the navigation channel is only about two metres deep. This can be addressed by dredging and, technical reports suggest, building two to four barrages.

## Opportunities and Challenges

Here, one arrives at both opportunities and challenges that are far more complex than commonly understood. If the dredging exercise is conducted and the barrages are built, economic activity by and down the Ganga will be accelerated. This will create jobs. Barges of 1,500 tonnes can be made from the debris of ship-breaking, an industry India specialises in. Using such re-rolled steel could give a boost to 'Make in India,' the manufacturing mission of the Indian government.

The barges and freight vessels themselves could carry foodgrain, cement, edible oil and chemicals up and down the river, saving costs for a host of industrial units—from oil mills to sugarcane processors to power plants—that populate the Ganga's banks. This has been the experience in Europe and the United States.

Nevertheless, the project is not without its challenges. Barrages impede natural water flow for short stretches of the river. This raises the water level in parts and could inundate the char land that currently gets created in the summer months and is used for some agriculture. The pay-off for the users of this char land will need to be explained and politically negotiated.

Furthermore, India has limited knowledge of state-of-the-art dredging equipment. There is also the question of what to do with the dredged material. This sandy waste, when dried, can be used for building work. One school of thought is considering giving it for free to villages by the riverside, as an incentive and a gift from the munificent river—and to create a constituency for Namami Gange.

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Environmentalists worry about river traffic for two major reasons: fuel emissions and possible spillage, and the impact of propeller sound on the movement and breeding patterns of river dolphins. On NW 1, the Ganga nurtures dolphins in Vikramshila (Bhagalpur, Bihar) and Varanasi. Namami Gange will need to deploy technology in the form of noise attenuators and upgrade marine pollution regulations. China's tragic experience with the dolphins of the Yangtze serves as a warning.

From 1 January 2015 the International Maritime Organisation has mandated the use of higher-quality, less-polluting fuel for international waters. The minimum sulphur content has been cut by 90 percent.

These strict provisions will need to be introduced and monitored in domestic waters.

## Managing Hydropower Potential through Run-of-the-River Projects

Whenever discussion on pollution in the Ganga takes place, as it does so often in the context of the Namami Gange project, the issue of upstream construction on the river obstructing the natural flow of waters comes

up. Quite correctly, it is pointed out that this hindering of the river's course contributes to the muck in the plains and the fact that fresh-flowing water does not replenish the river, as has happened for centuries.

Periodically, there are demands to deny permission to new hydroelectric projects on the Ganga and its tributaries. This is part of a larger appeal to ban all constructions on the river. It could go a long way in nurturing and repairing the Ganga, it is argued.

While the intentions of those behind such thinking are laudable, it is important that the messaging around this decision is nuanced, careful and thoughtfully explained. It would be a pity if it were to become an excuse for an all-out attack on hydropower in general. Indeed, even in the context of dams and hydropower projects on the Ganga, it is necessary to distinguish between what is absolutely not needed and what could be lived with.

Any water body, whether the Ganga or another river, is a force of nature. Harnessing its multiple energies will inevitably lead to human intervention with the natural order. Sensitive and sustainable cooperation with the ecology of and around a river system is non-negotiable, but also unavoidable.

In the past few decades, hydropower projects have become controversial. Much of the argument is about large reservoir or storage dam projects. Such projects are justifiably derided for their substantial social and environmental costs. On the other hand, run-of-the-river projects can be relatively more agreeable with nature. A run-of-the-river project diverts water more than ob-

structs it; submergence can be minimal.

Take the case of the government-owned Vishnugadh Pipalkoti Hydroelectric Project on the Alakananda river, a tributary of the Ganga, in Uttarakhand. Meticulously designed, this project, construction for which began in 2014, sees submergence at a point where the river goes into a deep, narrow gorge. As a result, there is zero displacement of population and no houses or fields are

submerged. Not only has this project found financial support from the World Bank, otherwise wary of big dam projects, it has also won validation from India's National Green Tribunal.

It is important to differentiate between storage dam projects and run-of-the-river projects. Both do not merit equal treatment, especially as hydropower emerges as vital for India's energy mix, economy and security, and not just in the Ganga basin. Hydropower is crucial because it is the one source of energy that can instantaneously respond to fluctuations in demand. It is an insurance policy against an accident or sudden surge. In some countries, hydropower potential is so high that it has become a major source of energy. Brazil and

Norway fulfil about 80 percent of their energy needs using water.

In India, where use of coal and thermal power is disproportionately high, the quest for renewables is critical to the emissions challenge. While solar energy and even nuclear energy will doubtless play a role, it would be imprudent to ignore hydropower. Blanket bans in one part of the country, especially if they are not thought through or contextualised, could become self-defeating

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precedents for other regions.

A culture of protest and policy paralysis has anyway delayed realising the hydropower potential of Arunachal Pradesh, estimated at 50,000-60,000 MW. In the Northeast, particularly in the Brahmaputra basin, inability to find the right ecological, social and economic balance has handed over the advantage to China, which is going ahead with its upstream dam and hydropower plans. Eventually, these could turn out to be much more expensive for India.

### Reaching Out to Neighbours

No sensible hydropower policy can be wholly domestic. One of the motivations of the Bangladesh-Bhutan-Nepal-India framework of cooperation, among the Modi government's best-known foreign policy initiatives, is engagement on such issues with riparian neighbours. Two trajectories can be cited here: Bangladesh-Bhutan-India and Nepal-Bangladesh-India, both of which are part of the Ganga basin.

India is such a big market for Bhutanese hydropower that it in effect sustains its neighbour's economy. It is a win-win in that Bhutan contributes to India's energy security. The 3,000 circuit km transmission system from Tala, Bhutan, to Delhi uses Bhutanese hydropower to light up homes and businesses in north India. A similar arrangement with Nepal is essential, which, like in the case of Bhutan, will raise prosperity levels in Nepal and simultaneously have positive implications for India's national security.

The hydropower transmission corridors from Nepal cannot but run into India and seek customers here. This

dependence on the Indian market will give New Delhi greater leverage in Kathmandu at a time when Chinese influence in South Asia is growing and needs to be neutralised using economic tools. Hydropower development in India and South Asia has multiple consequences. Any government—and the Indian system as it were—has to be mindful of all of these.

The Ganga was around well before we arrived and

will be nourishing our earth well after we are gone. As the familiar aphorism goes, we have not inherited it from our parents as much as borrowed it from our children. As such, any plans or vision for the Ganga cannot be frozen in time but must build into it dynamic tools that adapt to future needs. Eventually a truly global-class river-basin organisation will be called for to not just look at the quality of the Ganga waters but also address issues of quantity: How much water is there? To whom and to which sectors should it be allocated and on what basis? What is the impact of flooding and how can it be mitigated? How much water is needed for agriculture and how much will be for navigation? What is the—that blockbuster term—

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the value of the water? How will the water allocation and distribution pattern change in 20 years, as labour moves from farms to factories and from agriculture to manufacturing?

Can we foretell the answers? Is it all a zero-sum game and is an 'arms race' for water pre-destined, or is supply augmentation feasible? From financial allocation, the paradigm has to move to water allocation, and then from allocating a quantum of water to allocating a



quantum of benefits.

In a sense, a microcosm for such an institution exists in Maharashtra, which has a State Water Resources Regulatory Authority, supported by the World Bank and which oversees bulk entitlements as well as the pricing

of such entitlements, sector by sector, in river command areas. In time, the Ganga will be required to shift in the direction of such an institutional architecture and conceptualisation of river basin management. India's once and forever river, and her people, deserve just so.

*This piece is a compilation and expansion of two previously published blog pieces: "Ganga as national highway: Namami Gange is not just a religio-cultural obsession, it builds India's infrastructure," The Times of India Blog, May 30, 2015, <http://blogs.timesofindia.indiatimes.com/toi-edit-page/ganga-as-national-highway-namami-gange-is-not-just-a-religio-cultural-obsession-it-builds-indias-infrastructure/> and "Ganga has many faces: India needs to repair its rivers while retaining hydropower as a vital part of its energy mix," The Times of India Blog, December 14, 2015, <http://blogs.timesofindia.indiatimes.com/toi-edit-page/ganga-has-many-faces-india-needs-to-repair-its-rivers-while-retaining-hydropower-as-a-vital-part-of-its-energy-mix/>.*



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# Choosing Between Freedom & Firewalls

Arun Mohan Sukumar

CYBER

**A**ny country that aspires to be a cyber power must concern itself with two questions: First, does it secure the data of its systems, networks and users, and second, whether law enforcement agencies can effectively retrieve such data for legitimate purposes. The first concern is a property of the country's approach to data protection, and the second, its proclivity to intercept data. Where the private sector plays a crucial role in the digital economy, it is incumbent on businesses to protect the data of their users and consumers. Where governments use digital networks to provide e-governance services, its mandate is also to protect the integrity of sensitive user data from any outside intrusion. On the other hand, the license to intercept data is purely a prerogative of governments, conferred by appropriate legislation. This is a neat theoretical demarcation, but increasingly, private sector players are using data protection technologies to secure data from all players, including law enforcement agencies. Three factors have contributed to this situation:

1. The Snowden revelations, which suggested that governments where the rule of law is strong too are

susceptible to mass surveillance. On this count, the leaks broke a cozy compact between governments and the private sector everywhere, changing the rules of the digital economy irreversibly.

2. The realisation that technology can contribute to "security by design," thereby making all physical devices agnostic to intrusion requests, whether from a cyber criminal, hacker or law enforcement authority.
3. The lack of common legal standards for data protection and lawful interception across jurisdictions. Rather than looking to comply with varying national laws, the private sector is evolving its own set of norms, led by a select few global companies.

The bundling of law enforcement agencies into a motley mix of actors—criminals, hackers, cyber militias and business competitors—poses an unusual problem. How will cops solve cases where electronic evidence is encrypted and inaccessible to all but the user? Just as the private sector invests heavily in new technologies to enhance security, governments would channel their resources to buying exploits and developing countermeasures to encryption—in sum, rendering cyberspace as a whole unstable. This problem is particularly relevant



CYBER

to the Asia Pacific, which hosts the biggest concentration of internet users in the world. However, most data from the region is stored in the West. Faced with a lack of agency (given the net outflow of data) and the lack of technologies (in comparison to Western countries), Asian nation-states are faced with an existential question: Do we opt for freedoms or firewalls?

The struggle between Apple and the US Federal Bureau of Investigation (FBI) over access to the San Bernardino shooter's iPhone highlights the varying priorities of the private sector vis-à-vis the government. The FBI sought access via a court warrant to the locked iPhone of Syed Rizwan Farook—a citizen of the United States who in December 2015 killed 14 and injured scores in a mass shooting in California—which Apple has refused to provide. Technologies that allow the FBI to force its way into the shooter's iPhone will compromise the operating systems of all iPhones, Apple's CEO Tim Cook argued in a letter to consumers. The legal precedent set by this case will be closely studied, but what lessons does the San Bernardino case hold for Asia, and particularly India, where Apple's market share is less than one percent?

To illustrate how the confrontation between Apple and FBI would play out in India, consider an example. Law schools across India illustrate the difference between "culpable homicide" and "murder" through the famous K.M. Nanavati case of 1961. Mr. Nanavati, a commander with the Indian Navy, was informed by his wife of her affair with Prem Ahuja and her desire to leave the marriage. An enraged Mr. Nanavati barged into Mr. Ahuja's home, and after an angry exchange of words, shot and killed him. In the trial that followed, Mr. Nanavati's punishment swung on whether his act was pre-meditated. If it was, he would

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**Technologies that allow the FBI to force its way into the shooter's iPhone will compromise the operating systems of all iPhones, Apple's CEO Tim Cook argued in a letter to consumers. The legal precedent set by this case will be closely studied.**

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be guilty of murder. But were the shooting unplanned and truly a "crime of passion," as the tabloids referred to it, Mr. Nanavati would be punished for the lesser offence of culpable homicide. The Supreme Court found him guilty of murder, but not after a protracted drama that involved a jury exonerating him.

Let us tailor the Nanavati case to a modern setting. In the 2016 adaptation of the crime, the police retrieve Mr. Ahuja's iPhone, which purportedly contains a draft tweet suggesting he feared for his life. The tweet was never published, and Mumbai

cops need it to prove Mr. Nanavati had threatened him previously. The Information Technology Act (specifically, Section 69) confers sweeping powers on the Maharashtra government to retrieve such information but Twitter claims it cannot extract unpublished tweets. The cops turn to Apple with a request to unlock Mr. Ahuja's phone, but Apple refuses, suggesting that building a backdoor for one iPhone will compromise the security of all.

What options do the Mumbai police have? Apple is not an Indian company and can refuse to comply with Section 69 of the IT Act, claiming the provision violates California law (where Apple Inc. is based). Apple India Private Ltd, its Indian subsidiary, is registered under the Companies Act but mostly performs administrative and financial functions. Apple does not provide internet services, and has no software licensing agreement with Indian telecom operators. What is more, Indian developers whose content is featured in the App Store sign agreements directly with Apple Inc., the parent company. Short of proceeding legally against an Apple India Director or revoking its import license—neither of which would be sound measures—the Government of India has limited options to secure its compliance.



For these reasons, the Indian debate over encryption is very different from the discussion that Apple's ongoing tussle with the FBI has generated. Nevertheless, the episode offers two broad lessons.

The first lesson is for Indian regulators: Find the right mix between protecting user data, while allowing law enforcement agencies to retrieve it for investigation. The US does not have high data protection standards, but law enforcement agencies have met with increasingly steep judicial barriers—thanks to the Snowden revelations—to extract electronic data. As a result, companies like Apple have been encouraged to invest in strong encryption, as the evolution of its operating system iOS shows.

India, on the other hand, has low data protection standards as well as low legal thresholds for intercepting information. Measures necessary to intercept information have had the unintended consequence of stalling the development of indigenous high-security devices like the iPhone. For instance, the Department of Telecommunications continues to prescribe low encryption standards for Internet Service Providers, while subjecting them to liability for attacks on the network. ISPs are faced with a Catch-22 situation, with little room to strengthen their security. The dangerous mix of low data protection standards and legal barriers against monitoring puts India in the bottom quadrant of Table 1, alongside China.

Table-1	Legal Barriers to Data Extraction	
	High	Low
High Data Protection Standards	<b>European Union</b>	<b>Russia</b>
Low Data Protection Standards	<b>United States</b>	<b>China, India</b>

The second lesson is for internet companies based abroad: co-operate with law enforcement agencies on legitimate requests for user data. Popular internet applications and social media platforms in India today are all based in the US or Europe, and host data in servers abroad. To unlock Mr. Ahuja's iPhone for the Mumbai police, Apple would need to create a sophisticated "backdoor" to break its encryption protocols. This is an extraordinary instance, involving a drastic solution. But even in the majority of cases where Indian law enforce-

ment agencies can solve crimes based on information available with data giants, their compliance with government requests has been abysmal. Research by Rebecca MacKinnon and Elonnai Hickok suggests the Indian government in 2013 placed 3,598 requests for user data from Facebook with a 53% compliance rate, while the US government made nearly 12,600 requests with a compliance rate of 81%. There is simply no basis or justification for the differential treatment of compliance requests but for the fact that Facebook is a US-based company. Given desperate times, the Indian government took desperate measures: In its draft encryption policy released (and withdrawn subsequently) last year, it sought backdoors into all internet applications based abroad.

The 'Apple v. FBI' debate in the US has generated much controversy because nearly half of America's mobile users today own an iPhone. Encryption is commonplace, while courts, law enforcement agencies and tech companies—all based in the US—debate the optimal mix of interception and data protection. The Indian context is far from comparable. Most Indians, especially first generation internet users, own unencrypted devices. The competing pressures of the market have only contributed to the overall insecurity of India's internet infrastructure. The rush towards cheap smartphones like Freedom 251—whose vendors could not even offer a secure website to process phone bookings—have seriously compromised the integrity of user data. What is more, to secure their data and to retrieve it for investigation, Indian authorities need the assistance of foreign internet companies. There is no side to choose in this fight, since India needs its own variants of Apple and the FBI: high-security devices that protect data, and a law enforcement agency that can effectively retrieve electronic information.

*This is an expanded version of the author's article "What Apple versus FBI means for India," The Hindu, February 25, 2016.*



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# Buddhism and Asia's Connectivity

P. Stobdan

BUDDHISM

**B**uddhism is one of the most intriguing philosophical products that originated in India some 2,600 years ago. The profound wisdom of Lord Buddha has never been viewed as a religion in a theistic sense or in the context of being a faith. It has remained a powerful integrated philosophical whole, encompassing all facets of both spiritual and material culture that have guided humanity for centuries.

According to Sir Edwin Arnold's book *The Light of Asia* (1879), Buddhism influenced millions for over 26 centuries and the spatial dimension of its dominions extended "from Nepal and Ceylon over the whole Eastern Peninsula to China, Japan, Tibet, Central Asia, Siberia, and even Swedish Lapland."

Buddhism provided the solid foundation for a societal and cultural transformation in Asia. It continues to be a key anchor for Asian identity and a phenomenon of an unprecedented Pan-Asian importance, especially in terms of another layer of connectivity among nations, with enduring impact.

## Spread of Buddhism

Buddhism travelled from India to myriad directions along the web of trans-Asian overland and maritime trade networks. The fabled Silk Route across Central Asia became the primary corridor along which Buddhist philosophical ideas, including medicine, astronomy, mathematics, art and architectural styles, and diplomacy and statecraft, were transmitted to China and beyond, while connecting various Asian regions cutting across races, regions, ethnicities, languages, genders and cultures. This led to Buddhism becoming synonymous with trade.

Merchants, traders and artisans actively financed monastic institutions. They assisted monks and pilgrims, who played a vital role, by spreading Buddhism, in connecting to distant Asian regions. Thousands of monasteries dotting the Eurasian continent ensured peace and prosperity.

Scholars from across Asia came to study in renowned Indian universities, such the Nalanda and Takshashila, and took home with them Buddhist teachings, texts and relics. Interestingly, kings and monarchs, too,



reached out to each other through Buddhist channels and used missionaries, translated texts and relics as valuable diplomatic tools. There were even instances of kings going to war over said relics.

Buddhism reached its zenith in China in the ninth century. It continued to thrive due to a continuous two-way exchange of trade and commerce with India until the Arab conquests of Bactria (the land that today straddles Afghanistan and Tajikistan). The subsequent destruction of monasteries during the 12 and 13th centuries resulted in a decline in trade, and consequently a complete disruption in India-China ties. Fortunately, pathways to the rest of Asia, including Korea and Japan, from either China or India through maritime routes, remained open, and thus the spread of Buddhism continued unabated.

It is important to note that Buddhism spread far and wide without use of force or coercive action. The monks and missionaries were peaceful in their approach and style, and made sure to take into account local conditions, although without compromising on essential teachings and points of wisdom. A study by the Centre on Public Diplomacy titled “Buddhist Diplomacy: History and Status Quo” examines how monks and disciples used public diplomacy methods to spread Buddhism across Asia.

With the passage of time, Buddhism became indigenous to the regions it had spread to, and gradually became less dependent on India. Several research findings are emerging on how a process of localisation of Buddhist tenets has led to ‘Buddhist globalisation.’

## Buddhism and Asian Values

Undoubtedly, Buddhism provided the foundation for people, whether residing in India, China, Japan, Korea or in other parts of Asia, to adopt common culture, thoughts, idioms and spiritual beliefs and practices. In fact, it became the single-most important factor for infusing the hitherto ill-defined ‘Asia’ with a cultural coherence, providing a channel for the flow of ideas and interactive relationships.

Through the movement of ideas, commodities and peoples, Buddhism integrated myriad societies and regions, effectively interweaving them into a common culture of ethical values, especially among the social and political elites in Asia.

The ideals of Buddhism continue to intersect with the political and economic contexts of many Asian nations, together with a current combined population of 1.6 billion, or 22 percent of the world’s population, according to latest estimates<sup>1</sup>. It is indeed the root from which several Asian nations draw their national identities and political and social heritages. In many countries, Buddhism is imbedded into their ‘nationalistic’ thinking and actions, such as in Sri Lanka. It acts as a strong unifying

force in Myanmar, Laos, Thailand and Cambodia. Certainly, Buddhism is an intensifying factor for Asian emotional bonding and connectivity. Indeed, Buddhism has also generated spiritual awakening elsewhere in the world and

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**It is important to note that Buddhism spread far and wide without use of force or coercive action; with the passage of time, Buddhism became indigenous to the regions it had spread to, and gradually became less dependent on India. Several research findings are emerging on how a process of localisation of Buddhist tenets has led to ‘Buddhist globalisation.’**

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1 “Buddhism Could Now Be the 2nd Largest Spiritual Path with 1.6 Billion or 22% of the World’s Population According to Some Recent Studies,” Buddha Weekly, February 12, 2016, <http://buddhaweb.com/buddhism-now-2nd-largest-spiritual-path-1-6-billion-22-worlds-population-according-recent-studies/>.

influenced philosophical traditions the world over.

The history of Asian narratives explains how, at one level, Buddhism fulfilled people's quest for religious beliefs, and at another, allowed people to connect to higher values of spiritualism without requiring them to abandon their faith or religion.

At the core of Buddhism lies the idea of exploring the potential of oneself to attain enlightenment. This philo-

sophical virtue contributed to the foundation of democratic culture in many Asian societies. The core ethics of Buddhism that stress on the nature of interdependence and interconnection allowed every society to absorb changes and reforms, including political transitions—all accepted as interdependent phenomena mutually inclusive in nature. The values drew Asian societies towards adaptation and co-operation, and these still drive them towards a cooperative culture. Buddhism was found to be compatible with democracy and it allowed people to live in an atmosphere of harmony and equality. The emphasis on the need for consensus practiced in the monastic order of *Sangha*, where decisions are taken through collective discourse,

impacted on Asian societies. Similarly, the *Vinaya* rules for monastic community infused a culture of democratic traditions. Above all, Buddhist virtues provided individuals an opportunity to realise one's potential as well as cultivate a sense of universal responsibility. The diversity of Asian value systems today reflects how the culture of inclusiveness and tolerance has protected Asian cohesion at various turns of history.

Furthermore, Buddhist teachings also allowed people

to respond positively to modernity and change. In the process of becoming modern, a majority of Asian societies and nations, including Japan, India and China, did not entirely emulate Western value systems. They accepted necessary modern shifts, for instance those related to economic and technological skills, but adopted them within the realm of their traditional culture and values.

One of the most profound impacts of Buddhism in

Asia has been the infusion of non-conflicting philosophic traditions. Buddhist principles have allowed societies and nations to seek transformation without being in conflict. In fact, this tradition is at the root of emergent democracy in Asia. The recent political transition in Myanmar has demonstrated how Buddhist values impact political processes among people in Asia.

The long experience lived through the practice of Buddhist traditions has led to an atmosphere of peace in Asia. Since it is not a religion in a dogmatic sense, it has created space for flexibility beyond fixed ideas. It has also provided a template for people to realise the need for transforming self and societies irrespective of race, nationality or gender.

The benign nature of Buddhism has even influenced Islamic tradition in Asia. Despite prejudices, Asian history is full of friendly interactions and cooperation between Buddhists and Muslims, which was an advantage for Asian connectivity. Many Asian societies have internalised Buddhist principles without having to adopt a Buddhist identity. Sufism, for example, is a product of long-drawn intensive interface between Buddhism and Islam, with tremendous capacity to positively influence

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large sections of humanity, more so now when Islam is passing through a critical phase.

Today, innumerable traits of Buddhist connectivity, in all their intensity and complexity, continue to manifest in the popular realm of Asian cultural, spiritual, social and economic lives. Clearly, there is a great deal to learn from Asian experiences of a tolerant culture and make it more relevant to our lives in the future. These experiences are even more relevant now against the backdrop of emerging disputes and conflicts being manifested through terrorism and sectarian violence. In an era of a globalised and free-market economy it is imperative for the world to adopt a flexible and dynamic system, which is in practice in Asia in several places. It is the Asian experience, the spirit of freedom, equality, cooperation and prosperity of all nations that can form a new alternative model for a 21st century world order.

### India's Buddhist Connectivity

For India, Buddhism lies at the core of its identity as a cradle of wisdom that has given the country a unique image of being an embracer and enlightener rather than a conqueror. A high profile Chinese Ambassador, Hu Shih, has commented, "India conquered and dominated China culturally for 20 centuries without ever having to send a single soldier across her border."<sup>2</sup> In a way Hu Shih's words reflect the soul-binding links between the two nations. In a rare

2 Desh Kapoor, "Hinduism in China: Influence that goes back many millennia," *Drishtikone* (blog), August 5, 2013, <http://www.patheos.com/blogs/drishtikone/2013/08/hinduism-in-china-influence-that-goes-back-many-millennia/>.

admission, *China Daily* commented:

"Such a tribute to the relationship between the two countries is so rare in this world. It speaks volumes of the long, long duration of the kinds of links, the regard and respect the two peoples have for each other, much longer than a human life span or two. It speaks of neighborliness, the conquests of hearts and minds by inspiration, example and a way of life. It speaks of the esteem the

people hold each other in and their maintaining it beyond the day-to-day events, over thousands of years."<sup>3</sup>

Buddhism declined in India after the fifth and sixth centuries, but its principles form the core values of Indian foreign policy. The intrinsic nature of Buddhist principles provides India a global persona of benign international influence. The essence of Buddhist influence lies in co-optive power, allowing nations to pursue interests without being explicitly political. India's domestic performance (democracy and pluralism) and external pursuits (independent and non-aligned foreign policy) have their underpinnings in Buddhist doctrine of *Madhyamika*.

These principles have increased India's global credibility as a non-threatening power. The recent strategic embrace of India by major world powers, including in the globally contested field of nuclear cooperation, is driven not merely by the contingency of interstate relations, but more because of India's irrefutable historical personality and unique appeal.

3 "A warm Indian welcome to a neighbor," *China Daily*, October 19, 2014, [http://www.chinadaily.com.cn/opinion/2014-09/16/content\\_18608745.htm](http://www.chinadaily.com.cn/opinion/2014-09/16/content_18608745.htm).

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Buddhism is once again making a rapid comeback and its growing popularity is accorded to its peaceful nature, philosophy and geographic spread. Over 98 percent of the world's Buddhist population lives in the Asia-Pacific region. The number is growing: Over 14 countries in Asia have more than 50 percent Buddhist population, and seven of these countries have over 90 percent people practicing Buddhism.<sup>4</sup> It has become a catalyst not just for meeting spiritual quests, but also proving a currency of wellbeing and prosperity for millions in Japan, Korea, Taiwan, Southeast Asian countries and China.

This pattern of intra-Asian connections has profound implications for Asian renaissance in the 21st century, something India seems to have taken note of with great interest.

Buddhism has already gained prominence in India's diplomacy for fostering deeper engagement with the Association of Southeast Asian Nations as part of its 'Look East,' now 'Act East,' policy. It will not be an exaggeration to say that Buddhism is fast becoming a symbol of rising India. The country is sitting atop millennia-old tourist mines. Numerous Buddhist sites in India directly linked to spiritual destinies of millions in Asia could form a part of a 'Buddha-Industry,' which in turn could transform lives of millions, providing lucrative career options for the country's youth.

4 "Buddhism Could Now Be the 2nd Largest Spiritual Path with 1.6 Billion or 22% of the World's Population According to Some Recent Studies", Buddha Weekly, February 12, 2016, <http://buddhaweekly.com/buddhism-now-2nd-largest-spiritual-path-1-6-billion-22-worlds-population-according-recent-studies/>.

## Nalanda: A New Hope

Much of Buddhist diplomacy today involves loaning of relics, gifting of statues and hosting conferences for monks. The only forward-looking initiative is a collaborative project for reviving the past glory of the Nalanda University from where all major Asian Buddhist schools trace their lineages. This Pan-Asia Nalanda project is meant to be the centerpiece of Asian civilisation. It is meant to focus on the

process of Asian renaissance, to reconnect Asian people and societies, and to reconstruct Asian values and ethos to deliver long-term benefits for Asia, and indeed, the world. India has an opportunity once again to play a key role. For instance, the re-conceptualisation of Nalanda seems to have run into roadblocks and the university is unable to lay a sound footing despite several countries supporting the initiative: India needs to provide the much-needed push to shape the institution in its nascent phase.

## Struggle for Asian Buddhist Leadership

The Nalanda project could open up prospects of Asian convergence, but there have been signs of late that indicate that Buddhism is becoming a seri-

ous source of competition rather than an area of convergence between China and India. This is primarily because of political leverages associated with Buddhism, which allow major powers to enlarge their scope of communication and build emotional connect with countries across the Asian continent that share the same heritage.

For example, China has lately been projecting itself as the main patron and sponsor for the Buddhist world. Beijing is drawing on its vast cultural resources

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for establishing cultural links with Buddhist institutions throughout Asia. In fact, since 2009, China has been forcefully evoking Buddhism as a means to underpin its 'peaceful rise' and using it as soft power advocacy to boost its global and regional influence.

There are fears that China will wield its Buddhist influence alongside its hard power to impact on other nations' political and economic security. For example, there have been recent cases where China has attempted to build psychological connections to win the hearts and minds of people in Myanmar, Sri Lanka and other Southeast Asian countries through Buddhism. This is being viewed as an attempt to edge in on India's traditional sphere of influence. Many suspect that the underlying objective behind China's gigantic infrastructure project, the 'One Belt–One Road' initiative has underpinnings of fostering its cultural connectivity with Asia.

India sees China deriving geopolitical benefits from its Buddhist links, and as a result New Delhi, too, has begun to rival China by undertaking several countermeasures—for example, sponsoring Buddhist conferences, playing the Tibetan card and checkmating Chinese Buddhist influence in India's neighbourhood. China and India approaching Buddhism from this narrow prism of political utility is not a good idea and goes against the very essence of Buddhist thought. It is unlikely to be helpful for either country or, above all, for building an Asian Century.

### Modi, Buddhism and China

Placing Buddhism at the centre of India's diplomatic initiatives by Prime Minister Narendra Modi is a creative

idea. He has shown much greater propensity to use Buddhism to strike directly at the spiritual linkage with China.

Both Prime Minister Narendra Modi and Chinese President Xi Jinping seem to have acknowledged that the shared spiritual heritage could potentially bring back the traditional depth of India-China relations in the 21st century. For the two nations needlessly locked in a territorial dispute, working on Buddhist connectivity may

prove to be a game changer and could change the future India-China narrative. Clearly, this challenging initiative has been undertaken with a high degree of sincerity and trust by the two leaders, but the risk lies in this gentle philosophy becoming a pawn of India-China rivalry. The Indian establishment working on such a conceptual play seems confronted with a strange dilemma of whether to employ Buddhism to re-establish India's Asian connectivity or use it as a means to contain China.

Any struggle for leadership over Buddhism also means a struggle for leadership over peace, which in itself is not a bad thing. In reality, while there may not be any strategic rivalry over Buddhism, there may be ulterior

political motives behind steering such a rivalry, such as simply wanting to thwart any move made towards India-China Buddhist congruity.

India does not need to compete with China over Buddhism. Most Asian countries will continue to look towards India as their spiritual home and rely on India's guidance in times of difficulty. The answer lies not in seeking rivalry with China, but in building India's own Buddhist profile and capability, which translates into embracing the Buddhist world and finding creative ways to win over the hearts and

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minds of a growing Chinese-Buddhist population estimated to be one billion or 80 percent of the country's population.<sup>5</sup> (This figure may be exaggerated.) It seems China's sudden re-embrace of Buddhism has led to the creation/revival of over 28,000 monasteries and 16,000 temples as well as 240,000 monks and nuns.

India needs to start thinking about seeking a greater transformation in China from authoritarianism to embracing the culture of Buddhism. The impact of such a change may establish enduring relations between India and China.

It appears that Modi, thus far, is walking on Harsha's road map of appropriating Buddha to reach out to the new generation of Chinese people. On the occasion of Buddha Purnima in 2015, Modi joined the Chinese microblogging site, Weibo, to connect with Chinese youth.

### Conclusion

Buddhism could become a catalyst for building greater interaction among the Asian community. India, on its end, does not need to prove anything or compete for leadership, since the Buddha himself remains a powerful Indian brand. It only needs to end its long apathy towards Buddhist heritage sites, which are lying unattended in the country. It also has to simplify Buddhist heritage circuits and improve connectivity and infra-

structure to tap into the potential of millions of Asian pilgrims. Above all, India needs to raise its capability to comprehend, as well as own up to, its responsibility to deepen linkages with Asian populations.

Modi has understood the challenges of building Buddhist connectivity that binds India with rest of Asia. As Modi grapples with the challenges of diplomacy, he seems to have realised that Buddhism can bring benefits to India. As he said while leading the Buddha Purnima prayers last year, "The 21st century will be Asia's century and without Buddha, this cannot be Asia's century."

The present government's policy has shown subtlety, indicating a more potent and tangible component in pursuing this goal. There is a definite shift in India's East Asia policy. Steps have been taken to restore India's Buddhist legacies and links with other Buddhist nations. Moreover, India is a participant in China-led New Development Bank and the Asian Infrastructure Bank, both meant to expand Asian infrastructure links.

Clearly, Modi is steering Buddhism rather passionately, but his efforts run the risk of failure if they remains confined

to achieving limited goals of organising events, holding conferences and seminars for academics and monks. Employing Buddhist diplomacy should include more than lip service and posturing.

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# Economic Diplomacy Between Asia and Africa: Platform for Bandung 2.0?

**Malancha Chakrabarty**

**S**ukarno's speech in the Bandung Conference was titled 'Let a New Asia and Africa be born.' The Bandung conference was an effort to strengthen collaboration between Asian and African countries and to reduce their reliance on Europe and North America. One of the core values of the Bandung Conference was self-determination. However, what followed in the coming decades was strong political clientelism and economic dependence in the South. Afro-Asian solidarity largely remained a slogan because economic relations between Asia and Africa were very limited.

The 'New Asia and Africa' that Sukarno spoke about was actually born in the early 2000s. The economic and political realities in Asia and Africa underwent tremendous change during this period. Many African economies witnessed a turnaround in the 2000s. Africa is no longer the 'hopeless continent' it once was. Secondly, Asia, led by India and China, became a major contributor to global growth. However, the defining feature of this period was an intensification of Asia-Africa eco-

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**One of the core values of the Bandung Conference was self-determination. However, what followed in the coming decades was strong political clientelism and economic dependence in the South. The 'New Asia and Africa' that Sukarno spoke about was actually born in the early 2000s.**

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conomic relations and a decline in the relative importance of Africa's traditional partners, namely the United States and Europe. There was also a major reform in India and China's approach towards Africa in this period. The foreign policy focus shifted from the ideological realm to economic diplomacy. Trade, investment and official financial flows from China and India to Africa grew dramatically in this period.

The rising economic importance of Asia in Africa has caught the attention of researchers, journalists and policymakers. Some scholars express scepticism about Asia's growing economic footprint in Africa and describe it as "new colonialism." Some even refer to Asian interests in Africa as the "the new scramble for African resources." However, such claims are deeply flawed because the rise of Asia offers new economic opportunities for Africa. India and China have emerged as important sources of trade, investment and financial flows. Moreover, Indian and Chinese economic engagement is significantly different from Western engagement in the African continent. India and China are contributing towards economic diversification in African countries and helping them alter their position in the international division of labour.

### Asia is Emerging as Africa's Principal Economic Partner

Demand for African exports is the most direct channel through which Asian countries are affecting African economies. High growth in India and China has led

to a huge demand for resources, such as oil and minerals as well as agricultural commodities, from Africa. Asian demand has had a huge quantitative impact on African economies and led to an unparalleled growth in exports from Africa to Asia. Sub-Saharan Africa's exports to China grew remarkably from 2000 onwards, at a compound annual growth rate of 22 percent and by 2013, they exceeded sub-Saharan Africa's exports to

the US.<sup>1</sup> Similarly, there was a twelve-fold increase in sub-Saharan Africa's exports to India from \$2,876.2 million in 2004 to \$35,288.7 million in 2014.<sup>2</sup>

Asian demand has become even more important for Africa since the global financial crisis that led to a decline in demand from the West. Moreover, Asian demand has also been a major contributor to the rise in the world commodity prices in the last decade, leading to an improvement in the terms of trade in many African economies. India and Africa have also extended duty free access to their markets. Implementation of China's Duty Free Tariff Preference (DFTP) scheme led to a rapid growth of sesame seeds from Ethiopia to China and the launch India's own

DFTP scheme in 2008 led to an increase in African exports to India, particularly from Tanzania. Therefore, the rise of Asia has played an important role in reviving African economies.

Asian countries, particularly China, have also become important sources of manufactured goods for most African countries. For instance, China currently accounts for over half of the imports of consumer goods, such as textiles and apparel, footwear, hand bags and travel

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goods, in African countries that include Angola, Ethiopia and the Democratic Republic of Congo (DRC).<sup>3</sup> The rapid growth of Asian exports has displaced manufactured exports from developed countries (Germany, Italy, France) in these countries.<sup>4</sup> Imports of manufactured goods from Asian countries have significant welfare enhancing effects for the poor people because they are more affordable than imports from developed countries.

In addition to manufactured goods, there has also been monumental growth in exports of machinery and transport equipment from India and China. Machinery imports from China and India, as opposed to developed countries, present some advantages for African economies. Firstly, capital imports will lead to productivity gains in African countries. Secondly, machinery and transport equipment from India and China are relatively cheaper as compared to imports from Europe and United States, which in turn has led to a decline in investment costs in these countries.

China and India have also emerged as important sources of foreign direct investment (FDI) in African countries. China was the fourth and the second largest source of FDI for Angola and DRC respectively in 2012. Chinese FDI flows to Ethiopia have outstripped FDI flows from developed countries, such as Germany and Italy.<sup>5</sup> Indian investment in Africa has also grown in recent years. Indian investment flow in Africa was about \$50 billion in 2014.<sup>6</sup> Although much of the Indian investment is directed to the tax haven, Mauritius, the presence of Indian companies in sectors such as pharmaceuticals, tele-

communications, energy and automobiles has grown rapidly.

The global financial crisis severely impacted the flow of funds from the West to Africa. But an enormous increase in official financial flows from Asia to Africa has been visible in recent years. China committed about \$75 billion to Africa from 2000-11 period, which was about a fifth of the total flows (\$404 billion)

coming from Organisation for Economic Co-operation and Development's Development Assistance Committee and comparable to those from the US (\$90 billion).<sup>7</sup> There has been a concurrent growth of India's development assistance to Africa as well. The Export and Import Bank of India has extended 144 lines of credit worth \$7 billion to African countries since the launch of the Indian Development and Economic Assistance Scheme. India has also committed an additional credit line of \$10 billion and a grant assistance of \$600 million in the recently concluded India-Africa Forum Summit in New Delhi.

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### **Asia is Helping Alter the Position of African**

#### **Countries in the World**

Not only have the Asian titans exerted a huge quantitative impact on African economies from the trade, aid and investment side, Asian economic engagement in Africa is also qualitatively different from Africa's traditional partners. Asia-Africa trade is undoubtedly concentrated in a few mineral commodities, but a more disaggregated analysis reveals that some African countries are slowly diversifying and moving up the value chain. For in-



stance, China's policy of zero tariff entry for agricultural goods helped Ethiopia become a major exporter of sesame seeds and reduced its dependence on coffee, its traditional export commodity. DRC's exports of refined copper have increased from 2007 onwards, gradually overtaking raw copper exports to China.<sup>8</sup> Similarly, the dramatic growth of crude oil exports from Africa to India masks the positive growth in other export categories.

India has emerged as the second largest market for inorganic chemicals from Africa behind the European Union, and medium technology exports form the largest category of technology exports to India.<sup>9</sup>

Growth of Asian investment is also paving the way for Africa's industrialisation. Although large infrastructure-for-resource deals have attracted much of the scholarly attention, there has been a steady growth of private Chinese investment in the manufacturing sector in many African countries. Many Chinese companies are increasingly trying to use Africa as a platform for manufacturing and export to the developed country markets. According to some scholars, such as Deborah Brautigam, expansion of Asian business networks in Africa will contribute towards Africa's industrialisation.<sup>10</sup> Some recent studies also indicate that Chinese businesses have created jobs in African countries, such as Ethiopia, Liberia and Rwanda.<sup>11</sup> Although Indian investment in Africa is still at a nascent stage, there have been some big-ticket investments by Bharti Airtel, Tata Chemicals and Wipro Technologies. The record of Indian firms in terms of employment generation is also much better than that of

Chinese firms.

Chinese and Indian development assistance is also significantly different from western development assistance. The most striking feature of Indian and Chinese development assistance is that it is 'demand driven,' i.e., based on the request of the recipient country. China emphasises on 'win-win cooperation' rather than traditional donor-recipient relationships. Similarly, Indi-

an development assistance is also based on requests from individual African countries. An African nation typically makes a request to the Indian embassy which then forwards the request to the Indian Ministry of External Affairs.<sup>12</sup> Therefore, it is easier for African countries to align their national development priorities with Indian and Chinese development assistance as compared to traditional aid. Moreover, Chinese and Indian aid is also characterised by faster and less bureaucratic aid disbursement regime.<sup>13</sup> In the words of a senior United Nations expert, "If you want concrete things you go to China. If you want to engage in endless discussion and discourse you go to the traditional donors."<sup>14</sup>

Chinese and Indian development assistance is mainly directed to the infrastructure sector, a sector which has traditionally been ignored by the Western donors.<sup>15</sup> China has emerged as the foremost infrastructure builder in Africa and the bulk of its official financial flows to Africa are directed towards development of transport and energy infrastructure.<sup>16</sup> Indian credit lines to Africa are also typically directed to infrastructure-related projects—energy and water supply, power transmission, roads, etc. Given that most Af-

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rican countries, particularly post-conflict ones such as Angola and DRC, suffer from an acute shortage of infrastructure, this is a welcome development. Moreover, better infrastructure will also promote regional economic integration in Africa. India also launched the Pan-Africa e-Network in 2009 with the aim of narrowing the digital divide in Africa and harnessing socio-economic benefits of information and communication technologies. Under this project, India has set up a fibre-optic network to provide satellite connectivity, tele-medicine and tele-education to African countries.

Asia has emerged as an attractive alternative to the West and official financial flows from Asia have been able to alter Africa's aid landscape. Huge official financial flows from Asia to African countries have led to competition between donors and have enabled African countries to access more resources from international institutions as well. Taking a cue from China, other donors have also started lending for infrastructure. This was particularly true in Angola, where Chinese official financial flows led to a change in the direction of traditional development assistance. Official financial flows from China have also contributed to African agency by increasing the bargaining power of African countries and enabled many African countries to 'triangulate' between donors.<sup>17</sup>

### The Rise of African Agency

Most of the African countries were mismanaged for decades by imperial powers which exploited the continent's resource wealth. As a result, African countries

really value their sovereignty and are very keen to diversify their economic partners. Lucy Corkin argues that the role of African agency should not be underestimated. Some African countries, particularly Angola, have been able to use China's involvement to expand their economies and generate new interest from other countries. With the economic rise of Asia, African nations now have choices which were previously not available

to them. The growth of trade linkages with Asia also made these countries less dependent on foreign aid. The share of net official development assistance in gross national income has declined in most African countries. This has also contributed to the growth of African agency and made African governments more accountable to their own people.

Many African leaders also perceive engagement with China and India to be less threatening than engagement with Europe or the US. As discussed above, Chinese and Indian engagement with Africa is characterised by respect for sovereignty. India also enjoys substantial goodwill in the continent due to its long history of technical assistance since the

evolution of the ITEC programme and its support for anti-colonial movements. African leaders also welcome China's policy of political non-interference and 'win-win cooperation.'

Many African leaders are genuinely inspired by Asia's economic success and aspire to learn from India and China's development experiences. For instance, African countries are particularly impressed by India's green revolution and are trying to learn from India's expe-

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rience. Some African leaders are also inspired by the state-led growth model in China. As a result, individual African countries are pressing to move beyond trade and investment in minerals into value-added industrial production, agricultural development and scientific co-operation.

There are some fears over potential competition between China and India in Africa. But such concerns may be overstated at the moment because Chinese trade, investment and official flows are much larger than India's. Moreover, African countries are also trying to

avoid new dependencies by maintaining a safe distance from emerging powers, particularly China. Here also, Angola provides a good example. Despite the huge flow of funds from China to the Angolan oil sector, it has not become a client state and has been able to manage its oil sector independently.

In a nutshell, the rise of Asia has fuelled growth in Africa, reduced the dominance of western powers and contributed to African agency. In other words, the 'Bandung Spirit' is being realised through greater economic cooperation between Asia and Africa.

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## MANDATE

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