

Linking Indian and Chinese Maritime Initiatives: Towards a Symbiotic Existence

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ABSTRACT China's maritime economic initiative, the 21st Century Maritime Silk Road (MSR) that is part of the larger One Belt One Road (OBOR), has been under considerable international focus recently. India, for its part, has remained non-committal despite China's charmed offensive. However, with the signing of the Trans-Pacific Partnership and the proposed Transatlantic Trade and Investment Partnership, both of which exclude the growing economies of India and China, it is necessary to ensure the success of MSR and a complete re-thinking on the issue has become the imperative. For India, it is necessary to link the recently revived Sagarmala project and MSR for a symbiotic relationship in which funding for modernisation of select Indian ports and enhanced connectivity between trading hubs of the MSR can both be achieved.

INTRODUCTION

China's new maritime economic initiative, the 21st Century Maritime Silk Road (MSR), has been gaining global media mileage recently. Part of the larger One Belt One Road (OBOR)¹ strategy, the MSR initiative has fuelled debates and analyses about its various nuances, with some claiming to expose not only its lacunae, but also a "hidden agenda" behind this mammoth task whose main objective, ostensibly, is establishing connectivity and trade hubs along a corridor (both at land and at sea). Others proclaim it as a "panacea" to all of the region's economic woes as, they say, the project will provide impetus for unbridled growth and development.

As these debates simmer, what is undeniable is that the strategy of the OBOR in general, and the MSR in particular, is a sustained diplomatic, economic, and maritime quest for enlarging China's soft power and strategic reach to an enlarged area of influence. This has created apprehensions amongst many of the littorals both in the South China Sea and the Indian Ocean Region (IOR).

Perceived initially as a regional effort restricted to South East Asia, the maritime trade corridor was proposed by Chinese President Xi Jinping during his trip to Malaysia and Indonesia, and while addressing the Indonesian parliament

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in October 2013. In the same visit he had propounded his vision of China's "shared destiny" with the ASEAN littoral states, inviting them to build a "new maritime silk road" which would draw its lineage from the ancient Chinese trading route.

Further, during the China-ASEAN Expo in 2013, the Chinese Premier Li Keqiang had also emphasised the need to build the Maritime Silk Road oriented towards ASEAN, and to create strategic propellers for hinterland development. China was convinced that the initiative would not only promote the economic prosperity of the countries along the Belt (and the Road) but will benefit the global community. China stressed that the initiative was designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation.²

The MSR is designed to extend from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other, which has not been stressed subsequently.³ According to official documents of the Chinese government, the stated aims of the initiative is to promote the connectivity of the Asian, European and African continents and their adjacent seas, to establish and strengthen partnerships among the countries along the Belt and Road, and to set up all-dimensional, multi-tiered and composite connectivity networks.⁴

The same document has stressed that the OBOR and the MSR uphold the Five Principles of Peaceful Coexistence: mutual respect for each other's sovereignty and territorial integrity; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence. Such lofty ideals, however, have failed to convince many of the littorals, including India.

China predicates the success of the initiative on closer cooperation on the following:⁵

- a) Policy coordination through building a multi-level intergovernmental macro policy exchange and communication mechanism (termed as 'Information Silk Road').
- b) Enhancing facilities connectivity through joint infrastructure construction plans and technical standard systems, taking into account the impact of climate change on the construction.
- c) Unimpeded trade between the countries and removal of investment and trade barriers and work to ensure that the WTO Trade Facilitation Agreement is implemented and will promote cooperation in areas like marine-product farming, deep-sea fishing, aquatic product processing, seawater desalination, marine bio-pharmacy, and ocean engineering technology.
- d) Achieving a greater degree of financial integration and strengthening cooperation of China-ASEAN Interbank Association and SCO Interbank Association, the Asian Infrastructure Investment Bank and BRICS New Development Bank.
- e) Enhancing people-to-people interactions.
- f) The signing of a cooperative framework which would promote project cooperation by improving relevant policies and measures.

CURRENT GEOSTRATEGIC REALITIES

The initiative had a clear regional accent since the area is in China's strategic backyard, which was essentially the South China Sea. The primary intention is to encourage economic growth and enhance trade and connectivity, but the initial idea has since expanded to include the Indian Ocean as China's need to project its soft power and influence increased.

In an effort to make the initiative more appealing to the littorals, a proposal was added towards the setting up of a China-ASEAN Maritime Cooperation Fund to augment maritime-related projects being undertaken by

the ASEAN members. It received a lukewarm response and was unable to garner the desired level of acceptance. Therefore, although the MSR has found believers within some of the intended states mainly in South East Asia, a major hurdle for China is the lack of acceptance of the expanded format amongst the principal littorals, like India and Sri Lanka, and the other IOR countries, too. China has since been engaged in an aggressive campaign to obtain the agreement of these countries.

New Delhi, for one, remains adamant against biting China's bait, even though the topic had been officially discussed at various opportunities. It was raised, for example, during the India-China Special Representatives Talks that were held in New Delhi in February 2014. Again the issue found a fervent mention during the June 2015 visit to Beijing of Indian Vice President Mr Hamid Ansari. Each time, India's response remained non-committal.

Not easily discouraged, China has been on a multi-pronged effort to promote the MSR: State-owned *Xinhua News Agency* attempted to strike an emotive chord by publishing an MSR map displaying the ports of Kolkata and Colombo as probable port-cities for inclusion in the route, and clearly bypassing the Pakistani port of Gwadar. Such deliberate omission was an obvious incentive for India yet it failed to gather the desired response.

India's non-commitment to MSR was not difficult to predict as it strongly suspects a hidden agenda in China's initiative. While the myriad economic benefits of the MSR have repeatedly been highlighted to New Delhi by Beijing, a nuanced version with added security benefits were at the same time being projected to Colombo. In the latter case, the benefits of joining China's bandwagon were ostensibly highlighted at a time when Sri Lanka was not averse to playing the "China Card" in its relations with India.

Much to India's discomfiture, its reluctance was met with Sri Lanka's ready embrace of the MSR idea. The visiting Foreign Minister of Sri Lanka, Prof. GL Peiris was informed in February 2014 of China's interest in jointly developing the Sri Lankan maritime economy, sea-based

connectivity, fisheries, disaster prevention, illegal migration, and search and rescue at sea—all areas in which Sri Lanka was keen to enhance its capacity.⁶ Thus it can be said that Sri Lanka was baited to agree to China's proposals. The view in New Delhi was that if the MSR leads to important neighbours like Bangladesh and Sri Lanka drifting into the Chinese orbit, such an initiative would naturally be unwelcome as it would represent a setback to India's traditional concept of having the entire South Asia as its privileged sphere of influence.

Given that China's bilateral relations with countries like Sri Lanka, Bangladesh, Maldives, Seychelles and other littorals in the region have recently become closer, the apprehensions have also increased. More so, since many of these countries are not averse to playing their "China card" on India. Even those Indians who are more sanguine about China's short-term intentions have begun to worry about the long-term potential of its rising power and its hegemonistic tendencies.

Alarmed with China's increasing presence in the Indian Ocean, the building of a military base in Djibouti, and the perceived erosion of Indian influence in its strategic backyard, India faces serious challenges to its aspirations as a comprehensive security provider in the IOR. New Delhi was, quite expectedly, unwilling to consider the Chinese initiative favourably.

Apart from its strategic and security concerns, India has also been historically more comfortable with projects that it has helped conceptualise and develop, to begin with. This aspect had presumably been discussed with China, as it has since expressed willingness to accommodate such issues⁷ and give India a larger say in developing the concept on its own ports.

CHANGED CIRCUMSTANCES

India's misgivings about China's MSR initiative are in no way different from its overall, historical attitude towards Chinese business plans. China's strategic moves have caused India concern over the years. Consequently, Chinese business firms

interested in carrying out business in India are viewed, first, through the security prism. Not only are Chinese infrastructure firms unwelcome in India but even telecommunication giants like Huawei are looked at with considerable suspicion.

While the OBOR and MSR are no exceptions, this may be the time for a re-appreciation of strategies due to changing geopolitics. As is well known, for example, the proposed Trans-Pacific Partnership (TPP) has already become a reality with the signing of the agreement on 5 October 2015 amongst the United States and 11 other countries. Five years of negotiations have come into fruition finally.

The TPP is a comprehensive, US-led Free Trade Agreement (FTA) covering all the modern-day elements of trade; yet it goes beyond freeing up trade. It involves near-complete harmonisation of regulations between participating nations. The TPP is projected to account for almost one-third of world trade and 40 percent of global GDP. There are, quite obviously, possible repercussions for India. According to the Sao Paulo-based Centre on Global Trade and Investment Study, India's nominal GDP is likely to be trimmed by more than one percent as a result of the TPP.⁸ The ensuing negative impact on the economy—due to revenue and job losses—is likely going to be considerable. Further, since the TPP is considered as the companion agreement to the Transatlantic Trade and Investment Partnership (TTIP), this agreement between the United States and the European Union⁹ is also likely to have repercussions for India. The EU-US transatlantic economy represents the largest economic relationship in the world, accounting for nearly 30 percent of global merchandise trade, about 40 percent of world trade in services, and nearly half of global GDP.

These two important multilateral trade agreements have effectively bypassed both India and China, amongst the most vibrant economies in the world. Thus, *prima facie*, it is probably time for India and China to come together on economic issues; the best vehicle for this may be the MSR.

In a halfhearted attempt at counter-balancing the MSR, India has conceived the “Mausam”

cultural initiative. Despite hype in the Indian media, the initiative quickly proved that it was lacking in purpose and focus, in more ways than one. Part of the initiative is the 'Project Spice Route', which was launched on March 2011 as a development of the Muziris Cultural Heritage Conservation Project. It is considered a revival of the ancient spice route that connected 31 countries. Another part of Mausam is the Cotton Route project, which was announced during the conference, 'India and Indian Ocean: Renewing the Maritime Trade and Civilisational Linkages', held in February 2015 at Bhubaneswar. These two were grouped under the Maritime Routes and Cultural Landscapes, which is a larger program launched by India's Ministry of Culture at the World Heritage Committee conference in Doha in June 2014.

Following are the main objectives of this initiative:

- a) Transnational nomination of Maritime Cultural Routes;
- b) Creation of a comprehensive database and UNESCO web platform on Maritime Cultural Landscapes and Routes; and,
- c) Linking other UNESCO cultural centres.

In its eagerness to get the MSR functional and successful with the addition of Indian ports, China has expressed a deep willingness to link both these initiatives together. While this is not an impossible task, it would require both the initiatives to first spell out the precise contours of the plans. Only then can an amalgamation be considered plausible. However, given that the objectives of these two projects are divergent—one seeks to link cultural and historical nodes while the other, to create trade and economic hubs—it thus remains debatable whether such an amalgamation would prove fruitful in substance. On the contrary, it may be better for the MSR to be linked to portions of yet another coastal infrastructure project that has recently been revived by the GOI.

SAGARMALA AND MSR: POTENTIAL FOR SYNERGY

There is hardly any doubt that the primary prerequisite for the MSR's success is that the designated ports and the transshipment hubs along its route are able to generate sufficient economic demand for commercial vessels to find the port commercially viable and thus, turning the ports into active hubs of trade. The question arises as to how such lucrative demand can be created, since most of the designated ports in South Asia are ill-equipped and lacking in infrastructure to support industrial growth around them. The imperative then is for infrastructure buildup, and the institution of a network of hinterland transportation without which no port can become a commercial success.

It is precisely these aspects that are being addressed by the current Modi government in the revival of the Sagarmala project that had been earlier relegated to the backburner. This crucial project essentially focuses on port modernisation along with capacity augmentation, efficient and speedy evacuation, besides port-led industrial development and development of coastal communities. In an effort to fast-track the entire project and achieve discernable progress, it would need environment and other clearances, which are expected to commence as soon as the primary Sagarmala Development Company (SDC) is set up. To discuss these and other related issues, the first conference of the National Sagarmala Apex Committee (NSAC) was held in New Delhi in October 2015 under the Chairmanship of Shipping Minister Nitin Gadkari. It was at this event that Andhra Pradesh Chief Minister N Chandrababu Naidu suggested that the setting up of the SDC would facilitate Foreign Direct Investment (FDI) investment into the project,¹⁰ which is an important aspect in infrastructure development.

Given that the China-backed Asian Infrastructure and Investment Bank (AIIB)¹¹ will undoubtedly be willing to invest enormous funds for MSR-related infrastructure projects like port modernisation of designated ports on the MSR –

this would be an ideal opportunity for India to gather funds for such capacity enhancement, provided that some select ports like Paradip and Kandla¹² become a part of the identified MSR. Thus the MSR could well be synergised with Sagarmala, albeit in a selective fashion, to modernise these select ports which can become part of the MSR. Such a project would be enormously beneficial for capacity enhancement of Indian ports, besides adding the necessary impetus for the MSR as an economic initiative.

At present the government has lined up around INR 70,000 crore on the development of 12 major ports to increase their efficiency.¹³ Chinese investment in the project will ease the burden of finding appropriate financing.

Fortunately, Prime Minister Narendra Modi's approach towards China has not been in total variance to that of Chinese politicians who, while acknowledging the political differences between the two giant neighbours, encourage economic integration at the same time. This is a more nuanced way of thinking that easily reflects a greater degree of self-confidence on the part of the Indian psyche which has historically viewed China through the prism of suspicion.

It must also be mentioned that the GOI has tried to emulate the Chinese model of growth driven by port-led development, which has seen considerable success. The Indian government has thus identified four industries which have strong linkages to ports: thermal coal; petroleum, oil and lubricants (POL); steel; and most importantly, containers, which are required to accelerate growth. These four industries contribute to almost 80 percent of port traffic. If these four cargoes receive the desired impetus from Indian ports, the main developmental objective would be achieved.

At the conference of the National Sagarmala Apex Committee (NSAC) it was highlighted that there exists a potential to transport 100 million tonnes of thermal coal annually by coastal shipping by 2020 as against the present volume of a meagre 23 million tonnes. This will lead to an annual savings of about INR 7,000 crore in coal logistics cost by 2020 and will also free up

approximately 80,000 rake days which can be effectively utilised. “This step, which has the potential to reduce cost of power generation by 15% will give a boost to manufacturing sector,” according to a Ministry release.¹⁴ Any development in India's ports has enormous positive consequences for the country's economic indices.

CONTINUING SECURITY CONCERNS

One of the primary issues that have prevented Chinese firms from investing in infrastructure in India has been the issue of security. Every Chinese initiative, especially those connected with infrastructure building has, rightly or wrongly, been stymied. There is little doubt that the above proposal which would involve an influx of Chinese investment funds in developing Indian ports—and then integrating them in the China-led MSR—will be viewed through the security prism. However, this is an obsolete argument that now needs re-thinking, keeping in view the changing geo-economic realities of the region.

It must be realised that there exists a win-win situation for establishing such a symbiotic relationship with China. Giving credence to Indian security concerns, the need is to establish norms and methodologies which are situational and would overcome the security weaknesses and systemic lapses and yet enhance the economic discourse between the two neighbours.

The following can be resorted to in an effort to overcome persistent security fears. These recommendations assume that China would be willing to support modernisation of select Indian ports that become part of the MSR.

- 1) It is the Chinese norm to suggest their own state-owned infrastructure building firms whenever they make investment in the any area (or port in this case). This aspect can be negotiated to enhance participation of Indian firms in joint ventures for the actual construction.
- 2) The selected ports should be situated away from any naval port/military bases/

strategic areas which would reduce the chances of China keeping an eye on naval/military activity while construction is in progress.

- 3) All information technology equipment related to capacity enhancement of the port modernisation could be checked by Indian experts.
- 4) Even though the IT penetration of Indian ports currently is nowhere near satisfactory, the minimal systems are susceptible to embedded malware and cyber-attacks in the future. The usage of Electronic Data Interchange (EDI) which facilitates integration of information across all members of the port community and others such as a centralised web based port community system (PCS) and other software tools, should be checked by experts.
- 5) Surveillance of foreign employees involved in port construction could be undertaken.
- 6) Subsequent proposals by private companies to “operate” the modernised port after completion of the project should be carefully scrutinised.

The blanket argument put forth by Indian security agencies of denying Chinese firms access into Indian markets—and especially port infrastructure markets—is invalid as it is counterproductive and needs to be re-appreciated. Rather than sticking to such rigid mindsets, norms and methodologies need to be formulated which would not only allay security concerns but create a mutually beneficial and symbiotic situation for both countries.

CONCLUSION

China has invested considerable energy and resources in initiating the OBOR, in general, and the MSR in particular. Strategically speaking, it

serves a dual purpose. On one hand it is a sustained diplomatic, economic, and maritime quest for enhancing Chinese power and strategic reach to an enlarged area of influence. At the same time, it is an attempt to divert the attention of the SCS contestants into a beneficial economic engagement away from China's aggressive posturing in the region. Yet again it is an attempt at receiving positive publicity for the international audience to project an image of Chinese benevolence and keenness towards capacity enhancement of the littorals, as well as assisting them in an economically rewarding proposition.

However, despite sustained efforts the initiative has not found many enthusiasts; its expanded format has failed to win over the commitment of India, and that has been a major hurdle. India has not only been non-committal about joining MSR, but has indeed created its own riposte in the form of Mausam, a maritime cultural initiative whose objectives are divergent from those of the MSR.

Given the changing geo-economic circumstances in which agreements such as TPP and TTIP are on the verge of fructifying, it is necessary that India and China—both aspiring economic powerhouses and both left out of these trade initiatives—come together for their common gain. In such a scenario it is essential that

the China-initiated MSR be successful so that trade and development flourishes, thus overcoming the negatives of the TPP on the Indian and Chinese economies.

The MSR could well become the vehicle for boosting infrastructure development of the ports in India given China's desire to create a success of the initiative and India's own aim to adapt to a changing global economic scenario: it is an ideal congruence of interests. The relative availability of infrastructure investment from sources such as AIIB should be availed by India to increase funding into this crucial area. The revived Sagarmala project for port modernisation and capacity building could be amalgamated with the Chinese MSR for select ports in India, precisely for achieving this end. However, India has so far stymied all attempts by Chinese infrastructure firms to enter the Indian markets, especially in port modernisation, on fears of security threats.

These fears need to be allayed by putting in place methodologies which would ensure a robust security system. There exists a necessity to engage China at a multidimensional level, and on a case-by-case basis, rather than being restrained by generic security concerns. It is time that India re-appreciates and manoeuvres itself according to the changing geo-economic norms and ties up with China on projects like Sagarmala for a more economically beneficial, symbiotic relationship.

ABOUT THE AUTHOR

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ENDNOTES:

1. The One Belt One Road 一带一路 essentially comprises of two primary components the land-based "Silk Road Economic Belt" (SREB) and oceangoing "Maritime Silk Road" (MSR).
2. "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, March 2015.
3. Ibid.
Interestingly the precise route and the enroute ports have not been officially declared by the Government but "revealed" through maps by the state owned Xinhua from time to time. The second route, however, has not been stressed and the one through Indian Ocean is considered the main one.

4. Note 2.
5. See Note 2 for a detailed treatment.
6. For details see “9th Round of Bilateral Political Consultations between Sri Lanka and China concludes successfully” available at <http://www.news.lk/news/business/item/561-9th-round-of-bilateral-political-consultations-between-sri-lanka-and-china-concludes-successfully>.
7. Gareth Price, “India’s Take on China’s Silk Road : Ambivalence with Lurking Worries”, *Global Asia* Vol10, No3. Fall 2015 p.33.
8. As cited in “Changing global trade scenario and the Indian economy” available in <http://www.eldis.org/go/home&id=71209&type=Document#.VjiG4NIrKt8>.
9. *Russel, Daniel*. "Transatlantic Interests In Asia". *U.S Department of State*. Retrieved 3 August 2015.
10. *Dipak K Dash* “Government to fast-track green clearances for Sagarmala project ” *TNN* Oct 6, 2015, available at <http://timesofindia.indiatimes.com/home/environment/developmental-issues/Government-to-fast-track-green-clearances-for-Sagarmala-project/articleshow/49236145.cms>.
11. The Asian Infrastructure Investment Bank (AIIB) is a proposed international financial institution which is focused on supporting infrastructure construction in the Asia-Pacific region. The bank was proposed as an initiative by the government of China. It is supported by 37 regional and 20 non-regional members, India is a member with 8.52% shares.
12. It is noteworthy that Kolkata had been projected as a tentative port in the map shown by the Chinese. With Kolkata being restricted in its ability to absorb more infrastructure and due to its inland situation it may be prudent to identify ports like Paradip and Kandla with considerable potential as likely ports for MSR.
13. Note 10, Dipak Dash.
14. *Ibid*.



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