

# IDSA

## *Issue Brief*

# India's Participation in CPEC: The Ifs and Buts

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February 17, 2017

## **S***ummary*

The Government of India's reservation on the China-Pakistan Economic Corridor centred on sovereign claim to Pakistan-occupied Kashmir stands in contrast to the augmented scale of public interest and even a strong body of opinion favouring Indian participation in this connectivity project. Isolated overtures from China and Pakistan soliciting India's participation in CPEC could be part of a strategic mind-game. India must consider engaging astutely in this mind-game. Until India's participation in CPEC is formally proposed through official channels, India must wait, watch, weigh and exercise options at hand. India's final decision on participating in CPEC must be based on a careful assessment of the discernible 'pros' and the plausible 'cons'.

At the recently concluded Raisina Dialogue, Prime Minister Narendra Modi stated that “only by respecting the sovereignty of countries involved, can regional connectivity corridors fulfil their promise and avoid differences and discord.”<sup>1</sup> The Prime Minister’s statement on the importance of respecting sovereignty was reinforced by Foreign Secretary S. Jaishankar, who, in his remarks from the same platform, observed: “China is a country which is very sensitive on matters concerning its sovereignty. So we would expect that they would have some understanding of other people’s sensitivity about their sovereignty.”<sup>2</sup> The remarks by the Prime Minister and the Foreign Secretary needs to be seen in the context of the approximately 300 kilometre long passage of the China Pakistan Economic Corridor (CPEC) through Gilgit Baltistan, which is claimed by India but has been under Pakistan’s control since 1947. India’s reservations on the project have so far gone unheeded. Intermeshed as the CPEC is with the principle of territorial sovereignty, the project is emerging as a key focal point of India’s strategic priorities. Lately, Pakistan-occupied Kashmir (PoK) has begun to figure prominently in India’s policy repositioning as evident from Modi’s Independence Day speech in 2016. In the same vein, India’s stance on CPEC has graduated from one of calculated silence to that of diplomatic resistance.

Notwithstanding the Government of India’s reservations, the scale of public interest in CPEC is soaring. The still-evolving debate on CPEC within India is broadly split between exponents and resisters. While a constituency propagates that India must embrace the Chinese connectivity drive, the other holds the idea of India’s participation as completely unacceptable because of territorial and strategic interests.<sup>3</sup> Even as policy makers appear to be struggling to evolve a robust position centred on territorial sovereignty, there is a surge in opinion urging the government to be moderate and “magnanimous” in adopting “a more flexible approach” while considering its options.<sup>4</sup>

The current bout of debate on India’s CPEC options stemmed from a stray reference to India’s participation by the Commander of Pakistan’s Quetta-based Southern Command.<sup>5</sup> This was supplemented by the Chinese Foreign Ministry Spokesperson who termed the Pakistani general’s statement as a “goodwill gesture” and noted that the inclusion of a “third party”, i.e. India, can be considered after due “consultation” with Islamabad.<sup>6</sup> These Pakistani and Chinese statements

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<sup>1</sup> Text of the Inaugural Address by PM Modi at Second Raisina Dialogue, January 18, 2016, at <http://www.orfonline.org/research/inaugural-address-prime-minister-modi-second-raisina-dialogue/>.

<sup>2</sup> “On Corridor Through PoK, Foreign Secretary Jaishankar Says China Should Be Sensitive To India’s Sovereignty,” *NDTV*, January 19, 2017, at <http://www.ndtv.com/india-news/trying-to-convince-china-that-indias-rise-not-harmful-to-its-ascent-foreign-secretary-1650347>.

<sup>3</sup> Abhijit Bhattacharyya, “Joining \$46 bn China-Pakistan Economic Corridor would be adverse for India, hurt sovereignty,” *The Financial Express*, January 3, 2017, at <http://www.financialexpress.com/opinion/joining-46-bn-china-pakistan-economic-corridor-would-be-adverse-for-india-hurt-sovereignty/494730/>.

<sup>4</sup> Sudha Ramachandran, “India and the CPEC project: to oppose or not to oppose?” *The Central Asia Caucasus Analyst* (CACI), September 10, 2015, at <https://www.cacianalyst.org/publications/analytical-articles/item/13272-india-and-the-cpec-project-to-oppose-or-not-to-oppose?.html>.

<sup>5</sup> “China wonders if India will take up Pakistani general’s offer to join CPEC,” *Dawn*, December 25, 2016, at <http://www.dawn.com/news/1304223>.

<sup>6</sup> Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference, Ministry of Foreign Affairs of the People’s Republic of China, December 23, 2016, at [http://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1426589.shtml](http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1426589.shtml).

extending an “olive branch” have been taken out of their contexts by the media. The fact is the Pakistani general prefaced his remarks with a condemnation of India’s alleged subversive activities in his country, while the Chinese articulation was in response to a question on the Pakistani general’s reference to India’s participation in CPEC.<sup>7</sup> Nonetheless, the debate on CPEC has been reignited and a multitude of opinions in the print and electronic mediums is exploring India’s CPEC possibilities. Against this backdrop, this issue brief explores the current strains in India’s CPEC debate. It does so by separating the anticipatory ‘ifs’ from the somewhat cautious-pessimist ‘buts’, before prescribing an approach that may be more suitable in the present situation.

## The ‘Ifs’

Examples of India co-operating either with China or Pakistan or both have been drawn upon to build a case for India’s participation in CPEC. In this regard, the primary and oft-cited example is India’s participation in the Asian Investment Infrastructure Bank (AIIB). Advocates of participation in CPEC cite India’s AIIB membership to dismiss its reservations on CPEC. In their view, if India could choose to join the AIIB, which may also ultimately fund some CPEC projects, then why avoid participating in that connectivity corridor? Another example often cited is the Bangladesh China India Myanmar (BCIM) corridor. The argument flowing from this example is that intertwining BCIM and CPEC would contribute to optimizing the “logic of India-China regional cooperation”.<sup>8</sup>

In addition, advocates propose that India should explore the possibility of CPEC being expanded with one of its branches including the Indian states of Punjab and Jammu & Kashmir.<sup>9</sup> There is also a reflection of this view in Pakistan, where prominent commentators have observed that the “trade utopia” via CPEC would remain unfulfilled if India were not integrated in the project.<sup>10</sup> Also articulated has been the possibility of India participating in CPEC if Pakistan were to grant it overland access to Afghanistan and Central Asia.<sup>11</sup>

For a while now, the interplay of an array of geopolitical factors has also been at the fore of the discussions on CPEC, the most important being Russia’s purported inclination towards participating in the project. In September 2016, reports surfaced that Russia will conduct military exercises at Rattu in Gilgit-Baltistan. Later, this was denied officially by Russia and the exercises were conducted elsewhere but not in PoK.<sup>12</sup> As one of India’s long-time strategic partners, Russia’s

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<sup>7</sup> Hu Weijia “India should join CPEC to ease tensions with Pakistan and boost growth,” *Global Times*, December 23, 2016, at <http://www.globaltimes.cn/content/1025267.shtml>.

<sup>8</sup> Sudheendra Kulkarni, “Charting a new Asian history,” *The Hindu*, September 1, 2015, at <http://www.thehindu.com/opinion/lead/india-and-china-can-chart-a-new-asian-history/article7600397.ece>.

<sup>9</sup> Ibid.

<sup>10</sup> Khaled Ahmed, “Corridor Of Uncertainty,” *The Indian Express*, December 31, 2016, at <http://indianexpress.com/article/opinion/columns/cpec-pakistan-china-economic-corridor-4452364/>.

<sup>11</sup> M D Nalapat, “India should be access to CPEC,” *Sunday Guardian*, December 24, 2016, at <http://www.sundayguardianlive.com/opinion/7764-india-should-be-given-access-cpec>.

<sup>12</sup> “No joint military exercise with Pakistan in PoK, Russia clarifies,” *The Indian Express*, September 24, 2016, at <http://indianexpress.com/article/world/world-news/no-joint-military-exercise-with-pakistan-in-pok-russia-clarifies-3047234/>.

stance on the Kashmir issue and PoK in particular is significant and so is its much conjectured CPEC bid. The Russian angle in CPEC is also being interpreted as China's deliberate strategy to undercut India's objections by seeking a Russian role in the project.<sup>13</sup> Besides, the US approach is also being closely watched to read the long-term trends in the geopolitical matrix concerning CPEC. Recent reports suggest that India intends to register a protest with the United Kingdom for the latter's purported support to CPEC.<sup>14</sup> Similarly, Iran's CPEC position, especially how Iran-China relations post the establishment of rail connectivity pan out, is an important factor for India to contend with. Simultaneously, it is also extremely significant to observe how the India-Iran-Afghanistan equation with respect to Chabahar Port shapes up. The port at Chabahar has often been projected as India's counterbalance to Gwadar Port (about 72 kilometres away) where CPEC culminates.

Within J&K, there is popular speculation on the potential advantages likely to accrue once CPEC is operationalised on the other side of the Line of Control (LoC). The idea of reviving the Silk Road on this side of the LoC and at some point linking it with the Chinese-led One Belt One Road (OBOR) has also been discussed. Chief Minister Mehbooba Mufti recently invoked the pre-1947 "trans-Kashmir Corridor" and endorsed the revival of the ancient Silk Road as an "alternative to the CPEC". Mufti also highlighted the significance of developing Kashmir as a nucleus of intra-regional trade and energy cooperation between South and Central Asia.<sup>15</sup>

## The 'buts'

The 'buts' in India's CPEC participation are manifold and complex. This is so because any Indian participation would inextricably be linked to the country's legitimate claims on PoK. Secondly, India shares a great deal of trust deficit with China and Pakistan and has a history of conflict with both. As a result, even though suggestions to re-approach the project pragmatically (as discussed in the preceding section) have been made, no advocate has overruled the principle strands of contention that continue to mar India's equations with China and Pakistan.

In this context, conservative assessments of India's options call the CPEC a "disguised political disturbance" with a high level "strategic content" that is set to challenge India.<sup>16</sup> As the "new trespass" unfolds, India must not lose an opportunity to communicate its concerns to the international community. It also needs to muster efforts to ensure that its territorial position is not diluted further

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<sup>13</sup> Panos Mourdoukoutas, "China Wants Russia To Calm India And Save CPEC," *Forbes*, January 8, 2017, at <http://www.forbes.com/sites/panosmourdoukoutas/2017/01/08/china-wants-russia-to-calm-india-and-save-cpec/#7e99f8ac240f>.

<sup>14</sup> "India dismayed at UK support to China-Pak corridor," *Deccan Herald*, January 13, 2017, at <http://www.deccanherald.com/content/591240/india-dismayed-uk-support-china.html>.

<sup>15</sup> "Alternative to CPEC, Silk Route through Kashmir: Mehbooba," *Kashmir Reader*, January 17, 2017, at <http://kashmirreader.com/2017/01/17/alternative-cpec-silk-route-kashmir-mehbooba/>.

<sup>16</sup> Tojo Jose, "India and the China-Pakistan Economic Corridor Project (CPEC): What are the implications?" *IndianEconomy.net*, May 28, 2016, at <http://www.indianeconomy.net/splclassroom/208/india-and-the-chinapakistan-economic-corridor-project-cpec-what-are-the-implications/>.

in order to avoid past situations such as Tibet and Aksai Chin.<sup>17</sup> That CPEC assets in PoK are not used militarily against India during war is a further source of concern for the security establishment and whether India should seek China's assurance on the same forms an element of thinking in this category.<sup>18</sup>

CPEC rests on a Chinese plan to secure and shorten its supply lines through Gwadar with an enhanced presence in the Indian Ocean. Hence, it is widely believed that upon CPEC's fruition, an extensive Chinese presence will undermine India's influence in the Indian Ocean. The possibility of a robust naval presence at a key location that may put China in "a commanding position at the mouth of the Gulf" in India's perceived "home-ground" is fraught with implications for India.<sup>19</sup>

It is also being contended that if CPEC were to successfully transform the Pakistan economy that could be a "red rag" for India which will remain at the receiving end of a wealthier and stronger Pakistan.<sup>20</sup> This line of argument particularly stands in contrast to what appears to be a popular perception that a stronger and stable Pakistan would be in India's long term security interest.

Similarly, China's intentions on what could possibly be India's "corridor to nowhere" must be read closely given its continued resistance to re-opening the Himalayan land ports for trade between Tibet and India. It is argued that India should urge China to open up such links across the Indo-Tibetan belt instead of pinning hopes on connecting to CPEC.<sup>21</sup>

### The 'ifs' versus the 'buts'

Straddling the 'ifs' and the 'buts' is the middle ground consisting of a section of commentators which believes that India's participation in OBOR or CPEC may per se not necessarily amount to a climb-down from its official territorial position. In this view, it is good to raise objections on territorial grounds but futile "to stress this beyond a point".<sup>22</sup> What could possibly be also done between India and China is to arrive at an understanding wherein the two countries do not object to investments in PoK and Arunachal Pradesh, respectively, and thereby detach "territorial issues from restricting benefits for the population."<sup>23</sup> India engaging with selective "components of the OBOR" that enhance its connectivity with "major markets and resource supplies" has also been delineated.<sup>24</sup> Can such a selective

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<sup>17</sup> Divya Soti, "China-Pakistan Economic Corridor: Challenges for India and US," *South Asia Monitor*, May 5, 2015, at <http://southasiamonitor.org/detail.php?type=sl&nid=11636>.

<sup>18</sup> Ibid.

<sup>19</sup> Talmiz Ahmad, "Who's Afraid of One Belt One Road?" *The Wire*, June 3, 2016, at <https://thewire.in/40388/one-belt-one-road-shaping-connectivities-and-politics-in-the-21st-century/>.

<sup>20</sup> Rajeev Sharma, "Here's why Indian strategists should worry about China's \$46 billion funding to Pakistan," *Firstpost*, April 21, 2015, at <http://www.firstpost.com/world/heres-why-indian-strategists-should-worry-about-chinas-46-billion-offering-to-pakistan-2205216.html>.

<sup>21</sup> Claude Arpi, "For India, CPEC Is a Corridor to Nowhere," *The Pioneer*, December 29, 2016, at <http://www.dailypioneer.com/columnists/edit/for-india-cpec-is-a-corridor-to-nowhere.html>.

<sup>22</sup> Sudha Ramachandran, "India and the CPEC project: to oppose or not to oppose?"

<sup>23</sup> Ravi Bhoothalingam, "One-Belt-One-Road – to Join or Not to Join?" *The Wire*, June 14, 2016, at <https://thewire.in/42582/one-belt-one-road-to-join-or-not-to-join/>.

<sup>24</sup> Shyam Saran, "What China's One Belt and One Road Strategy Means for India, Asia and the World," *The Wire*, October 9, 2015, at <https://thewire.in/12532/what-chinas-one-belt-and-one-road-strategy-means-for-india-asia-and-the-world/>.

approach apply to India actively engaging in CPEC projects in Pakistan and beyond, while avoiding projects in the Gilgit Baltistan segment, needs deeper examination.

In the past, India's travails over the protracted Kashmir issue were exacerbated by a biased and ignorant international community as well as by Sino-Pakistan collusion. Now, in times of waning international attention on Kashmir, can India afford to participate or shed its reservations on CPEC unless it foresees a conclusive settlement on Kashmir with both Pakistan and China? Is there an opportunity for India to gain a quid pro quo – maintain the territorial status quo in Kashmir, withdraw objections to CPEC and participate proactively or selectively in the project? During the 1972 Simla negotiations with Pakistan, India's quest to reduce Kashmir into a bilateral issue was combined with an attempt to gain consent on converting the then cease fire line into a de jure border, i.e., withdraw the respective claims on either parts of the erstwhile princely state.<sup>25</sup> India has had its finger burnt in every past attempt to reach a viable solution on Kashmir. Learning from past experiences with China and Pakistan, India must exercise adequate caution and care.

It is wishful thinking to argue that participation in CPEC would enhance India's connectivity options. There are enough cues in history to suggest otherwise. A sequential pattern shows how China and Pakistan have stapled their partnership to India's strategic detriment: the Sino-Pak Border Agreement 1963, defence and clandestine nuclear and ballistic missile cooperation, and multiple Chinese vetoes at multilateral forums including the UN on issues of critical importance to India have all adversely impacted upon India's core interests. While still holding out that Kashmir is a bilateral problem, China, at Pakistan's behest, has built several infrastructure projects in both parts of PoK. In similar flagrant disregard, the CPEC too is being taken forward despite India's objections. Projections envisaging that India-Pakistan-China tripartite cooperation on CPEC would usher in greater connectivity, stability and establish peace are fanciful unless existing equations transform radically.

For decades, India's connectivity options on its west have been foreclosed owing to Pakistan's obstinate resistance to cooperation and its control over PoK. Also, given the longstanding frictions and unstable bilateral ties, it is naïve to reckon that connectivity via Pakistan or PoK would be unproblematic and smooth. Here, it is worth noting how, despite close strategic ties, Pakistan has used its connectivity access as a lever to bully the United States like it did by obstructing the passage of NATO trucks into Afghanistan across the Torkham crossing in retaliation for the US attack on Salala. With India, things could become even more complicated and ugly because of Pakistan's animus towards India.

What is also being witnessed are views that suggest that CPEC is not simply about China and Pakistan.<sup>26</sup> There are several such corridors that fall in the ambit of the expansive transcontinental OBOR, which together will involve more than 60

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<sup>25</sup> P.N. Dhar, *Indira Gandhi, the 'Emergency' and Indian Democracy*, Oxford University Press, 2000, New Delhi, p. 192.

<sup>26</sup> "Behind Pakistan's CPEC offer," *The Hindu*, December 28, 2016, at <http://www.thehindu.com/opinion/editorial/Behind-Pakistan%E2%80%99s-CPEC-offer/article16950512.ece>.

nations and, therefore, India must shape its stance accordingly. Even if one were to accept such a logic, the sheer number of actors involved is unlikely to effect a material change in India's position given Pakistan's control over the corridor's geographical key and China's hold over the crucial purse strings. Besides, the relative dearth of instances where India-China-Pakistan have cooperated trilaterally make the CPEC proposition sound too good to be true.

### **India: obstructionist, outlier?**

China's proclamations about developing a string of connectivity and infrastructure projects in India's vicinity has stirred political and popular perceptions in countries in the proximate neighbourhood. China's increasing footprints in the South Asian region is often portrayed as India losing its strategic hold. A case in point is the construction of the Hambantota Port in Sri Lanka where China reportedly filled in for India (though there is no official confirmation on whether the project was ever formally offered to India). India's caution on the BCIM corridor, inordinate delay in moving ahead with the Chabahar Port and reservations on CPEC are being increasingly cited by detractors to present the country as an unaccommodating, reluctant, regional player. Such misrepresentations have cost India dearly. Despite being the largest economy in the South Asian region, the country has suffered a considerable dent in its image due to a perceptible rise in hostile perceptions amongst nations in its contiguity.

Therefore, India must closely watch the geopolitical shifts in and around the subcontinent where China has begun to feature in national calculations. India's ambitions on expanding multilateral engagement is unequivocally contingent upon the China factor. Whether it is RCEP (Regional Comprehensive Economic Partnership) or connecting the CPEC to the International North South Transport Corridor in the longer term, India cannot afford to appear as sitting in "isolation."<sup>27</sup> There is also a strong view that India should not just reject the CPEC as "unviable" and instead think in terms of dealing with a regional order that will inevitably tilt towards China if the project were to succeed.<sup>28</sup> Further, India must prepare to deal with challenges stemming from the ongoing realignment between China, Pakistan, Russia, Iran and Afghanistan. Hence, what India needs to do is to generate viable options to secure its interests while not compromising upon genuine strategic/territorial concerns.

India must show resolve in terms of fulfilling the regional commitments that it makes. It must further strengthen existing leverages derived from a diverse geography, demographic size and growth indicators to project itself as an indispensable player in regional development. For instance, India's vast peninsular expanse could be critical in China's Maritime Silk Road initiative. Apart from this,

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<sup>27</sup> Abhineet Singh, "Chinese Corridors And Their Economic, Political Implications For India," *Swarajya*, June 7, 2016, at <https://swarajyamag.com/world/chinese-corridors-and-their-economic-political-implications-for-india>.

<sup>28</sup> Daniel S. Markey & T.C.A. Raghavan, "The China Pakistan Economic Corridor," Discussion Highlights, Carnegie India, New Delhi, July 2, 2016, at <http://carnegieindia.org/2016/07/02/china-pakistan-economic-corridor-event-5328>.

India must handle emerging strategic realignments, including proximity to the US, smartly, so as to attain its objectives in the region.

### Way ahead: fence-sitter for now

Currently, there is little that India can do to stall CPEC except for diplomatically articulating its objections and make it “un-implementable”.<sup>29</sup> But it is unlikely that diplomatic statements alone will cause the project’s deferment. Nevertheless, media reports indicate that India’s persistent objections have become a source of concern for China. Further, China is also concerned about India-Pakistan tensions denting its agenda at least in the CPEC segment of the OBOR initiative. The fate of CPEC, projected as the pivotal flagship project from the OBOR stable, is quite crucial. In the face of India’s reservations, the failure of CPEC to take off would mean a loss of repute for China and Pakistan, something which both countries would try hard to avoid.

Isolated statements from China and Pakistan soliciting India’s participation in CPEC could be part of a strategic mind-game to evoke a sympathetic line of thinking about CPEC inside India. India should consider engaging astutely in this mind-game. It could think in terms of undertaking subtle measures; for instance, sending out feelers that could potentially expose whether the “olive branch” is a real one and China and Pakistan are actually open to India’s participation in CPEC? Meanwhile, India must uphold its specific reservations on the project and draft a strategy to revert suitably in case CPEC is offered formally through official channels. Till things crystallise further, India must wait, watch, weigh and exercise options at hand, and allow the confusion to prevail some more as the ambitious project, shrouded in layers of uncertainty, rolls out. India’s future strategy thrust on CPEC must be based on a careful reassessment of the discernible ‘ifs’ and the plausible ‘buts’.

*The author wishes to acknowledge an extensive, extremely useful feedback by Dr S. Kalyanaraman that helped in finalising the issue brief.*

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<sup>29</sup> Ashok Malik, “Why is the China-Pakistan Economic Corridor such a challenge to India?” *The Economic Times*, November 16, 2016, at <http://economictimes.indiatimes.com/news/defence/why-is-the-china-pakistan-economic-corridor-such-a-challenge-to-india/articleshow/55450651.cms>.



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