

TAKING ADVANTAGE OF BRI

Relevant for: International Relations | Topic: India - China

There are at least five reasons why India should have sent an observer to the Belt and Road Initiative (BRI) Forum that begins in Beijing on April 25.

First, the defining feature of the 21st century is that Asia, not China, is at the centre of the world. The BRI is part of a transformation triggered by colonialism and industrial capitalism from the 1840s and influenced by the UN institutions and global rules from the 1950s. Of the estimated \$30 trillion increase in middle-class consumption growth estimated by 2030, only \$1 trillion is expected to come from Western economies and most of the rest from Asia. China's population is nearly one-third of the total population of Asia but by 2050 its population of working age will shrink by 200 million people while in India the working-age population will increase by 200 million. Asians are not subscribing to a "China-led Asia", which would imply returning to the colonial order.

Second, the global spread of the BRI signals the political end of the old order where the G7 shaped the economic agenda. Italy, a member of the G7, is joining the BRI, despite the publicly voiced objection of the U.S., just as Britain joined the Asia Infrastructure Investment Bank in 2015. Asians are gravitating to the new as it better meets their needs, not because the old is crumbling.

Third, the Asian Development Bank, not China, drew global attention to infrastructure as the key driver of economic growth in Asia and the financing gap of \$26 trillion. The most visible feature of the BRI is the network of physical and digital infrastructure for transport, energy transmission and communications, harmonised with markets for advanced manufacturing and innovation-based companies.

Two-thirds of the countries funded by the initiative have sovereign debt ratings below investment grade, and their being part of supply chains is a catalyst for growth. A recent analysis identified only eight out of 68 countries at risk of debt default, which does not affect the overall viability of the \$3 trillion reserves of China for potential investment. There are cases of excess debt, political corruption and policy shifts following change in governments but overall the BRI remains popular. For example, Nepal has just chosen the Chinese gauge over the Indian one for its rail network.

Fourth, the BRI, faced with criticism over lack of transparency and insensitivity to national concerns, is evolving towards standards of multilateralism, including through linkages with the United Nations Sustainable Development Goals. The International Monetary Fund describes it as a "very important contribution" to the global economy and is "in very close collaboration with the Chinese authorities on sharing the best international practices, especially regarding fiscal sustainability and capacity building". China is now also seeking co-financing with multilateral institutions as well as private capital for a Silk Road Bond.

Fifth, for the BRI to have strategic objectives is not unusual. The Marshall Plan in the 1950s also required recipients to accept certain rules for deepening trade and investment ties with the U.S. Chinese control over supply-chain assets like ports provides the ability to project naval power, which will however remain minuscule compared to that of the U.S. — comprising 800 overseas bases. The BRI's commercial advantage has certainly increased China's international weight and India needs to shape the new standards to benefit Indian technology companies .

India's China dilemma, as it ends its ambivalence towards China, revolves around assessment of the extent the Asian giants need each other for the Asian century. Prime Minister Narendra Modi has declared a cooperative vision of the 'Indo-Pacific', contrary to the containment-based view of the United States. China also recognises the difficulties inherent in the interlinked international and domestic agenda of the BRI, and needs India's support for reform of global governance, which was an important part of last year's discussion at Wuhan.

India should respond to the strategic complexity arising from the BRI, a key part of which cuts through Gilgit-Baltistan and Pakistan-occupied Kashmir, through three related but distinct diplomatic initiatives.

First, India needs to highlight that a British-led coup by the Gilgit Scouts led to Pakistani occupation of this territory and seek appropriate text recognising India's sovereignty — a drafting challenge but not an insurmountable one.

Second, New Delhi should give a South Asian character to the two BRI corridors on India's western and eastern flanks, by linking them with plans for connectivity in the Association of Southeast Asian Nations (ASEAN) region. Third, India needs work towards 'multilateralising' the BRI with a set of rules.

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