China's 'One Belt, One Road' in South Asia: economic considerations from India and Pakistan

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SUMMARY

I. ABSTRACT

Given the reality of China's power, influence and ambitions, and the importance it accords to the 'one belt, one road' initiative (OBOR), as well as the impact it has on India's strategic environment, New Delhi will have to find ways and means to deal with OBOR and to try and make the most out of the situation. This paper starts with a brief introduction outlining the nature of the relationship between India and China and the causes for Indian opposition to OBOR. The next two sections look specifically at the economic aspects of OBOR based on currently available information from both the Indian and Pakistani perspectives before the essay finishes with a brief conclusion.

II. INDIAN OPPOSITION TO OBOR

Since the end of World War II, relations between India and China have probably seen some of the greatest swings of any between two large powers. Both began similarly at the end of the 1940s, recovering from centuries of colonialism in the case of India and from civil war and some significant Western and Japanese imperial depredations in the case of China, and today the two countries appear also to have regained considerably their economic significance to the global economy even if they are still a distance away from the ranks of the truly developed nations of the world. However, their own bilateral relations seem to have been marked

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very sharply by the effects of colonialism and imperialism with both India and China possessing a strong sense of sovereignty and all its accouterments. Their obsession with fixed state boundaries and great unease over their apparent lack of full political control over their peripheries and their border communities, have also affected India-China bilateral relations. The unfinished task of state-building as perceived by New Delhi and Beijing has complicated bilateral ties and appears set to affect the trajectory of their future relations as well despite the happy beginnings of the early years of post-World War II when there was talk of 'Hindi-Chini bhai bhai' (Indians and Chinese are brothers) and the promotion of the Panchsheel or the five principles of peaceful coexistence that included among others non-interference in each other's internal affairs.

And yet, China's OBOR or 'belt and road' initiative as it is now officially referred to in China is the latest form of how the Chinese have gone about both setting aside any notions of brotherhood with the Indians or of non-interference in India's internal affairs.

For one, OBOR is Communist Party of China (CPC) General Secretary and Chinese President, Xi Jinping's vision and plan to promote China as a global leader based on his country's current economic power and influence. As evident from Xi's political report at the opening session of the 19th Congress of the CPC (Xi 2017), China is now ready to take on the mantle of global leadership and it will brook no challenge from any quarter. Whether or not China is actually ready or capable of assuming leadership is, of course, another matter but the intention is clearly visible and there is little appetite in the Chinese leadership for any real brotherhood with the nations. This is true with respect to India as well, which the Chinese leadership, elite and such ordinary people as know something about or think of India, dismiss as a chaotic democracy whose political model they consider as entirely unsuitable for China. Despite India's own rapid economic growth, this still trails significantly behind the Chinese growth and there is a very real difference in capabilities that this creates. Thus despite the Chinese rhetoric of both India and China being ancient civilizations and the fact that the two countries partner on various multilateral forums and organizations, there is often thinly-veiled condescension from Chinese leaders and diplomats when it comes to India's own status as an emerging power and a lack of respect for New Delhi's interests on counter-terrorism (*The Wire* 2017) or entry into the Nuclear Suppliers Group (*The Telegraph* 2017).

For another, the OBOR's 'flagship' project is the China-Pakistan Economic Corridor (CPEC) which passes through the Pakistani-occupied Indian territory of Gilgit-Baltistan, part of Jammu and Kashmir state. This has been viewed in India as a hostile act by China and as a case of China taking sides against India on the Kashmir dispute. Several protestations to the contrary by the Chinese have not convinced the Indian side given also the deep relationship between Pakistan and China which has included the transfer of nuclear weapons and technology from the latter to the former resulting in Pakistan undercutting India's superiority in conventional military forces and carrying on a campaign of state-sponsored terrorism against India without fear of military repercussions.

The Chinese also subsumed the older connectivity project of the Bangladesh-China-India-Myanmar-Economic Corridor (BCIM-EC) under the rubric of the OBOR without so much as a consultation with the Indian side. This has been seen as showing a lack of respect for India especially given the size of the OBOR initiative and another sign that China does not acknowledge India as a regional power in the Asian neighbourhood and a significant global player in its own right.

Meanwhile, officially, India's opposition to OBOR is articulated most clearly in official pronouncements from its Ministry of External Affairs which hint in no uncertain terms at Chinese attempts at hegemony through connectivity projects as well as raise doubts about the economic feasibility and transparency of these projects among other things (Ministry of External Affairs, Government of India 2016, 2017).

III. OBOR FROM THE ECONOMIC PERSPECTIVE IN INDIA

Chinese interlocutors have tried to sell OBOR to India as source of stimulus for South Asian regional connectivity and call for 'complementary projects' and 'joint projects' between India and China in other South Asian countries. It is indeed the case that the Chinese OBOR has pushed India to think of different ways of promoting regional connectivity within South Asia albeit within a framework of competition with China rather than cooperation. An example is the Bangladesh-Bhutan-India-Nepal (BBIN) connectivity project announced by Indian government (Ministry of External Affairs, Government of India 2015). The Indian side clearly realizes that the South Asian Association for Regional Cooperation (SAARC) is not working either as a trade facilitator or a connectivity endeavour but the BBIN has yet to show some results and in fact has already run into opposition with one of its key pronts having been stymied by the Bhutanese parliament.

To return to the Chinese suggestion, however, that the OBOR will promote South Asian regional connectivity, this then actually undermines both the SAARC system and India's central role in South Asia and makes China the arbitrator certainly between India and Pakistan and possibly also for other smaller countries in South Asia in their ties with India. Chinese analysts meanwhile, are quick to accuse India of carrying on with an 'old mindset' in this situation but the question they simultaneously refuse to answer is if Pakistan's continuing opposition to India's initiatives in SAARC, including for example, to allowing Indian goods to travel to Afghanistan via Pakistan is also not a case of 'old mindsets' in Pakistan. This opposition to India is particularly striking given Pakistan's great enthusiasm for whatever Chinese connectivity projects there are including CPEC. In this context, to bring the OBOR as a so-called 'stimulus' or an alternative to indigenous South Asian efforts at cooperation including regional connectivity is actually once again, a case of China taking sides against India.

Chinese analysts have also taken another tack with India trying to create incentives for India to join OBOR. This is by suggesting that the OBOR complements Indian Prime Minister Narendra Modi's ambitious 'Make in India' initiative to increasing manufacturing in the country, that OBOR and 'Make in India' could be the foundation for both countries' economic engagement. There is no doubt that the growth of manufacturing in India will need Chinese investments in India's physical infrastructure as well as in the manufacturing sector itself. However, the record of Chinese investments so far in India has been quite poor. Compared to Xi's own announcement of US$20 billion Chinese investments in India over a period of five years made in September 2014 (Indian Council of World Affairs 2014), data reveals that in 2015 and 2016 only some US$2.4 billion of Chinese investments flowed into India, even if this is a positive trend – at the end of 2014 the total Chinese investment in India added up to only US$2.4 billion, meaning that investment flows had doubled in the space of two years (Zhang, 2017). What is happening certainly is greater Chinese private equities showing interest and activity in India but this is largely in the services sector which does not generate as much employment as India requires.

Meanwhile, the big money from Chinese state-owned enterprises (SOEs) remains limited, perhaps due to India's stricter regulations as well as difficulties in land acquisition for planned Chinese industrial clusters. Unlike China, land in India is not controlled by the central government but by the state (provincial) governments and seldom available for free because it is privately owned and the subject of negotiations with individual buyers.

This reality has led to many complaints from the Chinese side. India's security agencies that have raised concerns about Chinese presence, technology or its acquisitions are often conservative in their approach to Chinese companies and enterprises in India. But as events in the US, Europe and elsewhere are increasingly showing, there seem to be increasingly good grounds for such caution (Stewart, 2017; Roumeliotis and Bartz, 2017; Bien, 2017; Mazumdaru, 2017; Manukov, 2017).

It is also true that India's systems dealing with foreign investment are slow, complicated and confusing in sharp contrast to what obtains in China. Other problems pointed out by Chinese visitors and observers include those of differing cultures, including work and enterprise cultures, of different management systems and styles, workforce efficiency, and poor logistics and infrastructure. However, to be fair, these are not problems unique to the Chinese and affect other foreign enterprises in India, too.

Nevertheless, there is a particular Chinese way of describing these problems that suggests that economic issues are also seen and used as a political tool. One case is of Chinese complaints of differing cultures and management systems in India. The fact is other East Asians –the Japanese and the South Koreans– are prominently involved in economic activity in India and have been extremely successful too, under the same conditions that Chinese companies or their government complain of. Further, these complaints in India are in sharp contrast to the Chinese government's enthusiastic involvement in Pakistan through CPEC where cultural issues are similar to those in North India, and problems like corruption are much worse. If anything, the Chinese seem to deliberately ignoring Indian strengths –and also especially vis-à-vis Pakistan and many other developing countries that OBOR is involved in– in terms of India's strong legal and regulatory frameworks that do not discriminate against foreign companies, as is the case in many countries, including China where local companies are almost always favoured by the state and the courts against foreign players.

The Indian government also has major concerns over the nature and ownership of Chinese ownership. Often the details are not available, clear or complete and this leads to difficulties in the operation of Chinese SOEs, and sometimes even private companies, especially in India. As stated above, this has been a problem also for Chinese companies in many advanced economies as well. Chinese companies and Beijing need to understand that they cannot operate in other political jurisdictions in the same way they operate in China.

Another subset the ownership problem that Chinese companies run into is of host governments worrying about losing control of their SOEs and private enterprises to Chinese ownership. One argument that Chinese visitors to India have made pointing to China's own experience of how it concentrated on ensuring employment and technology transfer from foreign companies rather than worry about the stakes held by the foreign company held in a Chinese company or insist on joint ventures between Chinese and foreign companies.[1] This argument, however, obscures some realities. For one, joint ventures were and continue to be an important means of China ensuring technology transfer. Further, because of the nature of its legal system, the Chinese government has never been in danger of losing control over enterprises whether Chinese or foreign based on its territory. Several countries involved in joint projects such as industrial parks and

[1] Conversation with Chinese scholars in India, November 2016.

so on in China and foreign private investors have discovered to their cost, terms of the contract changed or ignored over time by their Chinese partners –often local city and provincial governments which control political and legal systems as well as hold economic power. In India, given the separation of powers between the executive and judiciary, the Indian government or private enterprises cannot discriminate or ignore the terms of contract without attracting penalty from Indian courts. In other words, a Chinese company and an Indian company would be treated equally before the law in an Indian court, which simply does not happen in a Chinese court.

Where land acquisition in Indian states is concerned, there is a solution to the problem if Chinese companies were more aware that like China, India too, is a country of several large states (provinces), which compete with each other for FDI. Chinese companies could choose those states for investments, which offer them the best terms. Chinese companies and analysts appear to be used to getting their way in poorer countries around the world to feel the need to work at following the law and proper procedures in India and seem to think their complaints will suffice to get the Indian government to do things their way.

IV. THE CHINA-PAKISTAN ECONOMIC CORRIDOR AND ITS ECONOMIC FOUNDATIONS

In contrast to India, the CPEC has received great welcome from the Pakistani political establishment and is cause for much hope and enthusiasm in Pakistan in general. However, of late this enthusiasm too seems to have come under a cloud as both politicians and intellectuals have come to understand better the details of the Chinese project such as are available. In addition to the political or military grounds that are grounds for Indian opposition or concerns vis-à-vis OBOR, is now added some Pakistani concerns as well about the economic feasibility of the CPEC.

A variety of sources indicate that Pakistan finds itself in dire economic straits (Tirmizi 2015) and credit is certainly due to the Chinese for identifying and targeting these areas as critical to ensuring Pakistan's political stability. A "1+4" Sino-Pak cooperation structure has been envisaged with the CPEC at the center and the Gwadar Port, transport infrastructure, and energy and industrial cooperation being the four key areas (*Xinhua* 2015a, b).

However, while many details of the CPEC, including layout, alignment of routes, figures for investment are now available widely in the public domain,[2]

[2] Much information is available for instance on the official website of the CPEC, available from: http://cpec.gov.pk/#. On Twitter, there is the official Twitter handle for the CPEC managed by Paki-

these data do not always match and information is not available in one place or even not at all (for instance, Ranjan 2015), the economics of the CPEC remains murky. Even Chinese and Pakistani scholars admit in private that there are many aspects that are unclear to them.[3] Indeed, questions of the progress and viability of CPEC projects must inevitably depend on a range of factors including China's own economic growth and conditions and the state of play of politics in Pakistan itself. While the Chinese have some experience working in Pakistan and dealing with Pakistani conditions both the scale of the CPEC and of Pakistan's economic underdevelopment, political and social conditions demand an altogether different sort of commitment and patience in order to ensure that these investments and projects fructify. The following sub-sections will examine two aspects related to the CPEC namely, employment generated and issues about costs and fairness of the Chinese projects in Pakistan.

EMPLOYMENT

A central aspect of the CPEC is the level and kind of employment it will generate for Pakistanis. There are high expectations in Pakistan but the figures for employment to be generated for civilian Pakistanis by the actual projects of the CPEC, has been far from clear.

One Pakistani minister speaking specifically in the context of the CPEC noted that Pakistan needed to grow at 7-8% annually in order to create one million jobs annually (*The News International* 2015). The then Chinese ambassador to Pakistan, Sun Weidong declared in June 2016 that '[a]s of March [2016], ongoing CPEC projects have employed more than 6,000 Pakistanis' (*Xinhua* 2016). In April 2017, Liu Jinsong, then Deputy Chief of Mission in the Chinese Embassy in India stated a figure of 13,000 jobs having been created locally in Pakistan (Liu 2017). Another figure from a Pakistani source is of 2.32 million jobs expected to be created over two years from 2017 and reducing Pakistan's unemployment rate to 3.3% from its current 5.9% (Luqman 2017). This last statistic is no doubt a significant reduction in unemployment and it might also be noted that industrial employment also has multiplier effects in terms of ancillary or supporting activities and industries and additional jobs created here as well. Still, for the US$60

stan's Ministry of Planning, Development and Reform (@CPEC_gov_pk) and the Chinese Embassy in Pakistan's Twitter handle, @CathayPak. Other prominent semi-offical and private handles include Pakistan-China Institute (@pcipakchina), CPEC Official (@CPEC_Official), CPEC Bulletin (@CPEC-Bulletin), CPEC Logistics (@CPECLogistics).

[3] Conversations with Chinese and Pakistani scholars at conferences in China, 2016.

billion that the CPEC involves at latest reckoning[4] these job figures still seem to be rather low relative to Pakistan's overall population, certainly and to its working age population specifically.[5] In any case, the job figures continue to vary widely including between Pakistani and Chinese sources with the latest figure from a Pakistani source stating there would be '800,000 new job opportunities'. The source however, fails to mention in what timeframe the jobs would be created (*The News International* 2017).

What is more, in the specific instance of the Gwadar port, which is one of the big-ticket investment items under CPEC, there are doubts about the employability of local labour. Dostain Khan Jamaldini, Chairman, Gwadar Port Authority answering a direct question about whether employment would be generated locally answered in the negative asking in turn whether locals had the requisite skills (*CPEC Info* 2017).

It also needs to be remembered that Pakistani reports on the impact of the China-Pakistan FTA signed in 2007 highlight the stress that it has placed on Pakistan's domestic industries (The Pakistan Business Council 2015). One news report cites a figure of 20,000 jobs in the shoe-manufacturing sector alone, having moved from Pakistan to China (Jamal 2016). Thus, not only will the CPEC have to generate fresh jobs, it will also have to replace jobs lost to China since 2007. There are similar fears about the CPEC that it might lead to a loss of jobs because of the influx of cheaper Chinese goods that would drive Pakistani products out of the market (Mangi 2017).

The most frequently cited figures for Pakistani employment, in fact, come in the security domain. These figures range from a force of 15,000 personnel (Rana 2016) to 18,000 personnel (Krishnan 2016), all raised to protect Chinese investment and citizens. This then reinforces the notion that a large number of Chinese will simultaneously be employed and also that local employment on the projects themselves –at least in certain areas like Balochistan– are likely to be limited or constrained by factors such as security. In fact, instead of generating local employment Chinese security measures such as building fencing around

[4] The figures involved in CPEC have varied widely. The original US$46 billion figure had always been disputed by Chinese analysts who pegged it at closer to US$35 billion. Subsequently the figure increased to US$54.5 billion before increasing still further to the latest sum (Siddiqui 2017a).

[5] Pakistan's population is approximately 201 million with a low median age of 22.7 years meaning that half the population is under this age which in turn implies a large working age population over the next few decades (*Worldometers* 2017).

the Gwadar project area in Balochistan province (Shah 2016) will likely limit local involvement and jobs.

AT WHAT PRICE?

In general, OBOR projects are marked by a combination of equity investments and loans and the idea is that these will be supported by a combination of government and private investors, as well as both existing and new international organizations. However, a viable balance of equity and loans over the long terms is difficult to achieve in the best of situations and so the question then is how do the Chinese see profit or sense in what they are doing through CPEC — the major component of which comprises energy infrastructure projects? This is where issues of pricing and the terms of the contract as well as the larger objective of the Sino-Pak relationship as represented by the CPEC emerge into sharper focus. And there are concerns in Pakistan about the cost of Chinese-generated power.

The terms of the CPEC contracts are not available in the public domain. It is to be noted that the Chinese have not provided grants or aid for CPEC projects but concessional loans. However, even these concessional loans are believed to cover only some US$10 billion of infrastructure projects, according to one report (Houreld 2015) with export credit and non-reimbursable assistance by Chinese policy and commercial banks backing the rest (Ranjan 2015).

A member of the Infrastructure and Regional Connectivity of Pakistan's Planning Commission revealed in September 2015 that China would extend assistance to Pakistan at 1.6% interest for CPEC infrastructure projects –these are worth some US$11.8 billion. He also said that Pakistan actually wanted the Chinese to reduce the rate further from 1.6% to 1% and that efforts were still on. Such bargaining goes to the heart of new emerging tensions in the Sino-Pak relationship. Meanwhile, China had reportedly also agreed to convert PkRs.23 billion worth of loans for Gwadar International Airport into a grant and extended an interest-free loan of PkRs.13.5 billion for the construction of Gwadar East Bay Expressway (Butt 2015). China's Eximbank has also agreed to support a cross- border optic fiber project with a concessional loan at an interest rate of 2% per annum (Butt 2015). The LNG pipeline in Gwadar being laid by the China Petroleum Pipeline Bureau is being carried out under a loan from the Chinese government which covers 85% of the project cost with the Pakistani government putting in the rest (Bhutta 2015).

And yet, as late as March 2017, the Pakistan Parliament's Public Accounts Committee was asking questions of the government about the rate of interest for Chinese loans and the comparison with the interest rates of the World Bank and Asian Development Bank that are also involved in projects in Pakistan. While officials of Pakistan's Ministry of Planning and Development told the committee that all CPEC projects were being funded through investments and that Pakistan had not taken any loans for these projects worth US$35 billion (Yasin 2017), a hearing of the Pakistani Senate's planning and development committee the same month found that China was providing loans and grants for only 3%-4% of the CPEC sums reported. What is more its comparisons also found that the terms of financing including interest rates were higher than what China was offering other countries like Myanmar and that Chinese banks were in fact, charging Pakistan higher rates of interest than any other international banks (Rafi 2017).[6]

According to one Pakistani report, the country will be paying China US$90b against CPEC-related projects over a 30-year period against loans and investments worth US$50 billion with average repayments of expected to be in the range of US$3billion to US$4 billion per year after 2020. While exports were expected to grow by 4.5% a year till fiscal year 2025 - higher than the previous decade's 3% average – for the present, figures available for 2016-17 showed that exports had declined by 1.3% while imports increased by 9% leading to a current account deficit 88% higher than the previous year (Siddiqui 2017b). A former top government banking official has, however, pointed out that Pakistan's exports had to grow at least 15% per annum in order to meet CPEC debt servicing requirements (Husain, I. 2017). Meanwhile, even if the loans are on occasion at lower interest rates, it is also natural to ask why such exceptions would be made and what the quid pro quo will be between the two sides. The case of how Sri Lanka had to lease out land to the Chinese for a 99-year period to cover its debt for a Chinese project at Hambantota is instructive in this regard (*The Hindu* 2017).

Another aspect that is generating increasing discussion in Pakistan relates to the fairness of various CPEC deals. For instance, the aforementioned Pakistani Senate hearing found that only Chinese and not Pakistani businessmen would be allowed to invest in the nine special economic zones being designated around the country (Rafi 2017; Husain, K. 2017b; *CPEC Info* 2017; see also, Husain, I. 2017). To a specific question on whether the Chinese operator of the Gwadar port would be subject to regular audits, Jamaldini, the head of the Port Authority replied in the negative citing the need to encourage the investor even as he tried to underline that the Authority could call for financial details and documents any time (*CPEC Info* 2017). This sort of an open-ended arrangement however, does not seem designed to encourage transparency. In another instance, there has been much heartburn in the Pakistan over the fact that the Chinese will get 91%

[6] For issues related to payment of these loans, including potential balance-of-payments problems see, Husain K. (2017a) and Hussain (2017).

of the revenue from the Gwadar port as part of CPEC, while the Gwadar Port Authority would get 9% for the next 40 years (Khan 2017).

CPEC projects also involve various kinds of tax-exemptions for Chinese companies. It might be noted that a 2015 report by the Pakistan Business Council on the 2007 China-Pakistan FTA pegged revenue loss from the agreement at PKRs.22 billion per annum on account of tax exemptions granted to imports from China (The Pakistan Business Council 2015). The CPEC appears to continue along the same lines with one Pakistani analyst raising specific questions about the SEZs noting that there were indications that industries set up in these zones would not be paying direct taxes. In this context, he asked if their imports would be dutiable and if they procured from local sources if they would be liable to pay sales tax and if taxes would also be paid on power and gas bills. Taking the questions further, he also wondered if these companies were going to be exempt from local taxes, if Pakistani procurements of SEZ output would then have to pay sales tax on the transactions (Husain, K. 2017b).

Perhaps an indication of what the answers might be comes from reports indicating that power stations under the CPEC initiative were being equipped with Chinese cables that had been exempted from Pakistani import duty and sales tax (*The New York Times* 2017). Another case in point is in Balochistan, which signed a 43-year lease with China Overseas Port Holding Company Ltd. in November 2015 handing over a 923-hectare swathe of tax-exempt land to be developed as a SEZ as part of the CPEC (*The Express Tribune* 2015). According to Jamaldini, the chairman of the Gwadar Port Authority, the land acquisition by the Balochistan government had cost it some US$62 million in 2015 (Muhammad 2015). The point to note here is not just the length of the lease itself nor the land offered free of cost which might be considered part of standard practice in many parts of the world but the tax revenue foregone, even if GPA itself will receive 15% of the gross revenue of the Gwadar Free Zone Company Limited –including fees from the companies inside its tax-free premises, covering rent and utilities.[7]

And yet even such deals are not sufficient apparently for Chinese companies. There is, for example, the case of Chinese investors withdrawing from at least one power project — the 6,600MW power project in Gadani, Baluchistan, which was part of the CPEC. By Islamabad's own admission, the withdrawal was because Chinese companies were worried that they would not be paid, even though the Pakistanis had offered to set up a revolving fund for them (Pal 2015). This last

[7] One reason provided for the tax exemption is that the Chinese operatior is bringing in all the required investment for operating and expanding the port's infrastructure (*CPEC Info* 2017).

suggests, in fact, that the Pakistani government's guarantees are not taken seriously by Chinese enterprises.

Finally, China itself has a record of not meeting its commitments in Pakistan. In addition to the Gadani project above, it had similarly also pulled out of five power projects in Punjab, which too would have generated 6,600MW. Altogether, these two projects totaled some US$16 billion in value or nearly half of the original outlay for power projects under CPEC (Pal 2015). Needless to say, such withdrawals then lead to increased costs in terms of either reviving the projects or finding substitutes.

That concerns within Pakistan about the terms of CPEC deals, their expected returns and their timelines have become rather serious is evident in the statement by Pakistani Senate Planning and Development Committee Chairman Syed Tahir Hussain Mashhadi who declared that 'China is our brother, but business is business' (Rafi 2017).

V. CONCLUSION

It would seem clear that China's OBOR has several problems from a purely economic or market perspective. While the phrase 'new silk market' is an attractive one, whether any of China's OBOR projects will generate tangible benefits for host economies remains to be seen. For India, meanwhile, the negative experiences of those of its neighbours who have been most heavily involved in OBOR add another layer to its concerns about and opposition to OBOR.

The developments in Pakistan in the wake of the OBOR initiative, for instance, have consequences for India and imply similar consequences for other countries where Chinese investments under the OBOR framework are going. Naturally, if OBOR succeeds, its benefits will accrue to India too but if it fails its consequences are likely to affect India the greatest apart from the host economies themselves given that these are already poor or developing economies that are continuing to face or just recovering from internal instability and which often spillover with political and security consequences for India.

As the case of CPEC seems to suggest even leaving aside the political dimensions, OBOR projects will invite greater scrutiny on economic grounds alone. The terms of contracts, the ability to repay debt and the longer-term economic benefits are all still in the realm of the unknown even in the CPEC which is without doubt, the most advanced and large-scale OBOR project anywhere in the world. If Pakistan should be unable to repay its loans and China moves towards seeking equities of a political or military nature in return for its economic largesse there are likely to be political repercussions not only for the India-China relationship but also within Pakistan and for Pakistan-China ties.

For the world then, the OBOR occasions much careful study and consideration. While on the one level, its objectives are clearly understood as an economic development programme that subtly extends and promotes Chinese political influence and interests, on the other hand, there are clearly questions about China's terms of implementation of these projects and in the South Asian context just how it perceives its relationship with India.

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