

China's SAARC Membership: The Debate

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Abstract

South Asian Association for Regional Cooperation (SAARC) has been in existence for 29 years, but has made slow progress. Despite this, many countries within and outside the region aspire to be part of this forum. As a result, SAARC is the only association in the world, which has more observer members (nine), than full-fledged members (eight). China is presently the observer member in SAARC, and working towards enhancing its role to “dialogue partner” and later on obtaining the full membership. However, China's SAARC membership is widely debated. In this context, the paper attempts to analyse the arguments in favour and against China's membership and examines India's position and concerns *vis-à-vis* China's elevated role in SAARC. Subsequently, it identifies and discusses the factors favouring China to become a full fledge member of SAARC. This paper concludes that China's SAARC membership might become inevitable at some time in the future. However, the question is – can India intelligently and sophisticatedly play its cards to advance its own interests?

Keywords: *China, SAARC, India, South Asia*

1. Introduction

China's foreign policy has evolved in recent decades to consolidate Chinese interests. For other interested countries, this could indeed become a lesson as to how to consolidate and promote their own national interests (Mahapatra, 2010; Patten, 2010). Initially, China's Asia policy focused on Northeast and Southeast Asia. But in recent times, South Asia has gained tremendous importance in China's foreign policy, which currently aims to maintain and promote regional peace and stability and, in consequence sustain China's own peaceful rise. Also, as India began to look eastward, China began to look southward to counter India's rise. In this context, South Asia constitutes an important region for China's strategic ambit.

Five factors may be cited as primarily having shaped China's South Asia policy. First, South Asia, located midway between the oil-rich Middle East and Southeast Asia, is strategically important for China. South Asian countries also have common borders with China, giving China an alternative option of opening direct access through South Asia to the international sea lanes of the Indian Ocean, which would enhance safe trade. Second, South Asia is rich in natural resources such as coal, iron ore and hydrocarbon derivatives, some of them yet to be fully explored. The region also has growing economies and millions of population, providing enormous potential for trade and a huge market for Chinese goods. Third, the Indian Ocean region is also vital for China's growth. China's oil consumption will increase by 150 per cent by 2020, of which imports will account for more than 75 per cent (Holmes *et al.*, 2010: 129). At the same time, there are serious security threats to China in the Indian Ocean region like piracy, terrorism, drug and material trafficking, and weapons of mass destruction. Ensuring security for Chinese interests in the Indian Ocean is facilitated by close coordination with the South Asian countries. Fourth, South Asia will play a critical role in China's ambitious 21st century Maritime Silk Road (MSR) initiative. Under this initiative, China plans to build a maze of Silk Roads, which includes revival of the ancient Silk Road, connecting China with Central Asia, Europe, and the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. Subsequently, the MSR also aims to connect various ports in the region to increase trade. In this regard, Bangladesh, Sri Lanka and Maldives have already agreed to be part of this initiative. Fifth, although China's South Asia policy is no longer Indo-centric, due to the changing security environment in the region, India continues to be a key factor in shaping China's policy towards South Asia, since India has emerged as an economic power, combined with growing military, nuclear weapon and missile capability. Subsequently, India's growing strategic partnership with the US and Japan also continues to be a security concern for China.

Thus, in the overall perspective, China's South Asia policy is aimed at sustaining its rise and China can be stable and progress towards prosperity only when the neighbourhood is stable and prosperous (Raman, 2011). This aspect was emphasised by President Xi Jinping, "a peaceful, stable and prosperous South Asia conforms to China's interests and that China is willing to align its development strategies with those of South Asian countries to achieve mutually beneficial development and common prosperity" (Rajan, 2015). At the same time, China wishes to increase its own influence in the region; address the transnational issues; nibble at India's influence; reduce the ability of potentially hostile powers like the US and Japan to harm China's interests in the region; and work towards win-win cooperation and promote multilateralism (Paptheologou *et al.*, 2014: 288). In this multifarious quest,

the South Asian Association of Regional Cooperation (SAARC) becomes a vital forum for sustaining China's rise.

2. China and SAARC

Although SAARC is not a vibrant association like Association for Southeast Asian Nation (ASEAN) or European Union (EU), but it is the only grouping which comprises all members of the South Asian region. China became a SAARC observer member at the Dhaka Summit in 2005, with Pakistan, Nepal and Bangladesh supporting the move, and India, Bhutan, Afghanistan and Maldives opposing it. Ever since, China has made significant progress in terms of its participation in SAARC. The China-South Asia Business Forum, founded in 2004, which primarily focuses on “communication, cooperation, development and mutual benefits”, has been further strengthened with China's engagement with SAARC. In 2006, the China-South Asia Business Council was established to act as a link between Chinese companies and SAARC Chambers of Commerce and Industry. From 2007, it has attended the successive SAARC summits; it continues to invite senior diplomats from the region to China; and has hosted the South Asian countries' commodity fair and China-SAARC senior officials' meeting. In June 2013, a major initiative was the China-South Asia Exposition, with Bangladesh as the theme country for that year (Kondapalli, 2014: 8). Moreover, China has also strengthened its foothold through funding various development projects in the region like under the SAARC Development Fund (SDF), it pledged US\$300,000 (*ibid*). In 2014, China even nominated an envoy for SAARC, indicating the significance it attaches to this grouping. Apart from this, the high level bilateral visit between China and SAARC countries has strengthened the political, economic and military ties and also allowed China to play a greater role in SAARC, thus to certain extent reducing India's role. Overall, China's role in SAARC is limited by its observer status, the slow progress of SAARC itself, and India's increased role and the increased presence of the US and Japan in the region, which act as counterweights to China. Nevertheless, this has not prevented China from aspiring to become a full member of SAARC.

3. The Debate

SAARC has been in existence for 29 years but has made slow progress. One reason for this sluggish growth has been that its members are at sixes and sevens on several key issues affecting this regional body. China's full-fledged membership is one of them. One group argues in favour, on the grounds that China is geographically close to South Asia, sharing borders with India, Nepal, Afghanistan, Pakistan and Bhutan. As an observer member, it has

contributed significantly to the progress of SAARC in several ways and the profile of SAARC will be enhanced in the international political economy if the association comprises both India and China, being the world's fastest growing economies, most populous countries and significant players in global politics, economics and security affairs (Mahapatra, 2011: 512). Furthermore, it has overwhelming support from Pakistan, Nepal, Bangladesh and Sri Lanka for obtaining membership. At successive SAARC summits, these countries have strongly and consistently pitched for a rising profile for China in SAARC from an "Observer member" to "Dialogue Partner." The main intentions of these countries favouring China is to limit India's dominance in the region, as the former can be a counterweight to India's power within the structure and also to benefit from its economic, political and military engagement with China.

On the other hand, the arguments opposing China's SAARC membership run along the following lines. First, SAARC is already affected by the shadow of the India-Pakistan fault line. For example, SAARC is the least economically integrated region: the intra-regional SAARC trade is less than 5 per cent of SAARC worldwide trade. In comparison, ASEAN has 25 per cent intra-regional trade and EU has 60 per cent. Ironically, under British colonial rule, intra-regional trade in this region was about 20 per cent, but now it is marginal (Kumar, 2014: 2). Thus, many argue that inclusion of China will create another shadow of the India-China fault line, leading to nominal trade. Subsequently, SAARC is already a complicated forum, and could get further complicated with the inclusion of China. Second, China is an undemocratic country, which has been seriously criticised by the international community for its human rights record. But this argument falls flat on its face, as most of the South Asian countries are fragile democracies, with some of them being strongly inclined to military rule like Pakistan and Bangladesh. Third, China has close ties with SAARC countries in all realms, which will facilitate its domination of the organisation. The China-Pakistan "all-weather friendship" would further undermine India's profile in SAARC. Fourth, China can meaningfully engage with SAARC even without full membership. For example, ASEAN has strong economic ties with China, but China still remains a non-member (Dutta, 2011: 501). Thus, SAARC can adopt the same pattern. However, unlike in ASEAN in which the majority of the members want to keep China out, in SAARC half the members are openly advocating China's entry, and as a result, keeping China outside of the membership might not be possible in the long run. Fifth, it is also argued that China's entry will undermine India's influence/dominance in SAARC, like it has successfully done to Russia in Shanghai Cooperation Organisation (SCO). For example, China has become the largest trading partner for Central Asian countries (excluding Uzbekistan) and its investment stood at US\$45 billion

(2012), more than Russia (Sharma, 2015). Thus, China has been successful in reducing Russia's economic dominance in Central Asian countries, and this might be replicated also in SAARC. Sixth, another strong argument has been that China will work towards curtailing India's interest. For example, China has consistently tried to block India's entry into several forums in the Asian region, such as ASEAN, ASEAN Region Forum (ARF) and East Asian Summit (EAS). But, many argue that in SAARC, decisions are based on unanimity, so India still can veto China entry. Moreover, China invited India to participate in Asia Pacific Economic Cooperation (APEC) meeting in 2014 and has been supporting India in deepening its partnership with the SCO. At the same time, India could not prevent China's entry as observer member, as India wanted Afghanistan to be a SAARC member. Pakistan was opposed to Afghanistan's entry; hence, as a tactical compromise, India had to allow China's observer membership in SAARC.

Nevertheless, India has hitherto successfully blocked China's attempt to become a full-fledged member of SAARC, on the grounds that SAARC needs to work towards strengthening its ties with new partners, rather than expanding membership. In March 2014, Salman Khrushid, India's former Minister for External Affairs, emphasised at the SAARC foreign ministers' meeting in Male, Maldives, that "some of the observer states have done commendable work with our association, but it is important that we define a clear set of policies and objectives for these relationships and their future direction, before we move further" (Kasturi, 2014). Moreover, India is concerned about China's growing influence in the region and China's entry into SAARC will naturally reduce India's leverage, which currently is strong within this grouping. Thus, India believes, if China becomes member of SAARC, then it would obviously undermine India's interest and complicate SAARC.

4. Factors Favouring China's Membership

Despite the reservation from India over China becoming a member, sooner or later China will become a member and it will be beneficial for India as well as for the growth of SAARC. Some of the vital factors favouring China are as follows.

First, from time to time, several Chinese leaders and scholars have argued that China is closely connected to South Asia in terms of geographical proximity, strong socio-economic engagement, political interactions, and historical links. In other words, China is not an extra-regional power, but can become a legitimate member.

Second, India's attempt to contain China's growing influence in SAARC has been counterproductive. The more India is opposing, China continues to garner more support in its favour. Subsequently, except for India, no other

members, including observer members such as the US, the EU, Japan, Iran or Australia have opposed China's enhanced role in SAARC. At the 2011 summit in the Maldives, due to pressure from other members, India had to settle for a "comprehensive review" of its engagement with observer states, including the prospect of dialogue partnership (*DNA*, 2014). Thus, it has become difficult for India to keep China out of the SAARC forum.

Third, Pakistan, Nepal, Bangladesh and Sri Lanka have made their support clear for China's membership at every SAARC summit in recent years and Pakistan will be hosting the 2015 SAARC summit, which will be a testing ground for India to oppose China's membership. Apparently, Nepal's support was particularly visible at the 18th SAARC summit in November 2014, where Nepal's Finance Minister Ram Sharan Mahat stated, "Over the course of time, [China] should become a full-fledged member"; former Foreign Minister Ramesh Nath Pandey argued that "China's active presence in SAARC will increase its importance and the speed of development in Asia. We should not keep China as an observer only" (Roy and Yubaraj, 2014). The *Asia Pacific Daily*, published by the Xinhua news agency, Kathmandu bureau, brought out a 12-page special edition for the 18th SAARC summit in which at least three Nepal cabinet ministers and two former foreign ministers supported Beijing's case (*ibid*). More recently, at the International Conference organised by the think tanks in Pakistan, China's full membership for the growth of SAARC were widely advocated (*The Express Tribune*, 2015). Hence, even without the presence of China, many SAARC members speak in favour of China's membership. Given this scenario, it does not seem a diplomatic option for India to block China's enhanced role in SAARC for much longer.

Fourth, within India itself, opinion is growing in favour of China's membership in SAARC. For instance, Subramanian Swamy, a senior BJP leader, delivering the Lalith Athulathmudali Memorial Lecture at Colombo in November 2014, argued that SAARC "should have China as a full-time member ... without including bilateral issues in the agenda and bringing China into the association, it is a sheer waste of time speaking about SAARC" (*The Sunday Times*, 2014). Although, the Narendra Modi government may not officially endorse China's bid, but its key members are in favour of it, indicating the growing support for China's candidature. Moreover, Former Union Minister Jairam Ramesh talks about "Chindia" (China+India) as a partnership that would benefit the region. Hence, China's SAARC membership would be the testing ground for this premise.

Fifth, China is currently the largest trading partner for South Asian countries. It has a Free Trade Arrangement (FTA) with Pakistan and negotiations are in progress with Sri Lanka for a similar understanding. Moreover, China's trade with South Asia has substantially increased to US\$93 billion in 2012, with imports from the region at US\$22.6 billion and

exports to the region at 3.44 per cent (Xinhuanet, 2014). China's investments in SAARC countries are about US\$4 billion and China's former Foreign Minister Liu Zhenmin announced at the SAARC summit (November 2014) an investment of US\$45.6 billion for an economic corridor with Pakistan and promised to take trade between South Asia and China to US\$150 billion and investment to US\$30 billion in the next five years (Kondapalli, 2014; Chansoria, 2015). Furthermore, China and SAARC's economic integration will create a huge market with 2.8 billion people, enhancing industrialisation, increasing employment, capital and infrastructure development. Thus, China's growing economic engagement with the SAARC region is certainly a matter to be noted in its favour, which will be beneficial for economic integration of SAARC.

Sixth, China has been adducing initiatives at successive SAARC summits that are attractive and beneficial for SAARC and the region. Among these are: the BCIM economic corridor; China-Pakistan Economic Corridor; the MSR; the Asian Infrastructure Investment Bank (AIIB), and the establishment of a US\$40 billion fund to facilitate infrastructure projects for the Silk Road initiative. China's former Foreign Minister Liu Zhenmin has also spoken about the "One Belt, One Road" programme that offers US\$30 billion for construction of roads in the region. These programmes have received positive response from the SAARC members. For instance, Nepalese Foreign Minister Mahendra Bahadur Pandey in March 2015, stated "Nepal will join the Silk Road Economic Belt as it has great significance to Nepal as it will enhance connectivity and take Nepal-China relations to a new height" (Xinhua, 2015). Similarly, Sri Lanka, Maldives and Pakistan have already extended support for China MSR initiatives. In addition, the Chinese government announced 10,000 scholarships, 5,000 training opportunities, exchange programmes for 5,000 youths, and sending 5,000 Chinese-language teachers to South Asian countries in the next five years (Zongyi, 2014). Furthermore, China has already been playing an active role in power projects, transportation, and other infrastructure construction overseas, particularly in developing countries. This Chinese eagerness for engaging with the region becomes more meaningful with the cooperation of SAARC.

Seventh, although India opposes China's full membership in SAARC, it has been successful in strengthening its bilateral ties with China and is a partner with China in BRICS (Brazil-Russia-India-China-South Africa), Group of 20 (G-20) and Group of 4 (G-4) groupings. Moreover, just as China is keen on becoming a SAARC member, India is campaigning to become a full-fledged member of the SCO. In this context, President Xi Jinping had said that "China welcomes and supports India's full membership in SCO, as it expects India to support China in building relations with SAARC so that our two countries can work together and contribute our due share to regional stability

and development” (Liu, 2014). Moreover, both China and India are playing a pro-active role in establishing the Bangladesh-China-India-Myanmar (BCIM) corridor, which will link Kolkata (capital of West Bengal) with Kunming (capital of Yunnan province), passing through Mandalay in Myanmar and Dhaka in Bangladesh. This project aims to improve the connectivity, infrastructure, energy resources, agriculture, trade [also intra-regional trade] and investment and will naturally bring about socio-economic development in the region (Sahoo and Bhunai, 2014). Thus, with joint initiatives and partnership, India can seek to utilise this opportunity as a diplomatic *quid pro quo* with China.

Eighth, most of the SAARC members are convinced that development of infrastructure in the region is a key to its growth. As a result, the theme of the 18th SAARC summit was “deeper integration for peace and prosperity.” Even Prime Minister Narendra Modi made a pitch for connectivity in the region and emphasised that “infrastructure is our region’s greatest weakness and it is most pressing need” (Kumar, 2014). He also emphasised that coming to an agreement on energy, infrastructure and resolving shared problems would strengthen SAARC. Ironically, this summit failed to come to any significant agreement on road and rail connectivity. Thus, India needs to concede that it alone cannot carry forward SAARC; therefore, China’s entry into SAARC could be a great source of help in taking forward these objectives and China has already invested in the region, especially in Sri Lanka, Nepal and Pakistan, clearly demonstrating its potential.

Ninth, China’s elevation in SAARC will also be beneficial to smaller countries like Bhutan and Maldives, as they will have new opportunities to take their relations with China to the next level, thereby strengthening their ties with China and resolve the border disputes (this applies particularly to Bhutan).

5. India’s Major Concerns

For India, China has been an inconvenient neighbour and a major security concern – as for several decades, China was supporting anti-India movements; hampering India’s interests in most of the region; questioning Arunachal Pradesh and Sikkim as being part of the sovereign territory of India; and adamantly refusing to resolve border disputes (Malone and Mukherjee, 2010; Dutta, 2011a). It is to be expected that these bilateral irritants could have an impact on the working of SAARC.

SAARC decisions are based on unanimity. A corollary is that, as a full-fledged SAARC member, China could obstruct key projects beneficial to India. A preview of this possibility was presented in 2009, when China successfully protested against the Asian Development Bank (ADB) US\$2.9

billion loan-funding plan to India for a water management project in Arunachal Pradesh (Chansoria, 2015). Four years later, in 2013, the Indian government was forced yet again to drop Arunachal Pradesh and Sikkim from a World Bank loan proposal to avoid running into Chinese objections over multilateral financial aid for border-area projects such as strengthening electricity transmission and distribution in India's north-eastern region.

This kind of Chinese obstructionist behaviour has been seen in ASEAN as well. For instance, China successfully blocked a resolution on the South China Sea dispute in June 2012 through Cambodia, its new-found ally. In that event, the ASEAN summit, for the first time in its 45-year history, closed without issuing a joint communiqué, due to Cambodia disallowing other countries from presenting their arguments. Rubbing salt into the wound, the former Chinese Foreign Minister Yang Jiechi declared that there was "no dispute" about China's sovereignty over the reef and warned against internationalising the issue (Ranade, 2012). Given this historical experience, India needs to be on guard about Chinese intentions where India's interests are concerned within the ambit of SAARC.

Of particular concern for India would be China's "all-weather friendship" with Pakistan. China has not only strengthened its military and nuclear ties with Pakistan, it is also a key investor in infrastructure projects there, which have security implications for India. More recently, during Chinese President Xi Jinping visit to Islamabad in April 2015, he signed 51 agreements (MOU)¹ and also unveiled the "China-Pakistan Economic Corridor" (CPEC) – a US\$46 billion infrastructure project for Pakistan – which would open up new trade and transport routes across Asia and also counter US dominance in the region (Fazil, 2015). The proposed corridor will run from Kashgar in China to the Gwadar port in Pakistan. This project is considered to be a game changer for both countries as the project would economically benefit the poorest province in Pakistan and will provide China another access route to Indian Ocean and the Middle East region. However, India's point of view is focused on security concerns, as the arteries of CPEC will originate in Gilgit Baltistan, in a way China legitimating Pakistan's claim and control over the Pakistan occupied Kashmir (POK) (Singh, 2015).² Thus, these growing relations are a symbol of strong friendship between China and Pakistan, which will have an impact on SAARC growth and also on the decisions taken at SAARC meetings. In addition, China's deepening ties with Nepal, Bangladesh and Sri Lanka lead to the apprehension that a multivariate triangle or a more complex alignment involving China, and targeting India's interests could develop in the region, such as China-Pakistan-Nepal, China-Pakistan-Nepal-Bangladesh, China-Pakistan-Nepal-Bangladesh-Sri Lanka or any of their variations. Thus, China's strong ties with SAARC countries will have an impact on India's strategic interest in SAARC.

In addition, China's economic dominance will bring about certain challenges, such as: the region will have to confront the challenge posed by Chinese exports. Inevitably, these are going to impinge upon local manufacturing. In consequence, the weaker economies are likely to go under and become, essentially, exporters of raw materials (Dutta, 2011: 500), like what has happened to Central Asian countries. Resultantly, there will be a rise of trade imbalance. SAARC countries' total trade deficit with China in 2012 was more than US\$47.8 billion, out of a total trade of US\$73.9 billion, and of which India accounted for more than US\$30 billion (Zongyi, 2014). China's investment, aid and loan in the region have also thrown up challenges. In Sri Lanka, for example, many argue that China's interest rates for infrastructure loans, ranging from 1.53 to 6.5 per cent, are much higher than rates from the World Bank and ADB (*Tamil Guardian*, 2014). Moreover, the current 42 projects employ more than 1,700 Chinese workers and conservative estimates are that 25,000 Chinese workers are in various projects in Sri Lanka (Hariharan, 2013). Obviously, this phenomenon denies job opportunities for Sri Lankan labourers and there is also the prospect that many Chinese labourers might stay on in the country, causing security concerns for the Sri Lankan government. Hence, SAARC member countries need to reflect whether they need to have this scenario reflected in their own territories.

In a nutshell, China's membership into SAARC will bring both benefits and challenges. Nevertheless, before allowing China's membership it is important for the SAARC members to assess in what ways China will help SAARC in terms of investment, aid, infrastructure and building people to people contact? Whether China's entry will be worthwhile or will its expected domination further reduce the credibility and functioning of SAARC? What are the areas in which both India and China can cooperate for the benefit of SAARC? Hence, it is necessary for the policy makers in India and also SAARC members to make a cost-benefit analysis, before expanding its membership – inclusion of China, as its entry may transform SAARC in either a positive or negative way, which will have vast impact on the region in general and India in particular. However, the general trend seems to suggest that it is inevitable that China will become a SAARC member at some time in the future, for which India has to be prepared.

India has to intelligently and sophisticatedly play its cards to advance its own interests in SAARC and ensure China's entry does not weaken regionalism in the region. First, India needs to further enhance its ties with China, which is already happening, as the Modi-led government has given due importance to China, with the hosting of the visiting Chinese President in 2014, followed by his own visit (May 2015). Both countries agreed to work jointly with Nepal for its "reconstruction, rehabilitation and development endeavours, respecting the country's sovereignty and independence" (Giri,

2014). Subsequently, Modi also emphasised that “wherever possible and feasible, we should work together, as we did in responding to the earthquake in Nepal” (*ibid*). As a result, both India and China can work for a win-win situation in SAARC, which will be mutually beneficial and also for SAARC. Second, although, China is unlikely to be made a full member soon, however India should take the lead in inviting China to become a full member of SAARC, which will send a positive signal and eliminate the rift among the SAARC members over China’s membership. At the same time, India should also insist that other Observer members like Myanmar and Japan be made full members along with China; this will act as a strategy to counterweight China’s role in SAARC. Third, India should regain the strategic space in countries like Sri Lanka, Maldives, Mauritius and Seychelles to counter Chinese interest in the Indian Ocean region. This is already happening, as during Prime Minister Modi’s visit in March 2015 to these countries, he offered many military, defence and civilian assistance to reduce these countries dependence on China. Finally, it is in India and China’s interests to cooperate in this grouping to maximise its economic, energy and other strategic interests and also to promote and establish peace and security in the South Asian region.

Notes

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1. For details of the agreements see Haider, Mateen and Haider, Irfan (2015), “Economic corridor in Focus as Pakistan, China sign MOUs”, *DAWN (Islamabad)*, 20 April 2015, at <www.dawn.com/news/1177109>.
 2. In the Gilgit Baltistan segment, the CPEC project includes – expansion of the Karakoram Highway, establishing industrial parks in special economic zones, constructing hydropower projects, railway line and road building. The project also entails building hydropower projects and motorways and highways in the POK. See Singh, 2015.

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