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Editor-in-Chief
Chien-wen Kou
National Chengchi University

INSTITUTE OF INTERNATIONAL RELATIONS
NATIONAL CHENGCHI UNIVERSITY, TAIPEI, TAIWAN (ROC)

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Spatial Deployment of the Chinese Property Market (2010–2016)*

ELFIE SWERTS

Real estate activities and companies in China have grown considerably since the major reforms of the late 1970s. This paper examines the spatial deployment of firms linked to the Chinese real estate market in Chinese cities in 2010, 2013 and 2016. It provides a first mapping of multinational firms specialized in the real estate sector. It describes the patterns of ownership networks built by financial links both between foreign multinational firms and Chinese firms and among multinational firms themselves. It therefore provides a new understanding about the penetration of both foreign direct investment (FDI) and Hong Kong's role in the Chinese real estate market. This paper provides a comparison of the spatial location logics of these firms according to their Chinese or foreign origin and offers a new perspective on the geography of real estate investment by analyzing financial links between the Chinese and foreign cities involved.

KEYWORDS: China; real estate; multinational firms; cities networks; location of real estate firms.

* * *

The reform and open-door policy initiated in 1978 brought continuous and rapid economic growth, transforming China from a closed command economy to an open economy dominated by markets (Cao & Edwards, 2002). Since these major reforms and the subsequent explosion of urbanization and land reform that have accompanied the transition from a planned economy to a market

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economy (Wu, 2000), the real estate sector has grown considerably (Chung, 1999; Ma, 2005; Xu, 2005). This urban transition has generated a significant amount of value, and the State has therefore organized the extraction of these resources while relying mainly on the support of households, state-owned enterprises and local governments (Aveline-Dubach, 2014). In addition to the urban boom that began in the 1980s, real estate activities are also reported to have expanded following the Asian crisis (Heung & Zweig, 2011). Indeed, seeing its export competitiveness threatened (Wu, 2012), the Chinese State has initiated an economic downturn in the direction of its domestic market. This was based in particular on the development of its real estate sector. China's real estate sector rose from 4% of GDP in 1997 to 15% in 2014, at this point becoming one of the pillars of its economy.

To develop the real estate sector as a pillar of its economy, the State has implemented a series of measures that include the abolition of housing allocation schemes by work units, favorable tax measures, a new vision of the status of households as owners, access to urban hukou[1] for rural households through real estate acquisition, and the introduction of mortgage credit systems (Aveline-Dubach, 2014; Theurillat, 2015). The development of the real estate sector could also be partly linked to the increasing financialization of the sector within a poorly regulated legislative framework. Indeed, as firms have been offering housing to their employees less and less prior to the introduction of new regulations in 1998, real estate has increasingly become an investment for both Chinese households as well as foreign firms and capital (Y. P. Wang, 2001; Y. P. Wang & Murie, 1999; Wu, 1998, 2002). Finally, the development of real estate reflects the emergence of the Chinese middle class (Arvanitis, Miège, & Wei, 2003; Rocca, 2010) and the ever-increasing number of private homeowners (Li & Niu, 2002). Consequently, real property development, especially in the housing sector, has become one of several major economic activities in Mainland China (Chan & Kwok, 1999).

How then is this increase reflected in terms of the distribution of firms specializing in the real estate sector in Chinese territory? We can hypothesize that real estate activity is becoming less and less concentrated in large cities and on the East Coast. This deconcentrating may have resulted from a trend of decentralization and the development of real estate activities by Chinese companies, and no longer by only

[1]The hukou system is the Chinese system of household registration. It works not only as a census of the population, but also to regulate migration within the country. Different prerogatives and rights are conferred on hukou depending on whether they are urban or rural, and especially depending on the city to which they are associated.

foreign companies. In this paper, we focus on the spatial distribution of real estate companies within the Chinese city system. More particularly, the question is addressed through the study of the establishment of multinational firms within Chinese territory and of networks established by capitalist links between the subsidiaries of multinational firms. Multinational firms are defined as firms that "carry out production operations in at least two countries" (Levasseur, 2002). A multinational firm network is built with the links that are forged between two firms. These links reflect the capital share of one firm owned by the other firm. This being the case, are multinational firms concentrated in a few cities, or are they dispersed among several cities of different sizes throughout China?

Indeed, multinational firms are often located either in larger cities that hold a high position in the global hierarchy (Pflieger & Rozenblat, 2010) or in cities that are highly connected within groups of emerging cities. These groups are becoming increasingly connected despite the long distances between them, as are certain global cities (Sassen, 1991) that act as command centers of globalization networks whose economies are based on the coordination functions of the global economy. However, the distribution of multinational firms throughout Chinese territory could be more complex than a mere concentration of these firms in the country's main cities. Though it is not the most populated city in China, Hong Kong is one of the major centers of Chinese real estate firms. Beijing, Shanghai and the cities of the Pearl River Delta are at the same time becoming increasingly important in both the Chinese and global market. At the same time, real estate firms are being established in various cities throughout China. For Municipalities, real estate transactions are an important source of financing, despite the fact that 30% of Land Use Right (LUR) revenues go to the Central State (Tian & Ma, 2009). Finally, multinational real estate firms are being established in the country's open areas, particularly in its Special Economic Zones (SEZs). However, since the 2000s, foreign direct investment (FDI) has increased considerably with the development and internationalization of service activities in China (Kolstad & Villanger, 2008). Indeed, service and real estate activities have extended well beyond local markets (Bardhan & Kroll, 2007). More generally, foreign investment in the real estate industry has been both significant and in competition with Chinese investors since the country's opening (Fung, Huang, Liu, & Shen, 2006; Jiang, Chen, & Isaac, 1998; Zhu & Xu, 2006). Foreign investment in the real estate sector has increased so much since the country's rapid urbanization that in the early 1990s, its share of foreign investment accounted for more than one-third of total investment (He & Zhu, 2010). Prior to 2006, foreign promoters were able to invest on their own. After that date, foreign promoters had to take a share of the capital of a

Chinese promoter on a project as part of a Joint Venture. Foreign direct capital in the real estate sector then decreased from 12% to 1% between 1997 and 2014 (Aveline-Dubach, 2017).

In China, political competencies in urban, industrial, economic and financial development are allocated among administrative entities at different levels. Political decentralization processes are relatively advanced, despite having a highly centralized power. China's provinces have relative control over resource management, industrial activity management and foreign relations. As a result, some authors have described a Chinese-style federalism that has resulted from a balance of power between Central and Provincial governments (Blanchard & Shleifer, 2001; Davis, 1999; Jin, Qian, & Weingast, 2005; Montinola, Qian, & Weingast, 1995). Successive decentralization reforms that have been driven by the central government since the 1990s and applied within the administrative boundaries of the provinces have fostered greater autonomy for municipalities and counties, particularly in terms of tax and land management. In addition, reforms that have been carried out since the 1980s have resulted, among other things, in the opening of some cities to the world economy and foreign investment (Gipouloux, 1986) through the creation of SEZs. This system has gradually been strengthened by the creation of these zones, which are located in open cities and benefit from infrastructure intended for their industrial and economic development. These policies may have promoted the integration of small and medium-sized cities into domestic and transnational economic cooperation networks. In parallel, the strong growth of central and western cities since the 2000s (G. C. Lin, Li, Yang, & Hu, 2015; Ma, 2005) could also have encouraged the integration of central and western cities into these same networks. More generally, decentralization measures and the establishment of SEZs may have created new economic urban centers and, more broadly, have promoted the integration of peripheral areas. These are areas which lie outside the big cities and the traditional economic centers that fall within the networks and general influence of multinational firms.

In this context, we suppose that multinational firms and the capitalistic links woven between them in keeping with Chinese public policy could be dispersed throughout Chinese cities and not only located in major cities and the East Coast. This trend may have been reinforced between 2010 and 2016. However, we can also assume that the deployment of multinational real estate firms in Chinese territory is not the same, providing that the capital of the subsidiary companies is held even partially by a Chinese or other foreign company. We will be able to test this hypothesis because in our network, multinational firms operating in China can be owned either by a Chinese or foreign company.

To test this hypothesis, we first analyze the distribution of firms located throughout the cities of China (part 1). Spatial deployment logics are then segmented according to the status of the firms as one of either an owner (who holds shares in other firms) or a subsidiary (a firm whose capital is at least partly held by another company), and according to the foreign or Chinese origin of the company that holds shares (part 2). Finally, analyzing the networks built by these links between firms enables the testing of the hypothesis of a deconcentrating of linkages between companies (part 3).

The Evolution of Ownership Links of Chinese Firms Specialized in Real Estate

Our analysis relies on the network of ownership links between multinational firms and their subsidiaries. This network is traceable through the Orbis database from Bureau Van Dick. This database comprises all subsidiaries of the 3,000 largest multinational firms whose location in Chinese cities is indicated. The links between multinational firms are the share of the capital of a firm (the subsidiary) owned by another firm (the owner). In 2016, this represented 1.4 subsidiaries, two million ownership links in the world, and approximately 100,000 links among nearly 40,000 subsidiaries of multinational firms in China, distinguished according to their sector of activity. These links will allow us to draw up a capital-oriented network of the subsidiaries of multinationals. In order to focus on cities where these firms are located, the microlink database from firm-to-firm has been transformed into a city-to-city database by aggregating these links by city.

Ownership Links to Mainland China Increased and Those to Hong Kong Decreased

With the multitude of capital investment links among real estate firms[2] established in China, it is necessary to measure the proportion of investments coming from

[2]Real estate firms include firms whose activities include the buying, selling, renting, and operating of self-owned or leased real estate; the providing of homes and furnished or unfurnished flats or apartments for more permanent use, typically on a monthly or annual basis; the development of building projects for one's own operations, i.e., for the renting of space in these buildings after subdividing the real estate into lots without land improvement; and the operation of residential mobile home sites.

These also include the provision of real-estate activities on a fee or contract basis, including real estate-related services such as the activities of real estate agents and brokers; intermediation in the buying, selling, and renting of real estate on a fee or contract basis; the management of real estate on a fee or contract basis; and appraisal services for real estate and real estate escrow agents.

They do not include the development of building projects for sale; the subdividing and improvement of land; the operation of hotels, rooming houses, camps, trailer camps, and other non-residential or short-stay accommodation places; or the operation of suite hotels and similar accommodations.

China itself and those coming from companies established abroad. Indeed, based on the literature cited in the introduction above, the evolution of the share of foreign and domestic investment firms in China is unclear. To assess the evolution of the distribution of ownership linkages in the real estate sector of activity passing through China, we have calculated a first outline of the distribution of the proportion of linkages among Mainland China, Hong Kong, and the rest of the world.

The distribution of the proportion of linkages includes ownership links between foreign firms and Mainland China and Hong Kong, those inside Mainland China, those inside Hong Kong, and those between Mainland China and Hong Kong (Table 1). Mainland China and Hong Kong have been separated due to Hong Kong's special position in foreign investment and the real estate sector.

The first strong result is a steady increase in the proportion of internal links to China and within Mainland China in particular (20% in 2010, 25% in 2013 and 30% in 2016) over the study period from 2010 to 2016. This is especially remarkable because the period is characterized by a highly significant increase in investment into internal real estate firms in Mainland China in parallel with the growing importance of the real estate sector. This trend has resulted from urban development and household demand for investment into real estate through land reform, marketing, and decentralization measures that have made land and real estate a lever for enrichment that is exploited by the municipalities (Aveline-Dubach, 2014; Rocca, 2010; Y. P. Wang, 2001; Wu, 2002). Above all, results show that *the increase in real estate investment has mainly been caused by an increase in domestic investment in Mainland China.* The increase in the proportion of links between foreign firms and mainland Chinese firms has not in fact been the result of more linkages between foreign and Chinese firms: the proportion of links between foreign and Chinese firms (including Hong Kong) has rather decreased from 49% in 2010 to 30% in 2016. *This has resulted from an inversion of the proportion of links captured by Mainland China and Hong Kong.* Indeed, in 2010, investments by foreign multinational firms in China were mainly

Table 1.
Total Number of Multinationals Operating in China and Links between Them in 2010, 2013 and 2016

	2010	2013	2016
FIRMS	2,059	3,796	4,014
LINKS	1,316	2,325	2,921

Source: Orbis Database (BvD).

directed toward Hong Kong subsidiaries, but this trend has reversed from 2013. Results show that even if FDI into China's real estate sector was increasing at one point (Fung et al., 2006; He & Zhu, 2010), the trend has not been observed since, or to a much lesser extent, at least in the context of the investment of multinational firms.

Of all the links between multinational real estate firms in 2010, at least one of which was based in China, the proportion of links between the World and Hong Kong (40%) was much higher than between the World and Mainland China (9%). This high proportion can be explained by the fact that Hong Kong has gradually become an international financial center able to attract foreign investment and multinational firms (Haila, 1999). Hong Kong has long been one of the stepping stones for foreign firms to invest in the real estate market of Mainland China. Hong Kong and Singapore were once the only places able to develop strong links with the mainland Chinese real estate market (Aveline-Dubach, 2016) and remained until 2008 the only two Real Estate Investment Trusts (REITs) that have securitized Chinese property assets (Aveline-Dubach, 2016). However, from 2013 onwards, the trend has been reversed and ownership links to China by foreign firms have been mainly directed toward Continental China (24%) and no longer toward Hong Kong (17%), with the trend set to continue in 2016.

Finally, the relative share of links between Hong Kong and Mainland China has been constantly increasing between 2010 and 2016. Since the 2000s, links between the two countries in the real estate sector have become increasingly important, notably through the Closer Economic Partnership Arrangements (CEPA) signed in 2003 between Mainland China, Hong Kong, and Macao. These agreements have opened up the mainland Chinese real estate market to the developers of Hong Kong and Macao and allowed firms from both areas to invest there (Aveline-Dubach, 2016).

The Evolution of the Location of Multinational Real Estate Firms in China

How has the increase in the number of firms as well as external and internal links been reflected in terms of the distribution of firms and investment in Chinese territory?

According to the Chinese constitution, real estate activities are to be managed by the state or local authorities until the separation of land ownership and LURs. This has led to the emergence of a real estate market (Fung et al., 2006). The process of the marketization of real estate has been initiated in particular by the designation of territories for the experimental marketization of LURs. These territories have been Shanghai in the Yangtze Delta, Shenzhen and Guangzhou in the Pearl River Delta, Tianjin, and Hainan Province (Fung et al., 2006). It was mentioned earlier that Hong Kong had attracted many firms specializing in real estate (Aveline-Dubach, 2016; He & Zhu, 2010). Since the early 1980s, the three regions of the Pearl River Delta, the Yangzi River Delta, and Beijing have all been recipients of Hong Kong investment (Heung & Zweig, 2011). They are also strategic for investment. At the end of the 1980s, Mainland China's two stock exchanges were established in Shenzhen in 1987 and Shanghai in 1990. As Beijing is China's political capital and Shanghai its economic one, the two cities are among the most attractive ones for investment, especially from overseas (Cao & Edwards, 2002). Indeed, these two national economic centers offer an extremely attractive market potential for foreign developers along with Guangzhou (He & Zhu, 2010).

However, even if Hong Kong, Shanghai, and Beijing remain the most attractive cities for multinational affiliates, it is expected that cities in central and western China became increasingly attractive to multinational firms over the period studied from 2010 to 2016. This is because these cities have been experiencing rapid growth beginning in the 1990s and continuing up until the end of the period (G. C. S. Lin, 2002; Ma, 2005; Swerts, 2013). This has created local market opportunities (He & Zhu, 2010). In addition, investment in real estate and particularly foreign investment has been deployed considerably in SEZs and Economic Development Zones (EDZs) (Chen & Moore, 2010; Hu, 2013). Although initially located in the largest metropolitan areas and coastal regions such as Shenzhen, Zhuhai, or Xiamen, zones have subsequently been developed in the central and western regions, as well as in non-metropolitan areas (Xie, Swerts, & Pumain, in press). Moreover, the deconcentrating of real estate investment outside the coastal provinces could have also been encouraged by the revision of LURs and decentralization measures (Tian & Ma, 2009) because local governments became the main beneficiaries of the revenues from LURs (Aveline-Dubach, 2016). Despite variations in the land allocation strategies of local governments, due to balanced relations with the central government and gradual changes in local government financial structures (Li, Chiang, & Choy, 2011), this has created investment needs and markets that are both successful and sustainable.

In this context, we test the hypothesis that multinational firms specialized in the real estate sector would be concentrated primarily in the largest cities, particularly Hong Kong/Macao, and in the three main megacities of the Pearl River Delta, the Yangtze Delta, and Greater Beijing. However, between 2010 and 2016, we suppose that there would be a gradual trend toward an ever-increasing deconcentrating of investment outside megacities. This deconcentrating could be in favor of open areas. While including SEZs, it ought also to run from East to West.

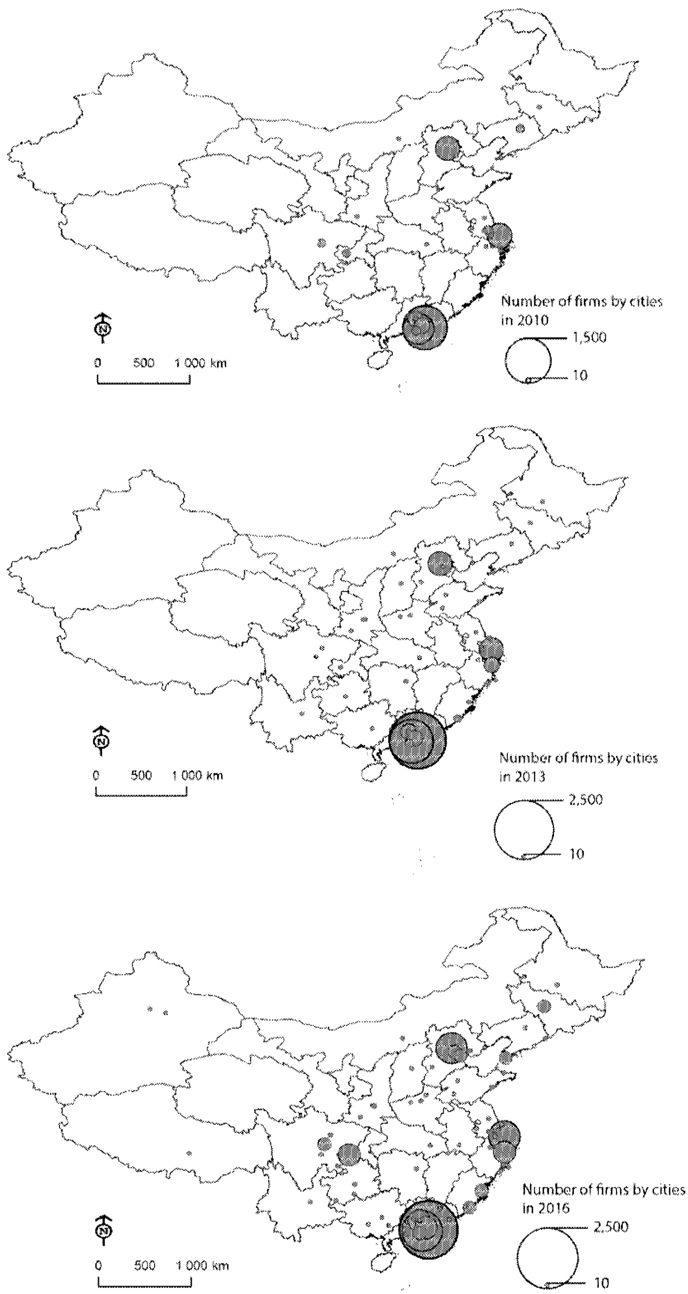
The importance of Hong Kong, the Pearl River Delta, the Yangtze Delta, and Beijing

The results confirm the first part of our assumptions: firms specialized in the real estate sector are mainly concentrated in the expected areas with 96% of multinational firms operating in China based in Hong Kong, Macao, Guangzhou, and other cities of the Pearl River Delta, Shanghai, and the cities of the Yangtze Delta, and the city of Beijing (Figure 1), particularly in 2010. In addition to the three hubs of multinational real estate firm subsidiaries (Hong Kong, Macao and the Pearl River Delta, the Yangtze Delta, and the Beijing Region), the two cities with the largest number of subsidiaries are Chengdu and Chongqing, the two western capitals (Figure 1). These two cities include 1% of the 4% of firms that are not located in the three hubs in 2010 mentioned above.

Although investment is concentrated in these three regions, the implantation of multinational firms specialized in real estate has expanded beyond these Megapolises, as it can be seen in Figure 1. A diffusion process first occurred from 2010 to 2013, followed by a concentration process in the same cities. Thus, this increase in the number of real estate firms (2,059 in 2010 and 3,796 in 2013, Table 1) spread to many other cities in 2013. In 2016 by contrast, new firms (4,014 firms in total in 2016, Table 1) were established in cities where there were already other real estate subsidiaries.

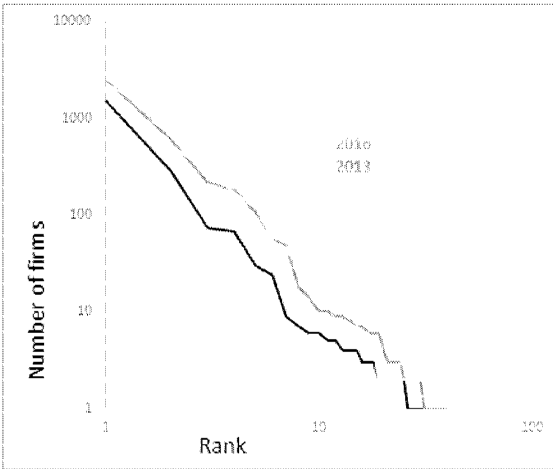
Though 2013 saw even more cities becoming home to multinational firms, these firms became increasingly concentrated in cities that were already had the highest concentration in 2010 (Figure 2). This result is also visible in Figure 1. In Figure 2, it is confirmed by the slopes of the curves comparing the number of firms per city and the rank of cities in the hierarchy. The rank of each city was determined by the number of firms located within them (Figure 2). Indeed, the slope of the curve increases significantly between 2010 and 2013 from 1.89 to 2.11. This shows that despite the deployment of firms in a larger number of cities, the concentration of firms has also increased in cities that already had the most firms with the exception of Hong Kong (Table 2). This process of the establishment of multinational firms in cities where others are already present is often observed and has already been well described and theorized (Rozenblat, 2015). However, there was a slight decrease in the slope from 2.11 to 1.95 in 2016. This illustrates how cities with a significant number of companies in 2013 saw this number increase in 2016, but not as much as cities with a smaller number of companies in 2013.

This result only partially confirms our hypothesis and nuances it: the increase in the number of firms in China has certainly resulted in the establishment of firms in more diversified cities, but the increase in the number of firms has been much higher



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 1. Number of multinational firms per city in China in 2010 (top), 2013 (middle), and 2016 (bottom).



	2010	2013	2016
Slope	1.89 *[1.85-1.93]*	2.11 *[2.07-2.15]*	1.95 *[1.91-1.99]*
R2	0.97	0.98	0.96
	$p < 0.0001$	$p < 0.0001$	$p < 0.0001$

Figure 2. Number of firms by city. The rank of cities is determined by the number of firms located within them.

Table 2.
Ownership Linkages between Mainland China, Hong Kong and Foreign Firms Specialized in the Real Estate Sector and Intra-Territorial Linkages in 2010, 2013 and 2016 (in %)

From	To	2010 (%)	2013 (%)	2016 (%)
World	Mainland China	9	24	27
World	Hong Kong	40	17	12
Mainland China	Mainland China	20	25	30
Mainland China	Hong Kong	2	1	1
Hong Kong	Mainland China	6	12	17
Hong Kong	Hong Kong	23	21	13
Total		100	100	100

Source: Orbis Database (BvD).

in those that have already been home to a majority of the firms in Mainland China (Table 2, Figures 1 and 2).

The deployment of real estate firms in Chinese territory

The other cities where multinational firms have been established are most often provincial capitals: Tianjin (Tianjin), Guangzhou (Guangdong), Shenyang (Liaoning), Zhengzhou (Henan), Jinan (Shandong), Changchun (Jilin), Taiyuan (Shanxi), Xi'an (Shaanxi), Wuhan (Hubei), Hangzhou (Hangzhou), Fuzhou (Fujian), Guiyang

(Guizhou), Changsha (Hunan), Chongqing (Chongqing), and Chengdu (Sichuan). Most of these provincial capitals are areas that have been opened to the world economy, and some such as Tianjin, Guangzhou, or Fuzhou were among the very first open cities in the country. They are also EDZs. Cities such as Dalian, Qingdao, Nantong, Ningbo, Nantong, and Yantai were among the very first Open Coastal Zones created in 1984. Others have sheltered SEZs such as Xiamen (Figure 1). The others are cities where EDZs have been established as in the case of Guilin, Nantong, and Nanning. However, we cannot conclude that there is a systematic link between the EDZ status of cities and the emergence of multinational real estate firms within them since some EDZs do not have such firms.

Spatial Deployments of Multinational Real Estate Firms in Chinese Cities

The location of firms may differ significantly depending on their status as owners or subsidiaries, or on either Chinese or foreign origin of the firms that own the subsidiaries. It is important to specify here that all firms established on Chinese territory are owned by Chinese firms that own other firms in China or elsewhere in the world. However, they may themselves be owned by foreign multinational firms.

Owner and Subsidiary: A Difference in Concentration within Chinese Cities

The headquarters of the largest firms are generally located in cities that dominate the world system of capital cities, and major economic centers meet or supersede political capitals at the top of the hierarchy. These cities are engaged in varying degrees in the world system and network structured around global cities (Hall, 1993; Le Gall, 2011; J. Y. Lin & Liu 2002; Sassen, 2000, 2002; Taylor, Derudder, Saey, & Witlox, 2006; Veltz, 1996). More generally, owner firms are highly concentrated in cities that are the largest, cities that are culturally significant or politically symbolic, those that play a role as the engine of the economy, and modern political capitals such as Beijing and Shanghai. The subsidiaries could be more widely distributed among Chinese cities.

Owner firms are concentrated in the largest cities

In 2010, owner firms were extremely concentrated in only a few cities (seven), and mostly in Hong Kong, Shanghai, and Beijing, with these three cities accounting for 96% of the total. Other owner firms are established in Wuhan and the main Pearl

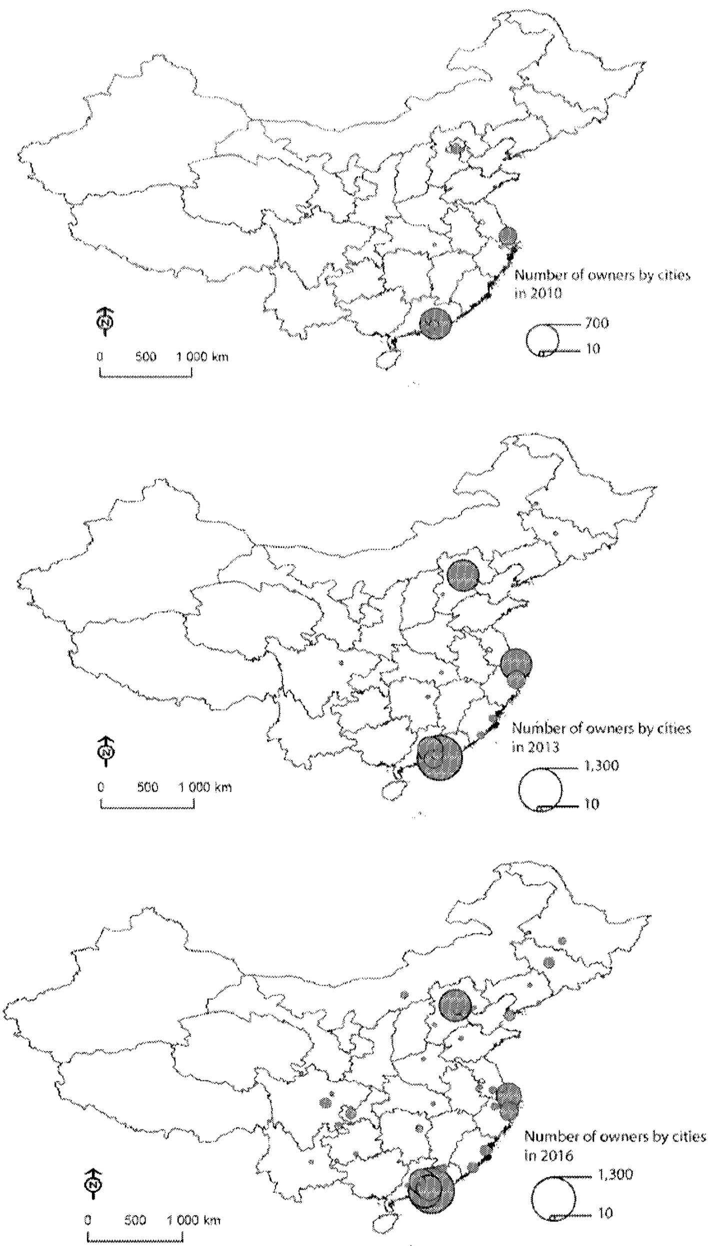
River Delta cities of Macao, Guangzhou, and Shenzhen. During the period from 2010 to 2013, the number of owner firms in China increased by a factor of 2 and were established in 14 cities by 2013. Hong Kong's position was confirmed during the period, while Beijing is the city with the largest number of owner firms in the Mainland. It is closely followed by Shanghai. Guangzhou is the third largest city in Mainland China in terms of the number of owner firms. Over the period from 2013 to 2016, the number of owner firms increased by a factor of 1.2, with owner firms established in 37 cities in 2016. Hong Kong, Beijing, and Shanghai remained the three cities with the highest concentration of owner firms, as they comprise 77% of the total. In 2016, Beijing was the city in Mainland China with the largest number of real estate firms that owned other real estate firms.

Both in 2013 and 2016, the increase in the number of owners in China also resulted in their establishment in coastal cities and provincial capitals. In 2013, these coastal cities included Ningbo, Fuzhou, and Xiamen. Also included were the provincial capitals of Changchun (Jilin), Shijiazhuang (Hebei), and central Changsha (Hunan) with the addition of Mianyang City in Sichuan (Figure 3). By 2016, owner firms were established in the provincial capitals of Jinan (Shandong), Hangzhou (Zhenjiang), Zhengzhou (Henan), Chengdu (Sichuan) and the province-level cities of Tianjin and Chongqing. Owner firms were also established in SEZs such as Ningbo (Zhejiang), Changzhou (Jiangsu), and Nantong (Jiangsu). In the South, the Pearl River Delta cities of Jiangmen (Guangdong) and Foshan (Guangdong) saw the establishment of owner firms alongside Kunming (Yunan). Finally, more owner firms were established in the vicinity of Beijing, in Tangshan and Langfang (Hebei), in northern cities such as Dalian and Dandong (Liaoning) and Harbin (Heilongjiang), and in central cities around Wuhan such as Huangshi (Hubei), and in Zhenan (Shaanxi).

Subsidiary firms are distributed throughout China

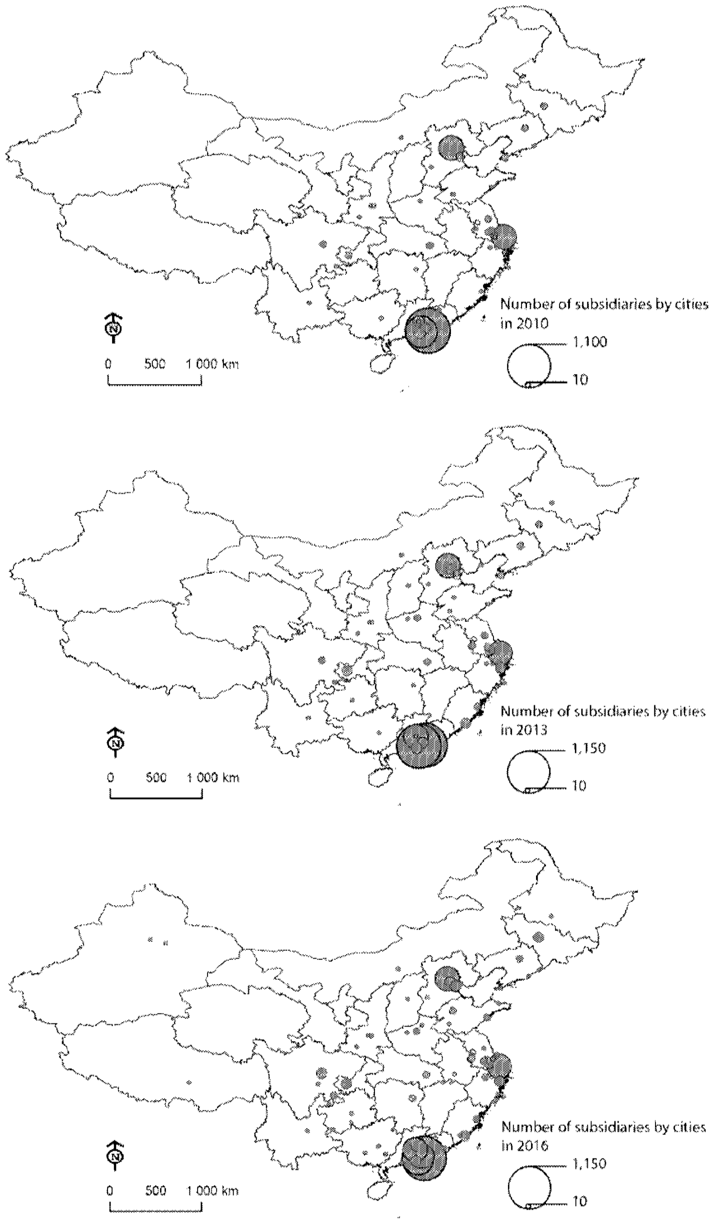
As is the case of owner firms, subsidiary firms are also concentrated in both the main cities of the Pearl River Delta (Hong Kong, Macao and to a lesser extent Guangzhou and Shenzhen) as well as Beijing and Shanghai. These cities accounted for 88% of subsidiary firms in 2010 and 93% in 2013 and 2016. At the same time, subsidiary firms were also established in 70 provincial capitals and prefectural cities (Figure 4) such as the other cities of Yangtze Delta (Ningbo, Fuzhou, Suzhou, and Hangzhou) or the Pearl River Delta (Zhuhai).

Unlike owner firms, many subsidiary firms that emerged in China between 2010 and 2016 settled in cities where they had already been established in 2010. Whether established in 2013 or 2016, subsidiary multinational firms that have been established



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 3. Number of owners per city in China in 2010 (top), 2013 (middle), and 2016 (bottom).



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 4. Number of subsidiaries per city in China in 2010 (top), 2013 (middle), and 2016 (bottom).

in new cities are distributed throughout the whole of Chinese territory (Figure 4). To conduct a more detailed analysis on the location of subsidiary firms, we chose to make a distinction between Chinese-owned and foreign firms.

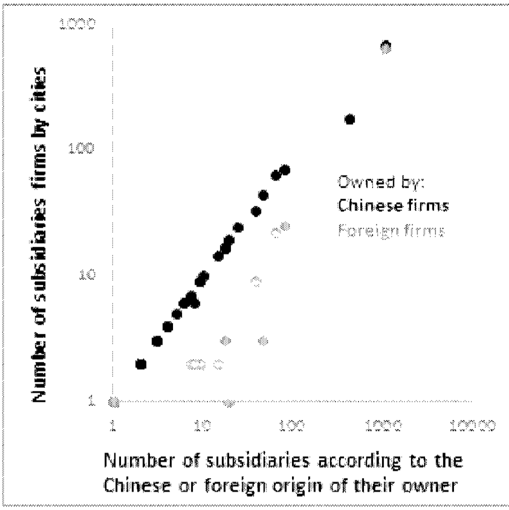
The Location of Multinational Company Subsidiaries Differs Greatly Depending on the Origin of the Investments

Foreign investments in real estate were first directed to SEZs within Chinese coastal cities, as these were the first areas open to foreign investment (Buckley & Ghauri, 2004; Chen & Moore, 2010; Cheng & Kwan, 2000; Ge, 1999; R. Hu, 2013). As a consequence, 90% of foreign investment in the real estate sector was concentrated in coastal cities (He & Fu, 2009) until the late 1990s. Foreign investment was then gradually directed toward the cities of Inner China. While coastal cities still accounted for 75% of real estate foreign investment in 2008, the cities in China's West accounted for but 17%. Studies on foreign investment in China (He & Fu, 2009; He & Zhu, 2010) also showed that foreign investment was mainly located in provincial capitals because they had both relatively developed real estate markets in addition to institutions and modes of governance that were favorable to investment.

The spatial deployment of subsidiary firms owned by Chinese firms may be influenced by domestic policies such as land reform, the marketization of the economy, and decentralization (H.-S. Hu, 2007; Wu, 2001). These forces have transferred the ownership of market-based LURs from provincial governments to local ones (Canfei, 2006; G. C. Lin et al., 2015). Indeed, as decentralization reforms allow municipalities to invest in land and increase tax revenues, there has been a deep impact on the economic and urban development of Chinese cities. This may have strengthened the creation and attractiveness of real estate investment in a significant number of municipalities (Ding, 2003; Ding & Lichtenberg, 2011; Tian & Ma, 2009; Wu & Zhang, 2007).

In this context, we assume that subsidiary firms owned by Chinese firms would be broadly distributed in cities throughout China, those owned by foreign firms would be more concentrated in large and coastal cities.

The distribution of subsidiaries owned by foreign firms is extremely different from those owned by Chinese ones, as foreign firms are much more concentrated in a handful of cities than the subsidiaries of multinational firms of Chinese origin (Figures 5 and 6). The difference lies in two elements. First, there is a difference in the number of cities in which each of these firms is located, as the subsidiaries of Chinese firms are proportional to the total number of subsidiaries located in the cities. This is



Subsdiaries owned by:	Chinese firms	Foreign firms
Number of cities	65	14
Slope	0.95 *[0.92-0.98]*	0.95 *[0.89-1.1]*
R2	0.99	0.78
	$p < 0.0001$	$p < 0.0005$

Figure 5. Cartesian graph of the total number of subsidiaries per city and the number of subsidiaries per city according to their Chinese or foreign origin.

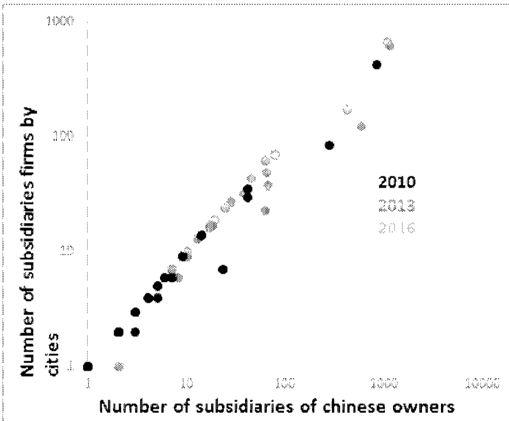
not the case for the subsidiaries of foreign firms (Figure 5). Second, firms within Chinese territory are located in different places (Figure 6).

However, as Chinese subsidiaries multiplied and expanded into more cities, they also grew the fastest within cities in which the most subsidiaries were already located. On the other hand, while subsidiaries of foreign firms are concentrated in a few cities, their increase was slightly higher in cities with the lowest number of foreign firms.

Subsidiaries of Chinese firms are dispersed throughout Chinese territory

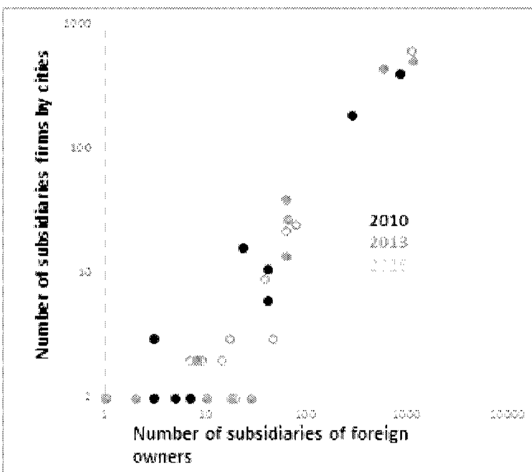
As expected, Chinese investment is spread throughout the cities of the country. Subsidiary multinational firms that are owned by a Chinese company have been located in cities throughout China since 2010 (Figure 7).

In fact, the distribution of Chinese subsidiaries in Chinese cities is almost the same as that of all subsidiaries. As was the case for all subsidiary firms, the growth of Chinese-owned subsidiaries resulted in their greater distribution into cities throughout China between 2010 and 2016 (Figures 3 and 4). Shanghai and Beijing are the mainland Chinese cities that have attracted the most Chinese-owned subsidiaries. Apart from these two economic and political capitals, Chinese subsidiaries have been concentrated in the cities of the Pearl River Delta, Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Jiangmen, and Sihui (a county level city of Zhaoqing); and in cities of the Yangzi Delta. These include Suzhou, Wuxi, Nanjing, Zhenjiang, Yangzhou, and



	2010	2013	2016
Nb of cities	39	43	65
Slope	0.87	0.88	0.95
	[0.82-0.92]	*[0.84-0.92]*	*[0.93-0.97]*
R2	0.98	0.98	0.99

$p < 0.0005$ $p < 0.0005$ $p < 0.0005$



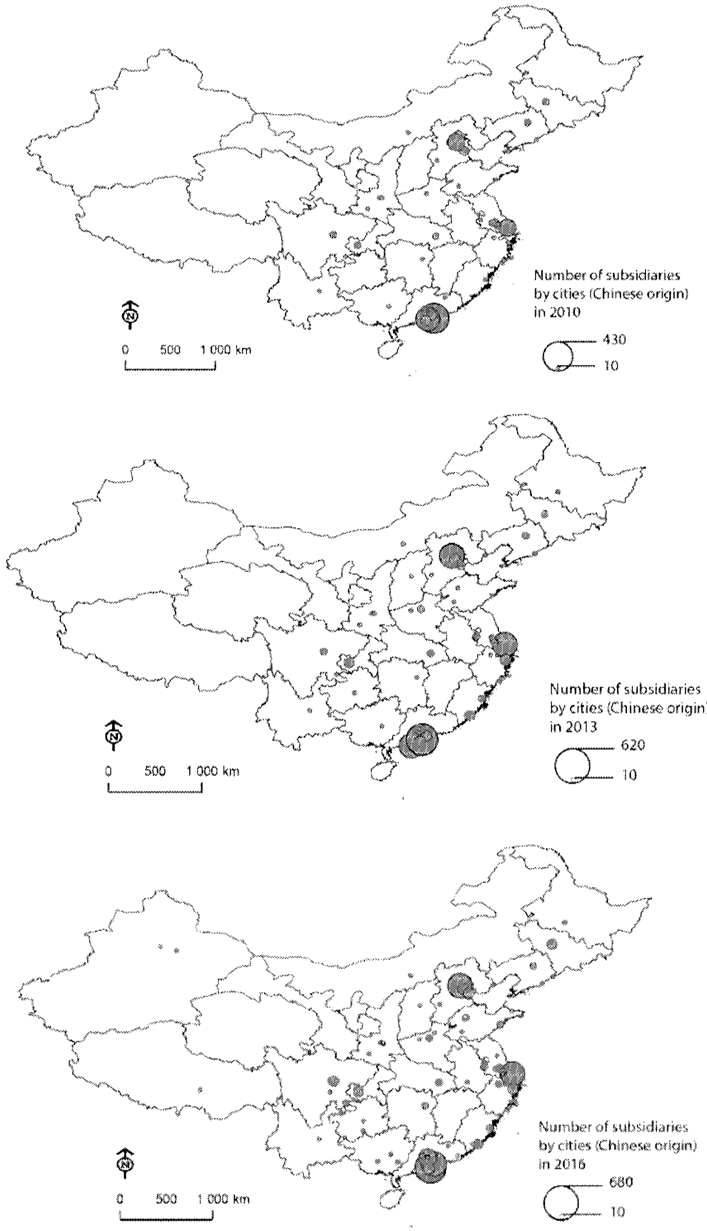
	2010	2013	2016
Nb of cities	9	13	14
Slope	0.95	0.87	0.87
	[0.89-1.01]	*[0.82-0.92]*	*[0.83-0.91]*
R2	0.99	0.78	0.78

$p<0.001$ $p<0.001$ $p<0.001$

Figure 6. Cartesian graph of the total number of subsidiaries per city and the number of subsidiaries owned by a Chinese firm (top) and a foreign firm (bottom) in 2010, 2013, and 2016.

Nantong in Jiangsu Province as well as Ningbo, Taizhou, and Zhoushan in Zhejiang Province. There are also the provincial cities of Tianjin and Chongqing as well as most of the Provincial Capitals: Changchun (Jilin), Changsha (Hunan), Chengdu (Sichuan), Fuzhou (Fujian), Guangzhou (Guangdong), Guiyang (Guizhou), Haikou (Hainan), Hangzhou (Zhejiang), Harbin (Heilongjiang), Jinan (Shandong), Lhasa (Tibet), Nanning (Guangxi), Shenyang (Liaoning), Shijiazhuang (Hebei), Taiyuan (Shanxi), Wuhan (Hubei), Xian (Shaanxi), and Zhengzhou (Henan).

Finally, among the cities that are not Provincial Capitals, many are EDZs, city districts that benefit from infrastructure to develop their industry and economies. Types of EDZs include Economic and Technological Development Zones (ETDZs), Free



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 7. Number of subsidiaries owned by a Chinese firm by city in China in 2010 (top), 2013 (middle), and 2016 (bottom).

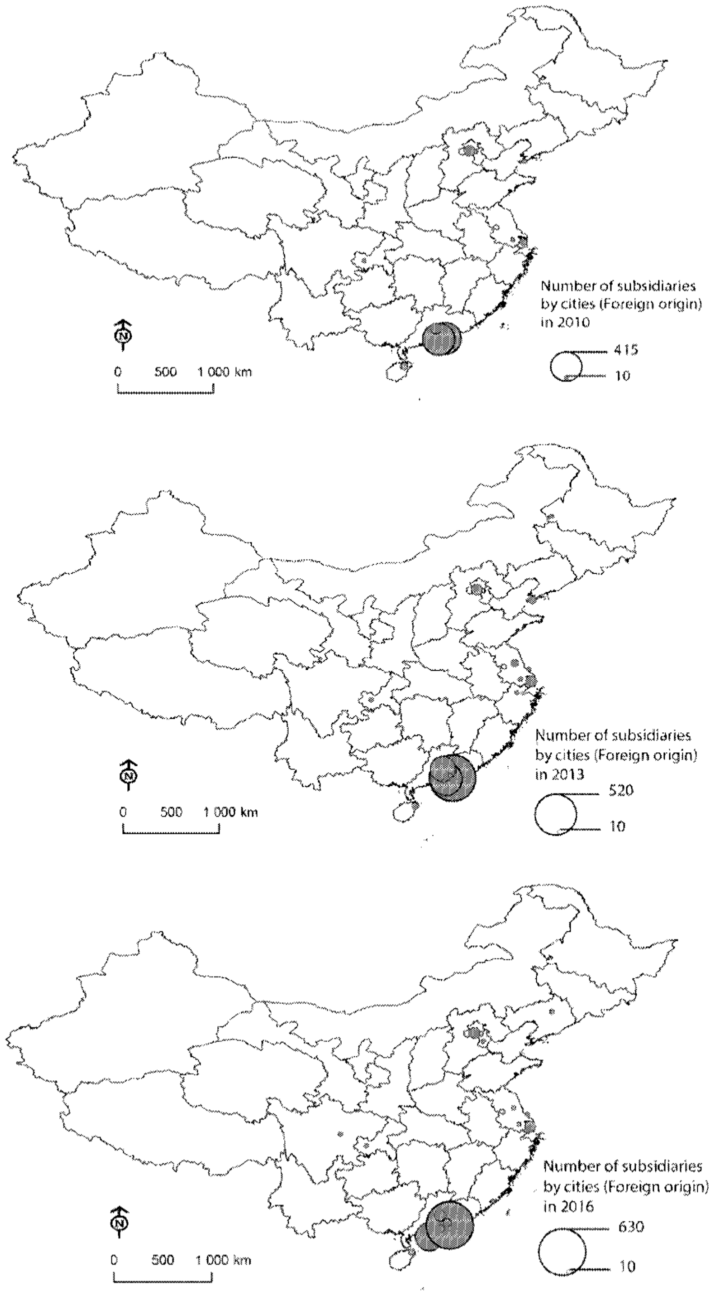
Trade Zones, or High-Tech Industrial Development Zones, all of which have different prerogatives. EDZs in which subsidiaries of Chinese-owned multinational real estate firms are established are all located in ETDZs: Anqing, Langfang, Luoyang, Qingdao (which also includes a High-Tech Industrial Development Zone and an Export Processing Zone), Qinhuangdao, Wenzhou, Xiamen (which also includes an Investment Zone and a Logistics Park), Xinxiang, Yantai, Zhangzhou (which also includes an Export Processing Zone), and Tongling (with its own ETDZ). ETDZs are designed by the Chinese Government to be a pillar of both the country's economic openness — they are all located in open cities — and the development of its innovative industries. As they benefit from significant Chinese investment dedicated to the development of its high-tech industry, ETDZs are powerful engines of the regional economy and have considerable needs in terms of infrastructure and real estate development (Fu & Gao, 2007; Swerts, 2013; Xie et al. in press; Yeung, Lee, & Kee, 2009). Only a few cities are neither provincial capitals nor ETDZs. These are mainly third tier cities (and some of them second tier cities) with populations of between 200,000 and 5 million in 2016. These are the prefectural cities of Bijie (Guizhou), Jiujiang (Jiangxi), Leshan (Sichuan), Yangjiang (Guangdong), Tulufan (Xinjiang), and the county level city of Puning (Guangdong).

Thus, subsidiaries owned by Chinese multinational firms are scattered throughout China. However, they are not as widely distributed among Chinese cities as one would assume based on the scale of development of the real estate sector and the financial windfall that real estate provides for China's municipalities.

Subsidiaries owned by foreign firms are highly concentrated in a few cities

Studies of foreign investment in China (He & Fu, 2009; He & Zhu, 2010) have shown that foreign investment has been located in large cities and mainly in provincial capitals. Indeed, the provincial capitals have attracted more foreign investment than cities of the same size that lack this administrative status. This can be explained by the fact that these cities have relatively developed real estate markets as well as a mode of governance and institutions that are favorable to investment.

Subsidiaries of foreign-owned firms are highly concentrated in the Pearl River Delta (Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai) in the Yangtze Delta (Shanghai in particular) and in Beijing. The concentration and distribution of these firms changed little between 2010 and 2016, with several firms setting up in cities outside these three areas in 2016. While these subsidiaries have set up in open coastal cities such as Xiamen (Fujian), Weihai (Shandong), Xiamen (capital of Hainan), and Tianjin, they have also been established Chengdu and Chongqing, the two main cities



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 8. Number of subsidiaries owned by a foreign firm by city in 2010 (top), 2013 (middle), and 2016 (bottom).

in western China, as well as in Shenyang (Liaoning) in the north of the country (Figure 8).

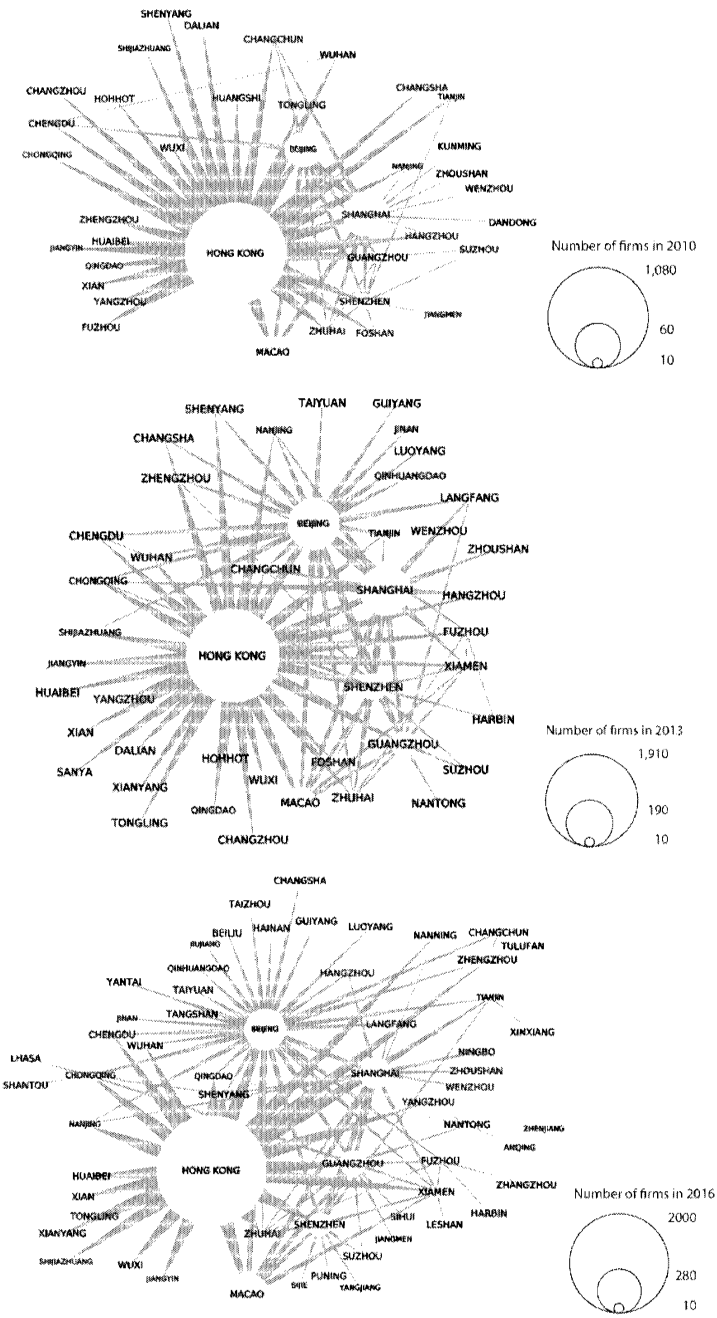
Numerous studies point out that foreign investment was first and foremost directed toward the cities of the East Coast and SEZs that are open to the World, located in the provinces of Fujian, Jiangsu, Zhejiang, Shandong, Liaoning, and Tianjin. They later spread initially to cities located in central China before expanding into Western areas such as the Provinces of Chongqing and Sichuan (Buckley & Ghauri, 2004; Cheng & Kwan, 2000; Ge, 1999; Hu, 2013). Yet, the gradual opening to FDI that has been observed is not completely evident for the subsidiaries of multinationals. Admittedly, the penetration of foreign investment into Chinese territory is tightly controlled. This allows the government both to control the land that finances much of the debt and to transfer the resources generated by foreign investment into China's emerging economic sectors. The regulation of foreign investment has been refined since the 1990s, notably by opening certain coastal areas to foreign investment while restricting land development rights within them (He & Zhu, 2010; National Development and Reform Commission and the Ministry of Commerce, 1997). These restrictions seem to have weighed even more heavily on investment by foreign firms into Chinese ones. Moreover, due to the advancement of technology, these operators have had a decreasing need for capital and technology transfers from foreign firms (Hu, 2013; Wu, 2001).

Networks of Multinational Firms in the Real Estate Sector

After analyzing the growth of real estate firms throughout the cities of China, the links between owners and subsidiaries are explored in this final segment. It enables the analysis how the observed rebalancing of foreign links to Hong Kong and Mainland China and the considerable increase in internal links to China is reflected in terms of firms' network.

The Network of Multinationals Inside China Has Become More Complex

With respect to the networks built by multinational real estate firms from 2010 to 2016, one of the most salient results has been that of Hong Kong's diminished importance (Figure 9). Internal links in Hong Kong accounted for 45% of the 684 intra-China links in 2010, 36% of the 1,162 intra-China links in 2013 and 21% of the 1,550 intra-China links in 2016. By contrast, many cities of Mainland China were linked only to Hong Kong in 2010.



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 9. Networks of multinational real estate firms between Chinese cities in 2010 (top), 2013 (middle), and 2016 (bottom).

The strong ownership linkages between the firms of Hong Kong and Mainland China are also important. Since 1988, Hong Kong developers and real estate firms have invested considerably in Chinese cities. Investment from Hong Kong was first concentrated in the cities of Guangdong, not only because it was the neighboring province of Hong Kong (Heung & Zweig, 2011) but also because Guangzhou and Shenzhen were the first cities of Mainland China to experiment with the application of a land use charge for foreign investment. Hong Kong investment was gradually deployed in Shanghai and Beijing, as well as in the country's largest cities and provincial capitals such as Tianjin, Wuhan, Shenyang, and Chongqing. From the 2000s, Hong Kong investment in the real estate sector was directed toward second tier cities throughout China and the third tier cities of the Pearl River Delta (Ding, 2003).

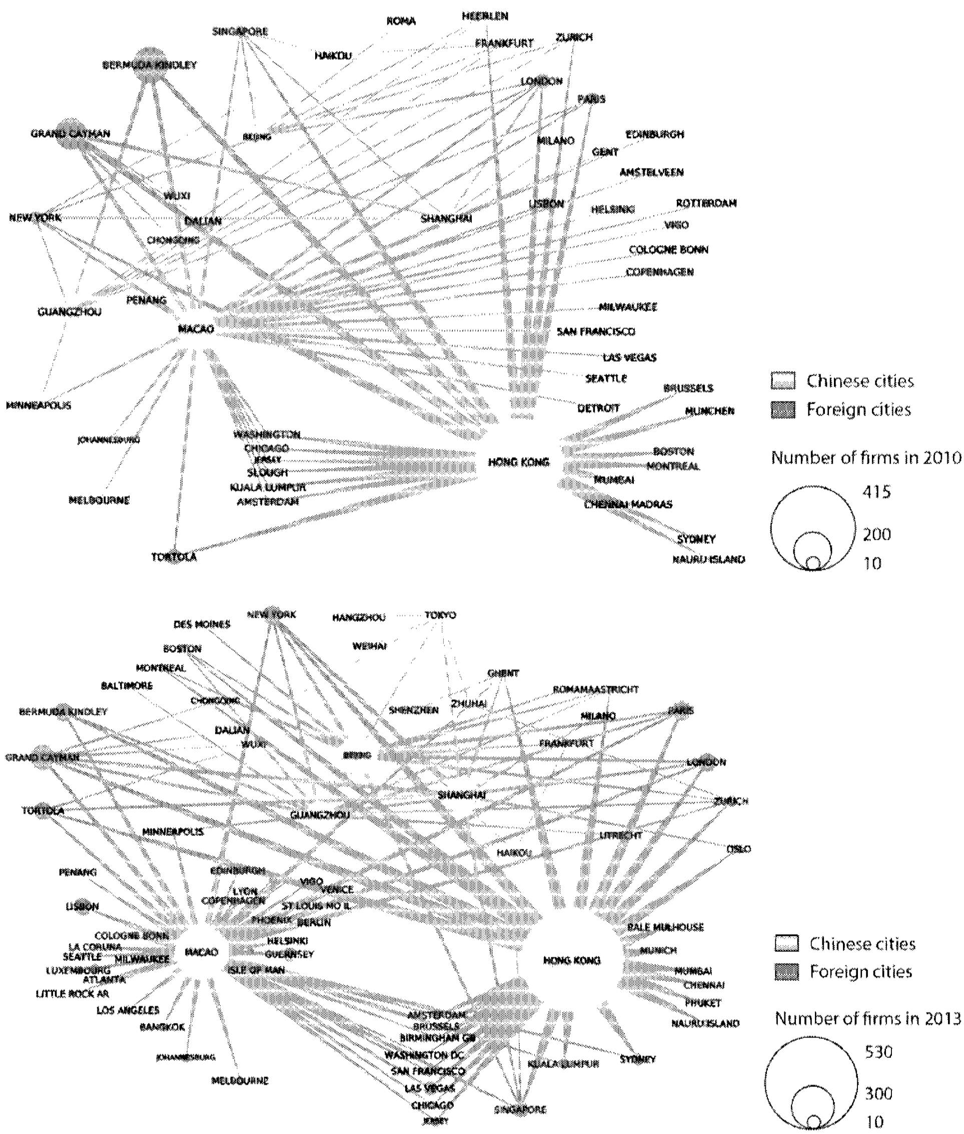
Hong Kong's importance in the network decreased from 2013 to 2016 due to the growing importance of cities in Mainland China. These cities first included Beijing and Shanghai, but later included Guangzhou and Shenzhen. This increase in links among cities in the Mainland meant that they were exclusively linked to Hong Kong less and less. This was especially evident in 2016 (Figure 9).

The networks of multinational real estate firms between Chinese cities and between Chinese and foreign cities are shown in Figures 9–11. Cities where firms are located are represented by circles, and the size of these circles is proportional to the number of cities located in the cities. Links between cities are represented by features proportional to the number of relationships between firms aggregated by city.

The sharp increase in China's internal linkages between 2010 and 2016 has resulted in the strengthening of links from Beijing (4% in 2010 and 10% in 2016), Shanghai (7.5% in 2010 and 9% in 2016), and to a lesser extent from Guangzhou and Shenzhen with other cities in Mainland China. It has also resulted in increased links between all Chinese cities, with one city most often linked to several others. Although Tianjin or Taiyuan is linked to Beijing, Hangzhou and Ningbo in Shanghai or Lhasa in Chongqing, the logic of territorial proximity does not prevail in the links of ownership between cities (Figure 7).

The Evolution of Ownership Links between Foreign and Chinese Firms

It was observable in the first section that when all the links are considered, the proportion of links from foreign countries to Mainland China increased between 2010 and 2016 to the expense of links to Hong Kong. With this in mind, how have these developments been reflected in the links between cities?



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 10. Networks of multinational real estate firms between Chinese cities and foreign countries in 2010 (top), 2013 (middle), and 2016 (bottom).

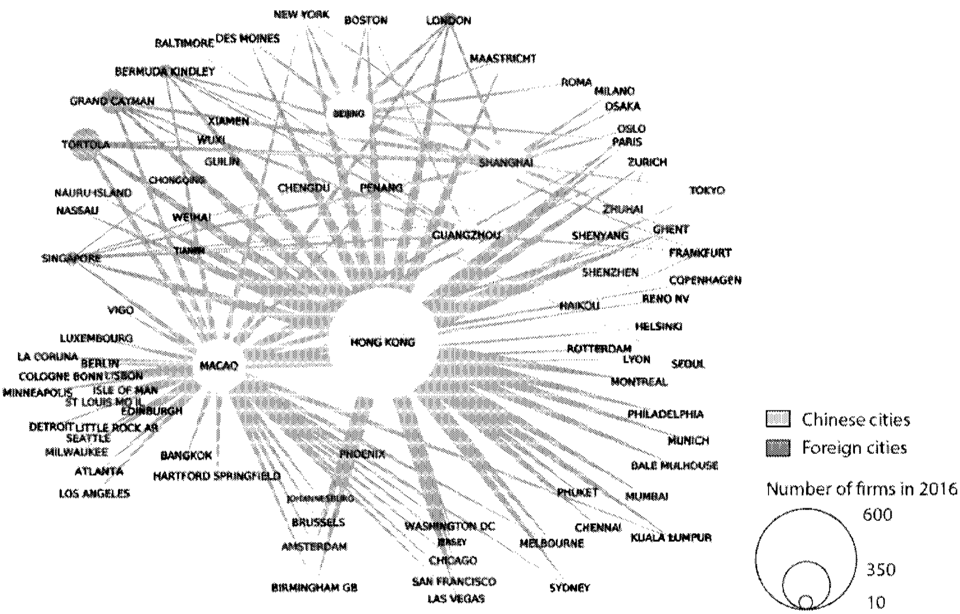
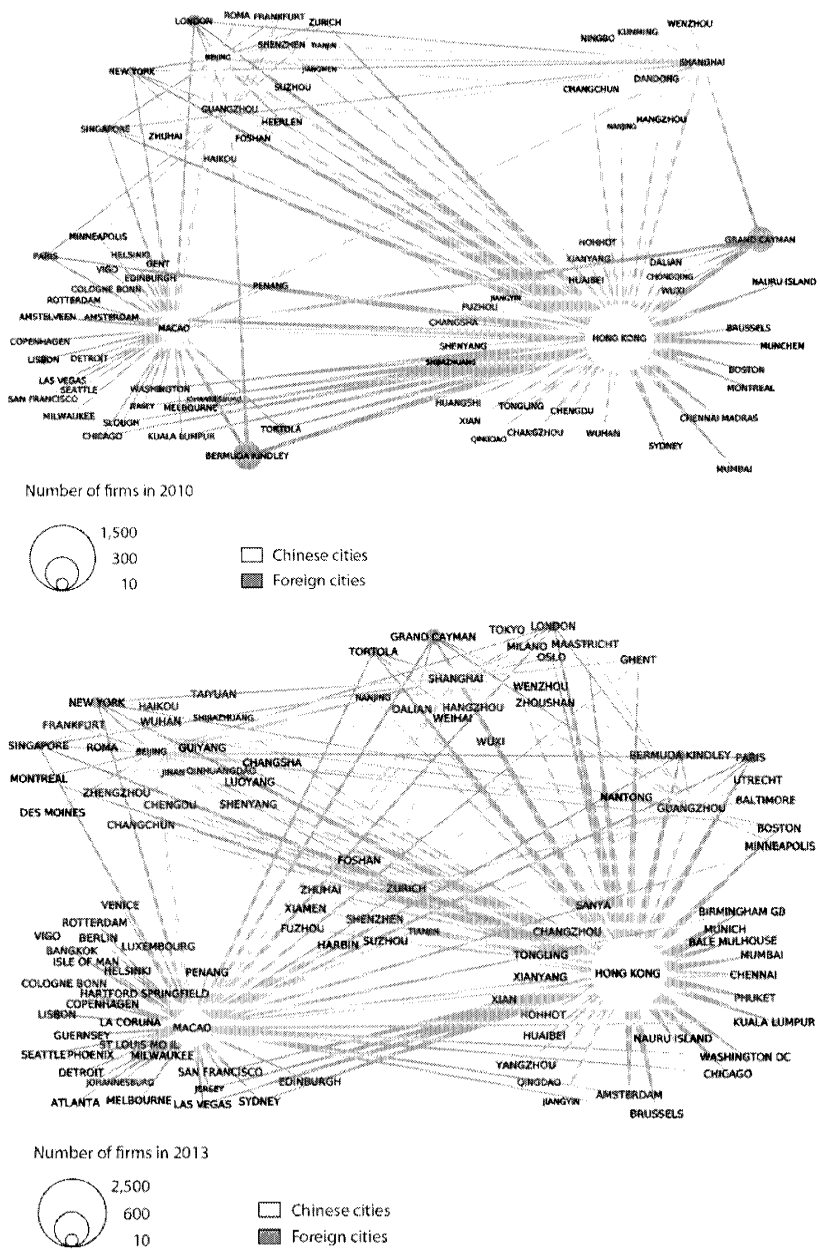


Fig. 10. (*Continued*)

Hong Kong and, to a lesser extent, Macao differ from other Chinese cities because a significant number of investors have invested only in the two islands. By contrast, foreign cities that have ownership links with a Chinese city are also linked with several other Chinese cities. For the three-year study, the mainland Chinese cities that have links with the largest number of foreign cities are Beijing, Shanghai, and in 2013 and 2016, Guangzhou. In 2010, multinational real estate firms based in Shanghai and Beijing were mainly owned by multinational firms located in global cities (Sassen, 2002) such as New York, Singapore, London or Paris, as well as European cities such as Frankfurt, Zurich, Rome, and Heerlen with Beijing and the cities of Milan, Gent, and Edinburgh with Shanghai. The number of European cities connected to Beijing and Shanghai increased in 2013. Links with cities in other parts of the world also began to emerge in that year, unlike in 2010. First, Shanghai became linked to the Grand Cayman tax haven, while tax havens were linked only with Hong Kong and Macao in 2010. Beijing was connected to Montreal, Boston, and De Moines in North America, and Tokyo in East Asia. From 2010 to 2016, the locations of cities linked to Chinese ones became more and more diversified. However, links with Asian cities including Mumbai, Chennai, Kuala Lumpur, and Phuket remained mainly with



Source: Created by the author; Orbis Database (BvD); FNS Project LOGIICCS.

Figure 11. Cluster of Chinese and foreign cities resulting from the links between multinational firms in 2010 (top), 2013 (middle), and 2016 (bottom).

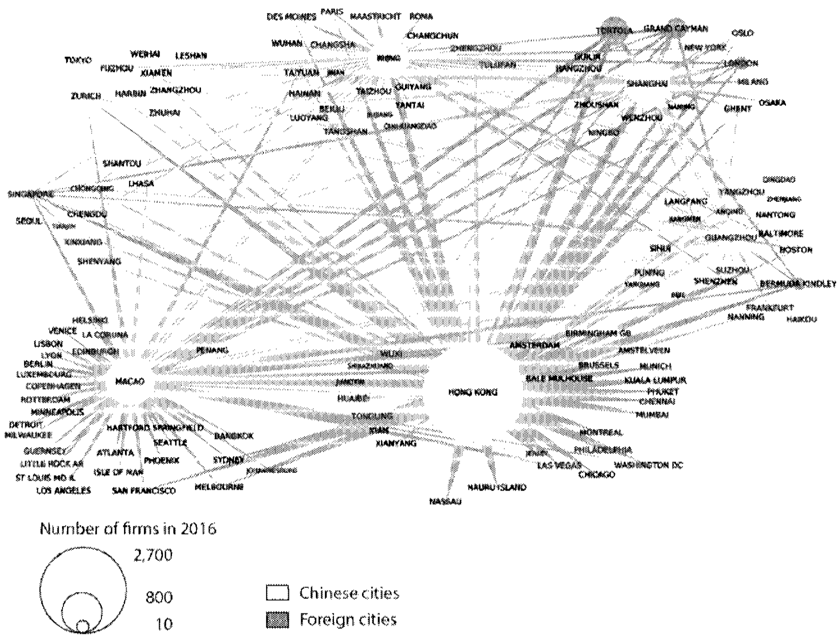


Fig. 11. (*Continued*)

Hong Kong. By contrast, there were relatively fewer links between Macao and the other cities of Mainland China (Figure 10).

Globally, the proportion of investment from tax havens decreased in favor of investment from Europe, North America, and other regions of the World. Still, tax havens have remained an important source of investment in China, as the links between Bermuda, the Cayman Islands and the Virgin Islands still represented half of the links between foreign and Chinese cities (including Hong Kong and Macao) in 2016. Firms from tax havens have invested considerably into the firms of Hong Kong. These investments are five times higher on average than those destined for Mainland China. However, while investments from tax havens destined for Hong Kong decreased, those destined for Mainland China increased between 2010 and 2016. It is extremely difficult to establish the precise origin of these investments and whether they originate from China or overseas. They could, for instance, be fictitious foreign investments resulting from "round-tripping" strategies. "Round-tripping" strategies consist of the moving of Chinese investments through tax havens such as the Cayman Islands before introducing them in China in the form of FDI to benefit from certain tax advantages.

The proportion of such investments could be as high as 20% to 30% of FDI in China (OECD, 2008; C. Wang, Hong, Kafouros, & Boateng, 2012; Zheng, 2009).

Among investment from Asia, Singapore has a predominant role. Singapore's importance can partly be explained by the fact that this country has very close cultural links and long-standing cooperation with China. Only Singaporean and Hong Kong developers have been able to conduct significant real estate activities in China. Thus, although Singaporean groups entered the Chinese market late, they were able to gain a quick entrance into the Chinese market during the 1990s (Aveline-Dubach, 2016). Moreover, the only two REITs that had securitized Chinese property assets before 2008 were from Hong Kong and Singapore (Quek & Ong, 2008). The two cities have been able to attract and create numerous foreign investments and multinational firms while developing as international financial centers (Haila, 1999).

The Evolution of the Global Network of Real Estate Firms Established in China

These observations are better illustrated and made more complete by an overview of the entire network of multinational real estate firms with a subsidiary in China, as well as classifying the subsidiaries according to whether they are owned by Chinese or foreign firms. In order to identify the strongest links between all Chinese and foreign cities involved in this vast network of firms, the cities have been grouped into clusters.[3] The cities with the highest number of links are grouped in the same clusters, and conversely, the cities of different clusters have fewer links between them (Figure 10).

The evolution of these clusters between 2010 and 2016 shows the emergence of the cities of the Pearl River Delta and Western China in the network of China-based multinational real estate firms. Indeed, four clusters were identified in 2010, with one around Hong Kong, one around Macao, one around Beijing, and one around Shanghai. These are all cities that have chiefly served as relays for foreign investment into Mainland China. The clusters in Hong Kong and Macao are the largest in terms of the number of cities involved. A total of six clusters were identified in 2013, with one cluster around Guangzhou, and another around the other cities of the Pearl River Delta (Shenzhen and Zhuhai). This clearly shows the strengthening of the position of the Pearl River Delta in the network of China-based multinational real estate firms. With

[3]Clustering was performed using the Spin glass clustering method.

the exception of Hong Kong and Macao, the cities of each clusters are closely interlinked, and do not exhibit a star structure, i.e., the investments do not come from a single city. Seven clusters were distinguished in 2016 with a seventh cluster articulated around Chengdu and Chongqing and including Lhasa, Urumqi, and most of the cities of Western China.

The classification into clusters confirms that links between tax havens and Chinese cities were made through Hong Kong and Macao in 2010, while the strongest of these were made through Shanghai in 2013 and to an even greater extent in 2016. The Hong Kong Cluster has brought together cities from all regions of the world, and it is also the only investor in several mainland Chinese cities, though the number of mainland Chinese cities to which Hong Kong is exclusively linked declined sharply between 2010 and 2016. This reflects the increasing integration of mainland Chinese cities into both international networks and the internal network of Mainland China. The network based around Macao is almost exclusively oriented toward foreign countries, with the region still serving as a relay for foreign investment, but remaining outside the domestic network as of yet.

The clusters that surround Beijing and Shanghai are quite different. Beijing's international links were much more important than those of Shanghai in 2010, and these are still mainly concentrated within China. Still, Shanghai's links with the international community were strengthened beginning in 2013 and even more so in 2016. These links have included not only tax havens and Europe, but also Asia, as links were established with the Japanese cities of Tokyo in 2013 and Osaka in 2016. The diversity of Beijing's international links was strengthened between 2010 and 2016 (with Europe, with Asia through Singapore in 2013, and with North America) in addition to its role as a conduit for investment into provincial capitals. Particularly in 2016, Beijing has been increasingly linked to provincial capitals (Wuhan, Zhengzhou, Taiyuan, Shenyang, and Shijiazhuang, for instance). The cluster centered on Guangzhou has followed Shanghai in its internationalization and strengthening within the Chinese network. The two clusters of the Pearl River Delta and Western China are mainly concentrated in China and Asian cities. Indeed, the only foreign cities that are strongly linked to these (with the exception of the European city of Zurich) are Tokyo for the Pearl River Delta and Singapore and Seoul for the cluster of western cities. On the Chinese side, the Pearl River Delta Cluster also includes northern cities such as Harbin, just as the cities of Shenyang and Tianjin in the north and Shantou in the south are integrated into the cluster of western cities. This shows that while the logic of territorial proximity prevails in these two clusters, they are not completely exclusive.

Conclusion

The real estate sector has developed considerably in China since its reforms, the marketization of the economy and the use of land for remuneration. The literature on real estate investment has shown that Hong Kong has played a predominant role in the Chinese real estate market, being both the city that has attracted the most foreign real estate investment and the largest investor into Mainland China. Our study confirms and nuances this result, showing that while Hong Kong is still predominant in networks of multinational firms, it has become relatively less important than cities in Mainland China which are gaining importance. Our analysis also highlights that like Macao, Hong Kong maintains a particular position in the network in that while all Chinese cities are highly interconnected, Macao and Hong Kong maintain a number of exclusive links to foreign cities.

These studies also refine the results of the literature on FDI and show that a new shift has occurred in spite of the difficulty for overseas firms to penetrate into the Chinese real estate market. A twofold movement has been observed: on the one hand, there are fewer and fewer foreign investors. On the other hand, while foreign firms invested mainly into Hong Kong-based firms in 2010, they began to invest into cities in Mainland China from 2013 onwards. However, if some studies also show that a continuous deployment of real estate investment into the west of the country since the late 2000s, this has not been the case for multinational real estate firms whose capital is held in part by a foreign firm. These firms have remained highly concentrated in metropolitan areas. Outside of these areas, they have only emerged in the largest cities such as Chongqing or Chengdu.

The strong emergence of cities in Western China is nevertheless confirmed for the multinational real estate firms whose capital is held in part by a Chinese firm. Subsidiary firms with Chinese owners are effectively spatially deployed in cities across the country. A closer look at the characteristics of these cities, however, reveals that most are either provincial capitals or ETDZs. This confirms our initial hypothesis: multinational real estate firms have followed a trend of decentralization and development in central and western China.

Finally, with regard to foreign multinationals that have subsidiaries in China, the importance of tax havens is unmistakable, as they constitute more than half of the ownership links of Chinese multinationals. However, due to round tripping strategies, the actual origin of these investments is difficult to determine. For other regions of the world excepting Singapore, Japan and Korea, Asian cities are more closely linked to Hong Kong than to Mainland China. On the other hand, the period between 2010 and

2016 saw a strengthening of the links between European and North American cities and Beijing, Shanghai, and other cities of Mainland China.

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China–India Relations: A Premature Strategic Competition between the Dragon and the Elephant

JIADONG ZHANG AND QIAN SUN

The factors affecting the relationship between China and India can be divided into three categories: structural factors, hard factors, and soft factors. The structural factors are mainly geopolitical factors determined by national strength, geographical features and international status. Hard factors mainly include border conflicts, Tibetan issues, China–Pakistan relations and water disputes, which are difficult to solve and highly sensitive. Soft factors include a trade imbalance, visa issues, different notions of history, strategic differences, and the relationship between the two countries on the international stage. These three kinds of factors are differentiated. Their importance and influence on China–India relations are also changing. Geopolitical factors have begun to play more important role in the bilateral relationship of the two rising countries in the past few years, leading to their strategic competition. This competition has grown despite the fact that the two countries have not yet achieved a status as leaders of world politics. This premature strategic competition will hinder the development of the two countries and will make the "Asian century" hard to realize. For the security and interests of both nations and Asia as a whole, China and India must establish a more stable geopolitical relationship, promote bilateral cooperation in the field of hard and soft factors, and find opportunities for cooperation in new areas and spaces. Finally, China and India need to build a new type of power relations.

KEYWORDS: Geopolitics; hard factors; soft factors; new type of power relations.

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論 In the past few years, China–India relations have experienced a series of ups and downs. Chinese Premier Li Keqiang visited India in 2013, while Indian Prime Minister Manmohan Singh reciprocated a few months afterwards. This was the first time in 60 years that the premier of China and prime minister of India completed mutual visits in the same year.[1] In 2014, Indian Vice President Mohammad Hamid Ansari and Chinese President Xi Jinping visited each other's countries. Indian Prime Minister Narendra Modi then visited China in May 2015. During this period, the number of bilateral ministerial, special representative-level meetings and talks also increased notably. "Xi–Modi interactions" were appreciated by many in the academic and decision-making communities of both countries with the view that these two political strongmen could help China and India overcome certain domestic obstacles in their relations. However, after the initial enthusiasm from 2013 to 2015, bilateral relations began deteriorating in the second half of 2015. Differences over numerous international and regional issues have amplified once again. When China proposed the Belt and Road Initiative (BRI) in 2013 and particularly with the start of the China–Pakistan Economic Corridor (CPEC), India began to shift its China policy from a strategic "wait and see" to strategic confrontation, leading to an overall deterioration in China–India relations. A sudden 73-day long standoff from June to August 2017 over Doklam has pushed China–India relations to their lowest level in two decades.

Although Chinese–Indian relations do not have a long history, they have experienced nearly 70 years since the establishment of the People's Republic of China in 1949. Since that time, relations have swung back and forth between idealism and populism (or nationalism). This has been reflected in the history of "Zhou Enlai–Nehru Interactions," now embodied in "Xi–Modi Interactions." The importance of China–India relations in both concept and reality cannot replace an academic understanding of their essential nature. Structural, hard, and soft factors often work alone or in unison as they affect their ups and downs. After analyzing these three factors, this paper will examine the current situation and trends in China–India relations.

Structural Factors in China–India Relations

It is undeniable that there are structural factors between China and India that make it easy for both countries to become direct strategic competitors.

[1]The last time was in 1954 when Chinese Premier Zhou Enlai and Indian Prime Minister Jawaharlal Nehru exchanged state visits.

Geographic Features

China and India are neighbors sharing a long land border and have a long history of mutual exchanges. In ancient times, the two countries were linked together in the fields of humanities, goods, and other cultural issues in the west through central Asia, over a middle route through Tibet, and in the east through Sichuan and Myanmar. After entering their modern stage as nation-states, China and India were separated by an undefined land boundary of more than 2,000 km (which, according to India, is much longer), one of the longest undefined land borders in the world which has had a complex and generally harmful effect on China–India relations.

China and India are becoming important maritime neighbors. As the two countries develop in the areas of science, technology, and trade, China and India are also becoming ocean neighbors with the northern Indian Ocean route increasingly important to China. Since 2013, China has become the world's largest oil importer. Currently, 75% to 85% of China's oil imports must pass through the region ("China's Reliance," 2011). The entire Malacca route, the CPEC route, and the China–Myanmar oil pipeline either fall within Indian Ocean region or must pass through it. It is clear that the route has already become China's lifeline. The situation has forced China to increase its strategic focus on this region and put more economic and political resources into it. China's cooperation with Bangladesh, Myanmar, Sri Lanka, Pakistan, and Tanzania in developing port facilities is mainly subject to energy security requirements. India's dependence on the sea is also rising, adding to its strategic focus on the South China Sea and the western Pacific. The shift from "Look East" to "Act East" reflects India's rising maritime ambitions. As rising maritime powers, the importance of their maritime relationship is becoming even more vital than the land border between the two countries.

This has made it easy for the two countries to become strategic competitors. Kautilya, a strategist in the Mauryan dynasty of India, in his masterpiece *Arthashastra* (the Theory of Politics) presented his Mandala theory of foreign policy: "international relations is a kind of dynamic hierarchy which the conqueror lies in the center, direct neighbors are the natural enemy, and the enemy of my enemy is a natural ally." In China's warring states period (fifth century—before 221), Fan Sui discussed the tactic of "befriending the distant enemy while attacking a nearby one." This was included in the *Thirty-Six Stratagems*, an ancient Chinese essay on strategy. It is clear that the two countries now find themselves in a strategic dilemma.

Modern warfare technology seems to confirm this. While the two countries may not threaten each other with the launching of nuclear missiles, their core national interests can still be affected by conventional weapons. China's "Guard 2D" (WS-2D) long-range rocket launcher has an effective range of more than 400 km, while the Indian capital, New Delhi, is about 350 km from the China–India border. If necessary, India could use its naval power to easily cut off China's offshore oil transport lines.

National Strength

China and India are the world's largest countries with respective populations of around 1.4 and 1.3 billion and accounting for more than 37% of the world's total population (United Nations Department of Economic and Social Affairs, 2017). This gives the two countries ample human resources to develop their economies and armed forces. China and India's militaries are also ranked first and third in the world in terms of size.

China and India also have territories that are large enough to support a great power. China is the fourth largest country in the world with a territory of 9.6 million km^2 (Central Intelligence Agency, 2019a). India has a territory of around 3.28 million km^2 (Central Intelligence Agency, 2019b), and while the territory which is undisputed and under its actual control is smaller than this, it is still the seventh largest country in the world. India has 160 million hectares of arable land, while China has 128 million, the second and third largest areas of arable land in the world, respectively.

China lies at the center of East Asia while India is in the center of South Asia and the northern Indian Ocean. Although the two countries are vulnerable to peripheral countries when they are weak, geography has also made it easier for them to deliver power to surrounding areas when they are strong. Whether viewed historically or from the present day, China and India are both geographically and culturally at the center of regional power, both in concept and practice. The two countries are also accustomed to basing their foreign policies on this center–peripheral image.

Development Prospects

The simultaneous rise of China and India is the most important feature of China–India relations though the proximity and identities of the great powers have not traditionally been a significant factor in their relations. Yet with their simultaneous rise, the two countries have had more and more opportunities to meet each other on the regional and international stage while opportunities for cooperation and competition have increased at the same time. This has changed the nature and importance of China–India relations. According to the International Monetary Fund (IMF), China's gross domestic product (GDP) in 2016 was US$11.4 trillion, the second biggest in the world. With US$2.25 trillion, India is the seventh largest economy in the world. In terms of purchasing power parity, China and India are also the first and third largest economies. Moreover, many important international economic institutions have predicted that they will be two of the world's three largest economies in the next 30 years. By 2050, China and India's economic aggregate will likely be at first and second place, with the US and Europe forming a four-footed world economy.

These structural factors discussed above define the basic features of the China–India relationship as one between rising great powers. This is fundamentally different from both China–US relations and China–Pakistan relations.

The Hard Factors of China–India Relations

The relationship between China and India has long been constrained by some hard factors. These are described as "hard" because they have existed in the long term, they are difficult to solve in the foreseeable future, and they have comprehensive, overall and strategic effects on aspects of China–India relations that include territorial disputes, Tibetan issues, and China–Pakistan relations.

Territorial Disputes

Territorial disputes between China and India are among the largest and most complicated of disputes involving China and other countries. Areas disputed between India and China lie at the highest elevations in the world. With thin air and scarce human activity, they have also been areas of weak rule in the histories of the two countries, a frontier within their frontiers. To this day, one can hardly see any living things in many parts of these disputed areas, and the ground is barren from the elevation and extreme cold. Nevertheless, these areas are occasionally visited by border patrols. This has led to a lack of consensus on some basic elements of the disputes.

First, the two countries do not share a consensus on the history and the source of the disputes. China believes it to be a problem leftover by British colonialists. India argues that the disputes have been caused by both British colonialism and Chinese expansionism, and that India has been the victim.

Second, China and India do not agree on the areas under dispute. China believes the disputed territory to be an area of about 125,000 km^2, while India recognizes only

43,000 km^2 in the west of this area as a matter under dispute, viewing the rest to be an unwarranted claim on Indian territory.

Third, the two countries disagree over the position of the Line of Actual Control (LAC). The China–India LAC is essentially a line that China has advocated since November 7, 1959, but it is unclear in many places. The formation of the LAC is mainly based on two foundations: the first is a clear natural boundary while the second reflects habitual use of the territory in terms of human activity and government management. These two principles are faced with two practical dilemmas: First, neither one exists in many places, especially in the western section. Second, though they know of their existence, many people on both sides do not have a clear understanding of these territorial disputes.

Tibetan Issues

India's attempt to inherit the British empire's colonial legacy in Tibet was an important reason for the deterioration of China–India relations even before the founding of the People's Republic of China in 1949 (Deepak, 2014). China believes that India is using Tibet to interfere in its internal affairs and that the Dalai clique is a chip in the hands of India to contain, weaken or gain a psychological advantage over China. As early as 1947, Indian Prime Minister Jawaharlal Nehru had invited Tibet as a separate country to attend an Asian Relations Conference in Delhi. China's then ambassador to India, HE. Luo Jialun (May 1947–December 1949 in India)[2] reported to Nanjing that the newly independent India had the intention of building Tibet as a strategic buffer between India and China. Sardar Patel, India's first interior minister, also wrote to Nehru to remind him of the possibility of a war with China over Tibet (Sen, 2014).

From the Indian perspective, the Tibet issue involves three factors. First, India's strategic security is at stake. A considerable number of Indian elites have inherited the "Indian central view" of British colonialists, arguing that Tibet should at least be a buffer zone between China and India, even if it cannot be part of Indian territory (Kang, 2013, pp. 82–83). Nehru once said, "we must deal with Tibetans and only with Tibetans." "I mean, Tibet, not Nepal, must be a buffer state we are trying to build" (Lu, 1996, p. 217). "India's support for the cause of the Tibetan people is likely to be a role for Chinese to compromise with the Tibetans and compromise with India"

[2]Luo Jialun (羅家倫) was the first and last ambassador of the Republic of China (ROC) government to India. He was ambassador only once, and his main mission in office was to use his expertise on Tibet to safeguard China's national sovereignty in India. See Fang (2014, p. 191).

(as cited in Yang, 2002, p. 40). Consequently, when the Dalai clique fled to India in 1959, India not only allowed the Dalai Lama to form a government in exile and funded an anti-Chinese insurgency, it also recruited exiled Tibetans for the "Indo-Tibetan Border Police" (ITBP), an organization that has existed to the present day. The second concerns religious and cultural issues in India. Hindus believe that Buddhism is an integral part of India's religious system and one of the four dharma religions along with Hinduism, Sikhism, and Jainism. This makes the Dalai Lama not merely an exile in India, but a spiritual leader in India's religious system.

Cross-Border Rivers

The issue of cross-border rivers between China and India has long been neglected by Chinese scholars, and the problem will only become more prominent with economic development and technological progress. The Qinghai–Tibet Plateau is home to 10 of the world's largest rivers. These rivers are inhabited by 1.3 billion people, accounting for 17% of the world's population. The ice and snow on the Plateau is the world's largest freshwater reserve outside the polar region. At the same time, countries from China to South Asia suffer from serious water shortages.

China holds a comparative advantage in its relations with India over water issues. Based on the "China Water Resources Bulletin, 2013," for every 21.49 billion m^3 of water that flows into its territory, water flows outward in the sum of 528.22 billion m^3. This net outflow of water resources in China is colossal, accounting for 19% of the roughly 2.68 trillion m^3 of its surface water resources per year. The flow of water to China's border rivers was 229.91 billion m^3, meaning that about half of its outflowing water went to India. According to Indian data, the outflow water of China via the Yalung Zangbo river alone (or the Brahmaputra river in India) is 165.4 billion m^3 annually, an amount that exceeds the outflow to Southeast Asia via the Lancang river (Mekong), Nujiang river (Salween), and Dulong river (Irrawaddy) combined (Chellaney, 2013). India's water resources have been overexploited, have a limited potential for exploitation, suffer from a high rate of population growth and water consumption, and are very sensitive to water resources that flow from China. India is worried that China will divert water from the Yarlung Zangbo river to address its unbalanced distribution of population and water. Northern China accounts for 42% of China's population but only 14% of its water. India's situation is similar with 38% of its water serving 67% of its population in the south and west. As a result, the water of cross-border rivers between China and India becoming ever more crucial as it affects the future strategic development space and public welfare of both countries (Asian News International [ANI], 2017).

China–Pakistan Relations

Pakistan is the only South Asian country who has dared to challenge India. Without it, Indians would have nearly absolute dominance over the fate of any South Asian nation. For many Indians, therefore, Pakistan is seen both as "a product of religious fanaticism" (as cited in Yang, 2002, p. 40) and a source of all evils. India has blamed nearly all its threats and problems on Pakistan. Pakistanis in turn see themselves as the biggest victim of India–Pakistan relations. They hold India responsible for the country's dismemberment and for development funds that were consumed in the fight against it. To balance strategic pressure from India, Pakistan has chosen to rely on three strategic pillars: China, the US and the Islamic world.

China's relations with India have had an interactive relationship with its relations with Pakistan. Before the 1962 war, China's relations with India had a higher priority and was far better than its relations with Pakistan. After the war, the US provided large-scale assistance to India with the hope to contain China and disband the India–USSR semi-alliance. Under this new security environment, Pakistan was forced to reassess its relations with America and reduce its dependency on American security assistance. Pakistan also decided to stay away from the Central Treaty Organization (CENTO) and the Southeast Asia Treaty Organization (SEATO). China–Pakistan relations have made rapid progress even in the face of public opposition from India (Han, 2010, pp. 41–52). They have been strengthened further since the beginning of the new century. During US President Barack Obama's visit to India in 2015, China defined Pakistan as an "irreplaceable" all-weather partner and promised its full support.

In this case, India also increasingly focused on China. On the one hand, India has worried that Pakistan will become increasingly dependent on China and could one day end up being completely reliant on it. On the other hand, India has complained about China's lack of sensitivity to its security concerns. As a result, India has been wary of both military and economic cooperation between China and Pakistan. It is very concerned about the CPEC and particularly China's plans for road building in the Pakistan-controlled Kashmir region. India fears that the CPEC will eventually integrate China's interests into Pakistan's, resulting in China either consciously or involuntarily ending its diplomatic neutrality between India and Pakistan.

Strategic Maritime Competition

Both China and India are major maritime countries, and have continuously developed their mutual interests in their marine economies and security. Over the past

30 years, China's economy has grown increasingly dependent on the ocean. In 2016, China's GDP was US$11.4 trillion and its trade dependence was 33%, mainly via sea routes. More concretely, China's economic dependency on the sea took up approximately 45% of 1 trillion of the total ocean economy.[3] In this context, China's maritime strategy has switched to its current view of the ocean as a major space for its national interests.

India's maritime strategy has also developed in a similar direction to China's. Today, more than 40% of India's economy is connected to world trade, mainly through ocean transportation (Huang & Li, 2015, p. 103). In this context, India intends to make the Indian Ocean into "India's Ocean" (Scott, 2006, p. 97). Apart from that, the Indian Navy has started to move west, east, and south, and even into the South China Sea, a strategically sensitive area for China. At the same time, China is entering the Indian Ocean where India is trying to establish its dominance. Almost 600 years after Admiral Zheng He's great voyages to the Indian Ocean in the 15th century, the naval forces of China and India are meeting again, this time engaging each other as two rising world powers.

Soft Factors in China–India Relations

In addition to the structural and hard factors, China–India relations are significantly influenced by certain soft factors. These soft factors mainly include bilateral economic and trade imbalances, differing views of history, and different perceptions of strategy.

Imbalance of Bilateral Trade

The long-term imbalance in China–India trade relations has been caused by the economic structures of the two countries. The nature of this problem is also unstable as these economic structures can be adjusted and transformed. India had a trade surplus with China from 2003–2005, but the situation has been changing fast. In 2016, Indian exports to China were about US$10 billion, still similar to what they were in 2005. China's exports to India have greatly increased, however, producing a trade imbalance

[3]See the news about "China's Ocean Development Report 2017" at <http://www.gov.cn/xinwen/2017-12/27/content_5250769.htm>; and China's 2016 total merchandise trade at <http://www.guancha.cn/economy/2017_04_13_403420.shtml> (accessed on January 4, 2018).

of around US$50 billion according to Indian data (around US$38 billion according to Chinese data) (Srivastava, 2017).

The trade imbalance has become an important diplomatic issue between China and India, having been mentioned at nearly every meeting of the two nation's leaders. In December 2011, the Secretariat of the Indian National Security Council even suggested that the trade deficit with China could pose national security problems for India. India has introduced several special policies to reduce its trade deficit with China. In July 2012, the Indian government decided that China must pay special duties on the exportation of power equipment to India. Indian citizens have also threatened to boycott Chinese goods in response to nearly every issue that has arisen between the two countries. In this context, trade issues have also become an important concern for China.

Different Historical Perspectives

Chinese and Indian perspectives on the history of China–India relations are asymmetric. Their perspectives diverge first on the 1962 border war. For the Chinese, the Sino–Indian Border Conflict was a military skirmish and not a full-scale war. The cause of this conflict lay in Indian's rising nationalism and its miscalculations in international relations. India assumed that China had been greatly weakened after its three years of grave famine between 1959 and 1961, and counted on greater support from the US. This caused India to implement the Forward Policy without serious and comprehensive preparation. After the conflict, Indian foreign policy began a shift from internationalism and multilateralism to regionalism, focusing more on South Asia for a long term (Kochanek, 1980, p. 53).

Second, the two countries have diverged deeply over the issue of membership in the United Nations Security Council. A considerable number of Indians, including some senior officials and elites, have long had the misperception that Nehru "declined a United States offer" to India to "take a permanent seat on the United Nations Security Council" around 1953, suggesting that it should be given to China.[4] In this light, India's current bid for a permanent seat on the Security Council as an attempt regains what should have belonged to it long ago. Many Indians advocate that China gives the seat back to India or offer its unconditional support. In China's view, since the Security

[4]See Shashi Tharoor's book, *Nehru—The Invention of India*, discussed by Kirish Raj in "Why isn't India a permanent member of the UN Security Council?" at <https://www.quora.com/Why-isn%E2%80%99t-India-a-permanent-member-of-the-UN-Security-Council> (accessed on December 29, 2017).

Council was founded before India had even achieved independence, there is no basis for China giving up its seat.

Third, the two countries hold different understandings of the root causes of border disputes. China believes that India should take more responsibility in the resolution of border disputes. China has solved border disputes with 12 of its 14 land neighbors. India and Bhutan, which is under Indian influence to a certain extent, are the only countries that have been unable to solve their border disputes with China. India views its border conflicts with China as the result of the country's expansionism. Indians tend to ask why China has been so tough on India when it has given so many concessions to other countries in its territorial disputes. The differences between China and India on the above-mentioned issues have made the mentalities of both sides extremely unbalanced.

Strategic Differences

There are clear strategic differences between China and India. First, there are differences in the strategic priorities of the two countries. India believes that China is its main strategic competitor in Asia for international attention, respect, foreign investment, regional influence, and overseas resources. Similar to China, India has also proposed many regional connectivity initiatives, some of these simply following in China's footsteps. For example, when China put forward the "BCIM" economic corridor initiative, India then accelerated its plan to connect with Myanmar and Thailand. In addition, after China's "Maritime Silk Road," India put forth concepts such as the "Spice Route" and "the road of cotton" while also upgrading its "Monsoon Project." In China's perspective, while India is the leading country in South Asia that can potentially affect the situation in Tibet, the country is not presently a major strategic rival either in Eurasia or the rest of the world. As a result, China has not given India's concerns priority in its decision-making, leading to a feeling that India is often "slighted" by China.

The second is a difference in strategic foundations. India has long done a balancing act between world powers. India had once balanced the US with Russia and now balances China with Japan and the US and Russia with China. While China has long relied on its own strength in its external relations, it has often used the balancing approach but rarely considered this to be a diplomatic goal in itself. Amidst the culture of balancing diplomacy, India has often believed that China is actively balancing India. Lacking India's culture of balancing diplomacy, China usually perceives India's balancing strategy to have some hidden strategic intent. Since 2015, India has been increasingly leaning toward the US, Japan, and other countries in terms of strategy and security, and its perceived stance of containing and balancing China's influence is becoming more obvious.

The third is the difference in strategic habits. China has tended to emphasize the concept of "building confidence then solving disputes" (*zengxinshiyi* 增信釋疑), that is, to do well in political relations by building strategic mutual trust, then sitting down to solve specific issues like territorial disputes. This has been China's model for resolving territorial disputes with its 12 land neighbors, such as Myanmar, Russia, Vietnam, and countries in Central Asia. India has instead stressed the concept of "solving disputes then building confidence" (*shiyizengxin* 釋疑增信), believing that the political relationship between the two countries will fundamentally improve only if territorial disputes are resolved first. This difference has often put China and India on different tracks. Chinese leaders often talk about strategic relations during top-level meetings, while Indian leaders tend to highlight a variety of specific issues. While Chinese leaders prefer to talk about how to improve bilateral relations as a whole, Indians pay greater attention to how to secure an "early harvest."[5]

The Main Constraints on Strategic Competition between China and India

While structural factors determine the importance and independence of China–India relations, they stipulate only the ceiling and not the floor. Hard factors determine the shape of China–India relations and are difficult to solve, but are not always active. Soft factors determine the interactive features of China–India relations and are more manageable, but they can change quickly. When these factors are persistent, still many others remain that can force the development of China–India relations in the direction of strategic competition.

Structural contradictions between countries will always exist in some form, particularly between world powers. Yet unless both sides agree that they have become strategic competitors, two countries can still cooperate to some degree and even do well at it. This can be seen in relations between USSR/Russia and China, China and the US, the US and Japan, Britain, France, and Germany, and even between the US

[5]The ideas in this paragraph are largely derived directly from the author's diplomatic experience. Many senior Chinese diplomats have had considerable experience and consistent views on this point. Their names have not been mentioned to protect their privacy.

and India. Powers have many choices at their disposal. From the above three kinds of factors, we know that it is difficult to establish a close relationship between China and India, and alliance between the two countries seems impossible unless the international structure changes to the point where China and India face the same strategic threats. However, the relations between China and India are very different from what they were between the US and the Soviet Union during the Cold War era. Although China and India have many contradictions and differences, they are also bound by the following factors.

Globalization

The globalization process has had two contradictory influences on China–India relations: On one hand, China and India have become true neighbors in the era of globalization. China and India have been historically both linked and separated by mountains and rivers. There are also close people-to-people ties between two civilizations. Buddhism originated in India and thrived in China, becoming an important part of Chinese civilization. Meanwhile, China has also made a large footprint in Indian culture, life, and economic activities. As tea (known as *chai* in India) spread from China to India, the Chinese word for it (*cha* 茶) became a common word in Indian daily life (*chai*). Hundreds of Chinese words have been absorbed into Indian languages and particularly into minority languages in southern India.

On the other hand, globalization has constrained the way in which the two countries can interact. In the world of globalization, the main drivers of development in China and India are their relations with the rest of the world, which includes relations between them. Their policy choices on many issues are less free now than they were during the Cold War. This was also the case in the 2017 Dong Lang (Doklam) standoff. The two countries must inevitably sit down at the negotiation table whether or not they manage to satisfy policy makers and public opinion. They must also contend with greater challenges as they attempt to deal with war, armed conflict, and many other issues. This constraint on reliable policy options has even narrowed the power gap between the two countries.

The System of Sovereign States

The sovereign state system is an important background for understanding China–India relations that is often overlooked by the public. The sovereign state system has been the most important outcome from the two World Wars for human society and the best guarantee for lasting peace. The system has also had a dual impact on China and India.

First, China and India are beneficiaries of the sovereign state system. Both the governments of the Republic of India and the People's Republic of China were born after the Second World War and have long pushed forward the idea of sovereign states. The principle of national sovereignty was only a good way for China and India to offset pressure from the US and the former Soviet Union, but also a means of providing a red line for the two countries to handle their disagreements: they would avoid impinging on each other's fundamental security, territorial integrity, and sovereignty, as this would go against the basic principles of their foreign policy.

Second, the sovereign state system also limits the international strategic approaches of the two countries. In the era of sovereign states, a country's strategic layout has shrunk in importance. In the colonial era, the dominant state could decide the major military and diplomatic affairs of its colonies, and there was great value and significance to its grand strategy. In the era of sovereign states, however, no country large or small is willing to be manipulated by another. Each enjoys abundant freedom to maintain its foreign policy in accordance with its own security and interests and in keeping with the international order. Small and medium-sized countries in South Asia are able to swing between China, India, the US, and Japan to serve their own national interests. To some extent, these sovereign states have become a kind of active buffer zone in the strategic game between China and India, and not just a strategic pawn in the hands of great powers.

Uncertainties in the Two Countries

Although China and India do indeed have rosy prospects, these should not be exaggerated or automatically understood as actual international political forces. Both David Brewster and American scholar Selig Harrison believe that many Indians have a "self-image of life," and that "they should be given status based on the potential of India rather than the actual capacity" (Brewster, 2016, p. 284). In fact, this vision offers only the possibility of national development, and the following two important points must be emphasized.

First, both China and India are on the rise, and neither has truly become a world power. While China's GDP ranks second in the world, its weight in the world economy is less than that of the US in the late 19th century and even smaller than the Qing Dynasty during the first opium war in 1840. Furthermore, there is still a considerable gap between China and the developed countries in terms of core technology, military strength, and soft power. In the words of President Xi Jinping, it may take 50 to 100 years for China to surpass the US. India is even farther behind, and it will take the country at least 20 years or more to reach China's current development level. In fact, while India's rise has been predicted many times since it gained independence in 1947, this has still not been the case.

Second, China and India suffer from a multitude of inherent shortcomings. The faster their economies grow, the more serious the constraints they will face on their resources and environments. China and India account for 37% of the world's total population, but their territories account for less than 9% of the world's total land area. China and India lack not only land but also fresh water and other crucial resources. China's per capita water resources are less than a quarter of the world's average, and India's are even worse. As their economies develop, they will face harsh constraints on their resources and environment. A harmful haze of smog in the winter, from the cities of Beijing and New Delhi, is now enveloped in a noxious haze each winter, and these challenges will only be more severe in the days to come. To truly rise, India must undergo a full industrialization that includes energy-intensive, polluting manufacturing sectors, but its environment and resources make it difficult to support such a process.

The above analysis shows that a multipolar pattern will be the most likely power structure affecting China–India relations in the future. While America may no longer be the America of today, neither China nor India can afford to assume the world leadership that America once enjoyed. This also means that both countries must be prepared to deal with each other in the long term, whether they like it or not.

Trends in China–India Relations

Several conflicting factors in China–India relations can be seen from the above analysis, some of which are almost irreconcilable. However, this does not mean that China and India have already entered into the central stage of world strategic competition because both the national strength and priorities of both countries are not yet ready. Following the rise of China and India, the greatest source of threats to their development is no longer merely the altitude of the external world's, but also the two countries themselves and their views on each other. This reality requires a decision-making cycle on both sides to establish a system of rules that both sides can accept and constrain the inevitable strategic competition between them down to a benign level. Both sides may need the following measures.

Shaping a New Type of Relationship

In this new model of relations between major powers, China and India each has their own interests. India wishes for China to give India license to become a world power[6] while China desires India to either give a green light or at least not to be an obstacle to its presence in the Indian Ocean region. It is still likely that the two countries will reach a strategic agreement or tacit understanding. For China, India is the hub and bridge of China's Maritime Silk Road initiative and the key to China's Indian Ocean strategy. A relation between China and India will, to a large extent, reduce the cost of securing the Indian Ocean region for China. For India, China holds the key to it becoming a world power. India is seeking to join the club of big powers and become both a permanent member of the UN Security Council and a legitimate nuclear-weapon state. Compared with countries such as Brazil, however, India has an advantage in its territory and population size, but lacks a regional organization and other mechanisms that can serve as a springboard and anchor for its participation in global politics. There is no consensus among the existing world powers about whether to accept India. Without China's support or recognition, it will be impossible for India to become a legitimate world power, no matter how far it deepens its relations with the US and Japan.

Reducing Sensitivity by Practical Cooperation

Structural factors are long-term and permanent obstacles in China–India relations; however, China and India still have the potential to transcend them: First, there are strong subjective aspirations among leaders and political economic elites in the two countries to improve bilateral relations. Leaders have achieved a consensus on several important issues. These are the "non-war consensus," the "strategic relationship consensus" and the "consensus on cooperative relations." This was evident in President Xi and Prime Minister Modi's informal summit in Wuhan, China in April, 2018.

Second, China–India relations have objectively advanced far beyond bilateral relations. Traditional hard factors such as territorial disputes, the Tibetan issue, and China–Pakistan relations are declining in prominence while non-traditional security issues such as water disputes and how to deal with each other in the international

[6]On April 11, 2015, Prime Minister Modi asserted during his visit to France that India was qualified to become a member of the Security Council, but China had not yet declared its support.

system have become more imperative. China–India relations have become "low politicized" (Lan, 2013, p. 101).

Third, cooperation between the two countries internationally has matured and become effective in practice. Both countries have maintained either strategic tacit cooperation or functional level cooperation on a variety of regional hot points, global climate change issues, the reform of the international financial system, and certain sensitive issues. Through pragmatic cooperation on the ground, the two countries are able to mitigate the sensitivity of disputes though it may take some time to resolve them completely.

Cultural and People-to-People Exchanges Are Crucial

Many obstacles between China and India lie at the psychological and cognitive level. Therefore, the two countries should take the following measures to improve the base of public opinion on their relations. First, the relationship between the two countries must be reshaped. As cultural cousins, China and India have been closely linked in the humanities for more than 2,000 years. In today's multipolar world, China and India should shape their relations into one of the strategic cousins, mutually enhancing their international standing and promoting the coming of an Asian century. Second, the two countries should take concrete measures to promote people-to-people and cultural exchanges between them, which are very low at present. In 2014, only 700,000 Indians visited China and 170,000 Chinese visited India. The number of tourists to and from the two countries exceeded 1 million for the first time only in 2015.[7] While the number of Chinese tourists to India will rise sharply in the following years, this is hardly significant when compared to the populations of the two countries.[8]

Expanding Areas of Cooperation

Rather than being solved directly, many problems in the relations of great powers have been made obsolete by changes in the international order. China and India should expand their cooperation in economic, military, and other potential areas to resolve the issues between them.

[7]See "Remarks by Ambassador Le Yucheng at the Opening Ceremony of China Tourism Year" at <http://in.china-embassy.org/chn/dsxx/dshdjjh/t1332072.htm> (accessed on January 25, 2016).

[8]See "Remarks by Ambassador Le Yucheng at the India–China Parliamentary Friendship Group" at <http://in.china-embassy.org/chn/dsxx/dshdjjh/t1326819.htm> (accessed on January 25, 2016).

First, the two countries should strengthen cooperation in the economic field. China and India need to explore more areas of economic cooperation, particularly to improve the investment environment for Chinese companies in India. Second, China and India should strengthen and deepen cooperation in the field of international economic governance. Both countries must deal with emerging international economic mechanisms such as the "Regional Comprehensive Economic Partnership" (RCEP) and the "Trans-Pacific Partnership" (TPP). There is an abundance of common positions and interests for two countries in the shaping of a new international economic order. Finally, the two countries should strengthen communication and other exchanges in sensitive areas such as military and security issues, including in border dispute issues, and in maritime security issues, the two countries can greatly improve the atmosphere of public opinion by strengthening communication and exchanges on issues such as border disputes and maritime security.

Conclusion

In general, China–India relations have experienced a "low starting point, poor foundation, rapid change, broad prospects, complicated fields and complex problems." China–India political relations are cordial but not enthusiastic, economic and trade relations are close but lacking in depth, military ties are warming but still in a cold stage, and cultural ties have a long history but do not enjoy real contact. The two countries have much in common on world stage but lack coordination and cooperation. At the same time, the above indicates that there is a great potential for China–India relations to thrive. Both countries are on the rise at present, and both have strong central governments with the desire to develop bilateral relations. At the same time, other countries are still trying to undermine interactions between the two countries as part of a strategy of "associating with distant countries and attacking closer ones" (*yuan jiao jin gong* 遠交近攻), an "oversea balancing strategy" and a "divide and conquer" game. These pose challenges for the political wisdom on both sides.

All in all, a duel between the dragon and the elephant will be good news if it can be conducted peacefully, bringing China and India into the center stage of world politics and heralding the arrival of an Asian century. However, the current national strength and international status of China and India have not reached the stage where direct strategic competition is needed. A premature struggle would run the risk overdrawing on the future and presenting a major obstacle to the further development and rise of the two countries. For strategic and decision-making communities in both China and India, this is an outcome desired by none.

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China–Pakistan Maritime Cooperation in the Indian Ocean

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This paper argues that during the last two decades, China and Pakistan have strengthened their maritime cooperation in the Indian Ocean to their mutual benefit. Based upon its geostrategic location and vast maritime experience, Pakistan has promoted China's growing interests in the Indian Ocean and received China's economic, technological and military assistance in return. India has responded to these developments by expanding its naval power, adding a nuclear component and aligning with like-minded states. The paper concludes that a lack of institutional mechanisms, coordination and trust among the three can potentially expand their rivalry seawards, triggering a new naval arms race.

KEYWORDS: China–Pakistan; maritime; Indian Ocean; Pakistan Navy; Sino-Pakistan; People's Liberation Army Navy.

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The Indian Ocean, the third largest ocean covering around 20% of the world water, has attained attention due to its growing economic and strategic importance. Littoral and non-littoral states with economic and strategic interests are expanding their sphere of influence. China is one of them. As China is an outsider to the Indian Ocean, it must rely on littorals to establish its foothold. Pakistan not only being Indian Ocean littoral but also maintaining close strategic partnership with the People's Republic of China (PRC) can potentially play a role in promoting China's interests in the region. More importantly, advancing Beijing's interests complements to Islamabad's own maritime goals. This paper studies how the maritime cooperation between China and Pakistan has gained importance in their overall relationship over the years and what it means for the Indian Ocean region. It is divided into four parts.

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Parts I and II explain main features of China's and Pakistan's Indian Ocean policies, respectively. Part III analyzes the synergy of their interests. Part IV assesses the implication of this cooperation on the Indian Ocean with focus on India. This is followed by a conclusion.

The Contours of China's Indian Ocean Policy

Confined to its territorial waters in the East and South China Seas until the end of the 20th century, China is now expanding its influence in the Indian Ocean. Three key motives have dominated China's Indian Ocean policy: The protection of the Sea Lines of Communications (SLOCs), the protection of overseas investment and its diaspora, and the pursuit of geostrategic interests (Holmes & Yoshihara, 2008). First, China's efforts to secure the SLOCs began when it became a net oil importer in 1993. Since then, the country's energy consumption has been constantly on the rise, making it the largest oil importer in the world. In 2016, China purchased US$116.2 billion of crude oil out of a global total of US$679.1 billion (Workman, 2018). China is also the largest trading nation in the world. In 2016, the country exported industrial products and services worth US$2.06 trillion while importing goods worth US$1.32 trillion (Arif, Ameen, & Rafiq, 2018). The bulk of China's trade and energy is shipped through the Indian Ocean, a region which is dominated by the navies of India and the US. In addition, ships must pass through narrow choke points such as the Cape of Good Hope, the Mozambique Channel, Bab-el-Mandeb, the Suez Canal, the Strait of Hormuz and the Malacca Strait. The ocean is also vulnerable to accidents, terrorism and piracy. Any disruption or blockade of the SLOCs, intentional or accidental, can disrupt China's entire chain of imports and exports (Lind & Press, 2018). Thus, China has to adopt measures to ensure the safety of the SLOCs. Second, both China's overseas investment and its diaspora have been rapidly expanding, especially following the launch of the Belt and Road Initiative (BRI). China has argued that due to its naval presence in the region, it now has the ability to rescue stranded citizens in the Middle East if they were to become stranded there.

Third, although China has termed the BRI an economic vision (Zhang, 2018, p. 329), Western and Indian analysts see no separation between China's economic and geostrategic interests (Blanchard & Flint, 2017; Brewster, 2018; Krupakar, 2017; Walgreen, 2006). For its geostrategic interests, China's outreach into the Indian Ocean — especially in the building of ports — will not only ensure the safety of "China's SLOCs across the Indian Ocean," but also "interdict maritime trade by others," ultimately making China the "dominant naval power in the region in a manner similar to the USA and Britain before it" (Brewster, 2018, pp. 55 and 62). Krupakar (2017, p. 1) has stated that China's strategy is "a doctrinal shift to ocean-centric strategic thinking and is indicative of the larger game plan of having a permanent naval presence in the Indian Ocean." In the light of this, China's Maritime Silk Road Initiative (MSRI) and the China–Pakistan Economic Corridor (CPEC) can potentially alter the naval balance of power in the Indian Ocean.

While China has enduring interests, it does not share any border with the Indian Ocean. The PRC has adopted several measures to overcome this handicap in the pursuit of its interests. First, it has started developing the People's Liberation Army Navy (PLAN) by increasing its budget, size and the strength of its weapons (Lind & Press, 2018). A process which was begun in the late 1980s has developed into a comprehensive strategy in the 21st century. In 2004, President Hu Jintao introduced the concept of "New Historic Missions" which changed the PLAN's role from an inward-looking coastal force into an outward looking, high-seas force that could be deployed in distant waters. Hu also outlined the policy of "military operations other than war," which became China's participation in UN-led peacekeeping, antipiracy, disaster relief, medical support and counter-terrorism missions (Henry, 2016). A white paper published by the State Council of PRC, entitled "China's Military Strategy" 2015 lucidly explains China's maritime intentions:

> The traditional mentality that land outweighs sea must be abandoned, and great importance has to be attached to managing the seas and oceans and protecting maritime rights and interests. It is necessary for China to develop a modern maritime military force structure commensurate with its national security and development interests, safeguard its national sovereignty and maritime rights and interests, protect the security of strategic SLOCs and overseas interests, and participate in international maritime cooperation, so as to provide strategic support for building itself into a maritime power. (*China's Military Strategy* (*Full Text*), 2015)

Second, China has been participating in counter-piracy missions in the Gulf of Aden since December 2008. This was the first time since Commander Zheng He's voyages in the 15th century that Chinese ships sailed into distant waters. Beijing has expanded and enlarged these missions over the years. By early 2018, over 16,000 PLAN marines had spent 120 to 200 days on over 68 ships and under 27 task forces, escorting "more than 6,400 Chinese and foreign merchant vessels in 1,109 batches" ("27th Chinese Naval Escort Taskforce," 2017). In addition to performing counter-piracy duties, these ships participated in the search for Malaysian Airlines Flight 370 that had gone missing on March 8, 2014; conducted naval exercises with Pakistan and other countries; and evacuated Chinese citizens stranded in Libya and Yemen

(Henry, 2016). China has also resorted to soft power diplomacy by sending a hospital ship to the Asia-Pacific region to offer free medical treatment.[1]

Third, Beijing has begun building and acquiring ports in the different littoral states of the Indian Ocean — a strategy often termed as a "string of pearls." China had a presence in the Coco Islands of Myanmar, which are close to India's Andaman and Nicobar Islands. It has acquired a 70% stake in Myanmar's Kyauk Pyu Port, strategically located in the Bay of Bengal and at the opening of the China–Myanmar oil and gas pipelines. These pipelines began their operations in 2013 and 2014, respectively. They circumvent the Malacca Strait and supply energy to China through shorter routes (Lee & Myint, 2017). In Bangladesh, Beijing has developed the Chittagong Port. It also has an interest in the Sonadi Port and the building of the Chittagong–Kunming road and rail links (Ramachandran, 2016). Bangladesh and Myanmar are also part of the Bangladesh–China–India–Myanmar (BCIM) Corridor, and their geostrategic location can help in expanding Beijing's influence in the Bay of Bengal.

In Sri Lanka's Hambantota Port, China has purchased a 70% stake for a 99-year lease at the cost of US$1.2 billion. The port overlooks east–west shipping lines across the Malacca Strait ("Sri Lanka Signs," 2017). Chinese companies have also invested in the expansion of the existing Colombo Port. China has recently begun construction of port facility in the East African nation of Djibouti along the Bab el-Mandeb Strait, the waterway that connects the western Indian Ocean with the Red Sea. Although China intends to build "logistics and fast evacuation base," some analysts have termed Djibouti as China's first oversea naval post. Most importantly, China has built a strategically important Gwadar Port in the Southwest of Pakistan, as discussed later in this paper. These measures illustrate China's deepening foothold in the Indian Ocean. As for how Pakistan will lend its support to China's presence and benefit from it, it is necessary to examine Pakistan's maritime policy.

Pakistan's Maritime Policy

Pakistan is the third largest Indian Ocean littoral state, with a 1,046 km long coastline and a 290,000 Exclusive Economic Zone (EEZ). It is 74th among the 142 coastal states of the world, with a 1.36 ratio of land to coast. All of Pakistan's sea boundaries have been settled but for a small disputed part with India at the Sir Creek. In spite of these natural endowments, Pakistan's overall maritime component has remained largely absent from its social, economic and strategic calculations. This can

[1] For a commentary on the role of the hospital ship, see Archana and Li (2018).

possibly be explained by the fact that a large portion of the Pakistani population has no opportunity to visit the seashore. After Karachi, which was inhabited before its independence, Pakistan has not built any new coastal cities. Likewise, successive Pakistani rulers have paid scant attention to building new ports. This neglect is ironic, as almost 95% of Pakistan's trade and almost 100% of its oil and gas are imported through the sea (Humayun & Zafar, 2014, p. 59). As noted by an analyst, "Almost everywhere else in the world, major centers of population and productivity are located close to coasts. Pakistan appears to be the rare exception as the major portion of its coastline, which lies to the west of Karachi, is sparsely populated and pristine" (Asghar, 2016, p. 21). Prior to the construction of Gwadar Port, Pakistan had only the Karachi Port and Port Qasim 54 km away. Those ports handled almost all of the country's commercial and naval needs, and given their limited capacity, they were often overloaded. Having only two ports that were both in close proximity to India posed certain strategic and economic vulnerabilities. A blockade of these ports in the event of a conflict could cut Pakistan's trade and energy lifeline. Pakistan also failed to take advantage of other aspects of its maritime treasures such as fishing, shipbuilding, and the exploitation of undersea resources. Except for coastal people who depend on the sea for their livelihoods, the maritime component is still generally missing from Pakistan's culture, economy and national security strategy.

Analysts attribute this negligence to the continental mindset of Pakistani policymakers and the dominant role of the Pakistan Army in national security affairs. Naval officers were found complaining about the country's neglect of its navy due to the overwhelming influence of the Pakistan Army (Nawaz, 2004, p. 5). The allocation of limited resources to the Navy compared to other services testifies to these complaints. For example, in the defense budget of 2017–2018, Pakistan's Navy received US$840 million, only 11% of the total budget. This was already after a 2% increase from previous years (Gady, 2017). This neglect of the maritime sector not only incurred economic losses, but also exposed strategic vulnerabilities in confrontations with India. Except for the 1965 War, the Pakistan Navy has faced daunting challenges on all other occasions. During the 1971 War in particular, the Indian Navy stymied the activities of the Pakistan Navy and bombarded Karachi Port, hitting both military and civilian targets that included foreign merchant ships (Murphy, 2002, p. 496). New Delhi repeated this strategy during the 1999 Kargil Crisis. Under "Operation Talwar," India concentrated its Eastern and Western Fleets in the North Arabian Sea, sending a signal to Pakistan that it was blocking its maritime routes. Reportedly, Pakistan moved its major combatants out of the port and began to escort its oil and trade ships in anticipation of attacks by Indian warships. Former Pakistani Prime Minister Nawaz

Sharif admitted that the country would have been left with just six days of fuel had a full-fledged war broken out. Although the Kargil conflict had erupted thousands of miles away from the Indian Ocean in the North, New Delhi still used its navy to put pressure on Pakistan. The role of the Indian Navy was mentioned in its Kargil Commission Report ("The Kargil Committee Report," 2000).

This continental mindset of the Pakistani elite began to change during the late 1990s when the country began to realize the importance of its maritime sector. A rapid increase in population, the appealing concept of the "blue economy" and the exposure of its strategic vulnerability appear to be the main reasons behind this change of mind. From a defense perspective, two developments have played a major role in this change. The first was the Kargil conflict mentioned above, and the second a series of US arms sanctions that were placed on Pakistan during the 1990s. Though the US had provided large-scale weapons to Pakistan during the 1980s for its support against the Soviet invasion of Afghanistan, the former imposed sanctions within a year of the Soviet withdrawal in 1990. Though sanctions were applied on all branches of the armed forces, they proved strangulating for Pakistan Navy, which was already the weakest of the three branches of armed forces and had a great degree of dependence on US hardware. Under these sanctions, Washington abandoned talks for the purchase of maritime patrol aircraft, helicopters, and Harpoon missiles, and also refused to renew the lease of eight Brooke and Garcia class frigates which Pakistan had returned after the expiry of their lease (Singh, 2011, p. 47). US sanctions further weakened the Pakistan Navy. Almost parallel to these developments, China's interests in the Indian Ocean began to grow, reaching a new height with the launch of the BRI. This proved to be a valuable opportunity for Pakistan, which turned to China for assistance. A whole range of maritime cooperation between the two sides began from then on.[2]

Pakistan has adopted several measures to develop its maritime sector, beginning with the construction of new ports. In June 2000, military ruler General Pervez Musharraf inaugurated Ormara Port, 120 miles away from the Indian border. As the port was developed for strategic purposes, its Jinnah Naval Base could berth eight ships and four submarines (Murphy, 2002, p. 495). More importantly, visiting Chinese Premier Zhu Rongji offered financial assistance for the construction of Gwadar Port in Pakistan's Baluchistan Province in May 2001. The first phase of this port was completed in 2006. Pakistan also developed the Pasni and Jewani Ports on the Makran

[2]Military cooperation between China and Pakistan had begun during the mid-1960s. However, this cooperation remained limited to the Army and Air Force. Except for some missile boats ordered during the 1970s, the Pakistan Navy has hardly received any major Chinese weapons or technologies. The foundation of maritime cooperation with a focus on naval ties was laid during the 1990s, and the projects materialized in the new century.

Coast. These ports provided the country with necessary strategic space, greater room for its submarines to operate, and new economic and trade hubs.

Furthermore, Pakistan established the National Centre for Maritime Policy Research (NCMPR) at Bahria University in 2007 with two think tanks to conduct policy-oriented research (Jabeen, Yun, Wang, Rafiq, Mazher, Tahir, & Jabeen, 2016). The Pakistan Navy began to organize conferences and seminars on maritime issues and publish literature for policymakers and general awareness (The 8th International Maritime Conference took place in February 2019 in tandem with the 7th biennial Amman Exercises). Other measures included the release of the first Maritime Doctrine in December 2018, the establishment of an independent maritime university and joint maritime information organization (JMIO), and the reorganization of the Ministry of Ports and Shipping into the Ministry of Maritime Affairs by putting various relevant departments under its administration. Maritime experts urged the government to develop a strategic plan for the blue economy by taking advantage of the CPEC ("One-Day National Conference," 2018).

Islamabad's seriousness in developing its maritime sector can also be seen in the fact that it has long struggled to win its case for the extension of the EEZ. The United Nations Convention on the Law of the Sea (UNCLOS) allows coastal countries to extend their EEZs from 200 nm to 350 nm. In 2009, Islamabad submitted a convincing case to take advantage of these provisions. The case was prepared in coordination with relevant departments and in negotiations with Oman, a country that had also laid claim over some parts of the territory. Six years later in 2015, the United Nations Commission on the Limits of the Continental Shelf (UNCLCS) approved Pakistan's case and granted it 50,000 sq km of extra territory, extending its seabed from 240,000 sq km to 290,000 sq km. Pakistan is now able to explore resources contained in the newly acquired territory (Syed, 2015).

China's search for ports and increased interests in the Indian Ocean have almost paralleled Pakistan's growing awareness of its maritime sector. In the context of the strategic ties between the two countries, these maritime pursuits have offered new opportunities for cooperation. The following section explains how Pakistani and Chinese maritime interests have converged in the Indian Ocean.

Converging Interests

Pakistan's Importance to China's Maritime Strategy

As mentioned before, China has gained access to some ports in the Indian Ocean. However, most of the hosting countries are weak states with little clout to withstand external pressure, especially from India, the regional giant. These states might be willing to advance China's interests in return for economic gains, but they cannot ignore Indian concerns at the same time. These states must walk a tight rope, maintaining a balance between two giant neighbors. For example, in 2014, Sri Lanka twice allowed a Chinese submarine to dock at Colombo Port (Aneez & Sirilal, 2014). Three years later in 2017, when Beijing made a similar request, Colombo politely declined. The request came before the launch of the first BRI Forum in which Sri Lanka was an invited guest. While interpreting Sri Lanka's refusal to the Chinese demands, an Indian naval analyst commented, "Acutely conscious of India's strategic sensitivities around Chinese naval presence in Sri Lanka, Colombo this time around moved quickly to avoid a repeat of the incident" (Singh, 2017). China's entry into the Maldives also faces similar challenges from India. Likewise, though Bangladesh and Myanmar have closer ties with China, they are unlikely to allow Chinese engagement to a point which would cause Indian concerns. Pakistan's case is different from these smaller littoral Indian Ocean states. Pakistan is relatively a bigger country, strategically located and militarily strong. Moreover, inviting Chinese vessels to its ports can complement Islamabad's own maritime strategy. Karachi was the first port in South Asia that welcomed Chinese nuclear-powered attack submarine in 2016. The next year, a submarine and a fleet of three warships made separate visits to Karachi Port (Defense Intelligence Agency, 2019, p. 51). It has now become a routine matter for Chinese vessels to visit Pakistani ports. The former Defense Minister has even publicly invited China to build a naval base (Haider, 2011).

The Pakistan Navy has vast experience in the Indian Ocean and is willing to share this with its Chinese counterpart. Despite the rapid modernization of its maritime sector, China has limited experience in navigation, especially in distant waters such as the Indian Ocean. The Pakistan Navy on the other hand has been operating in these waters since its inception and has gained valuable experience by interacting with regional and extra-regional counterparts. For example, Pakistan is a member of the Combined Maritime Force (CMF), a multinational force of 30 countries to ensure the safety of the SLOCs in the Indian Ocean and the Gulf. The CMF has three task forces: CTF-150, CTF-151 and CTF-152. The Pakistan Navy has commanded CTF-151 eight times and CTF-150 nine times (2017, March 11). Pakistan's marine officials have trained international crews and served in other countries, especially in the Middle East.

In addition to this, Pakistan Navy has abundant experience in naval exercises at bilateral and multilateral levels with other countries including China. In fact, the PLAN has availed itself of various important opportunities with the Pakistan Navy. This experience can be useful for China in many ways. For example, the PLAN has taken part in the first ever bilateral and multilateral naval exercises hosted by Pakistan. Both countries regularly hold bilateral exercises, conducted alternatively in Pakistani and Chinese waters and including the East China Sea. Since 2007, the Pakistan Navy has organized six exercises all attended by China. These activities have provided the PLAN with first-hand maritime experience as well as the opportunity to familiarize itself with the Indian Ocean and interact with its counterparts there.

Pakistan's Gwadar Port is significant for long-term Chinese interests in the region. China completed the port in 2006 and began 40 years of administrative control in 2015. This warm-water, deep-sea natural harbor in the North Arabian Sea is about 460 km west of Karachi and 70 km east of the Iranian border. It is close to the Persian Gulf and outside the Straits of Hurmuz from where key shipping lines pass. China has funded the 653-km Makran Coastal Highway which links Gwadar with Karachi. Under the CPEC, a network of roads is being established while a rail track, fiber optic and energy pipeline from Gwadar to the Chinese border are under consideration. The CPEC is the "flagship" of the BRI and China has allocated US$62 billion for its construction. It provides a short and alternative route to the Malacca Strait from where the bulk of China's trade and energy pass. Brewster (2017) termed the CPEC a "gateway" between Eurasia and the Indian Ocean giving China unique access to warm waters.

International media has also reported that China intends to build a naval base in Pakistan to support its missions in the Gulf of Aden in the Arabian Sea and to project its geopolitical interests. The US Department of Defense in its *Annual Report to Congress* stated that China planned to "establish additional military bases in countries with which it has a longstanding friendly relationship and similar strategic interests, such as Pakistan" (Office of the Secretary of Defense, 2018, p. 112). It was speculated that Gwadar Port might become a Chinese naval base. However, as Gwadar was developed on commercial lines, new reports have claimed that China might have its eye on Pakistan's Ormara Port for military purposes, which is 285 km east of Gwadar (Chan, 2018), or Jiwani Port, located between Chabahar Port in Iran and the Chinese-built Gwadar Port in Pakistan (Nouwens, 2018). Though Pakistani officials in the past had publicly invited China to build a naval base, both sides have rejected such reports this time. According to a Chinese scholar, China's building a naval base in Pakistan might be "unnecessary at this time" ("China Denies," 2018). This could provoke India, whose support or at least lack of opposition is essential for the implementation of the BRI in South Asia and the Indian Ocean. However, given their close strategic relationship, their mutual interests, and China's need for a base to promote its strategic and economic interests, the possibility cannot be ruled out in the long run.

Pakistan is an attractive market for Chinese weapons. From the early 1980s, the country has been importing weapons almost exclusively from China on its commercial lines. Though China often offers soft loans for arms deals with cash-starved Pakistan, Pakistan pays for whatever it purchases in the end. Out of 54 customers to whom China supplies weapons, Pakistan remains the top buyer (Li & Matthews, 2017, p. 176). This benefits China's defense industries, which have been striving for a greater share in the world arms market. In the new century, Pakistan has purchased almost all major conventional weapons for its navy and maritime forces from China. The purchase of eight Chinese submarines worth US$5 billion is the largest in the history of the two countries. Pakistan's procurement has contributed in raising China's place from the bottom to the third largest arms exporter in the world (Wezeman, Fleurant, Kuimova, Tian, & Wezeman, 2018). In the context of the rupture in US–Pakistan relations, Islamabad's dependence on Beijing will only increase further. In fact, arms sales not only benefit Chinese arms industries, but a militarily strong Pakistan also complements China's burgeoning interests in the Indian Ocean.

China's Importance in Pakistan's Maritime Strategy

In their mutually supportive cooperation, Pakistan has gained from China in a number of ways. To begin with, China has proved itself to be the most reliable and accessible arms supplier. Uninterrupted supplies of arms were crucial in the context of enduring Indo-Pakistan rivalry. Arms procurements from the US and other Western sources often proved uncertain, were subject to sanctions, and were at times cut off at critical moments. The Pakistan Navy was particularly affected by these sanctions. For example, Pakistan could not acquire German-made Type-214 SSKs submarines due to domestic opposition within Germany or France's *Scorpion* due to the 1994 *Agosta* submarine scandal and an agreement between France and India for the same equipment in a much larger quantity. Islamabad's efforts for British, Greek and Belgian equipment have also met the same fate. Pakistan has thus approached China for most of its arms needs. In the new century, almost all major weapons and systems for maritime use have come from China, a trend which is unlikely to change. Some key weapons which Pakistan has procured from China include F-22P light frigates with Z-9c helicopters, Fast Attack Crafts (FACs), Marine Patrol Vessels, Coastguard ships, different types of torpedoes and anti-ship missiles. China will also provide eight YUAN-class diesel attack submarines and four Type 054A frigates. The frigates are capable of air-defense, anti-ship and anti-submarine tasks and currently under the PLAN's own use. It is the first time that China will sell these advanced weapons to another country ("China Building," 2019). Pakistan will also gain access to China's Beidou-II (BDS-2) satellite navigation network and associated technology (Calvo, 2016). Thus, China is the most reliable and accessible arms supplier to Pakistan.

Pakistan has also gained China's indirect support in developing second-strike nuclear capability. Over the past two decades, India gained its second-strike capability by developing sea-based nuclear capable cruise missiles and nuclear submarines. In response, Pakistan advanced the Babur family of cruise missiles that can be launched from sea platforms. China's indirect role in the development of Pakistan's second-strike capability cannot be overlooked. Though limited and within the ambit of international norms, Chinese entities supplied material and equipment used in missile development. Recently, China has sold a tracking system to Pakistan that will help to speed up its missile development program (Chen, 2018). Similarly, almost all Pakistani platforms used for its second-strike capability are Chinese in origin. In February 2018, Pakistan conducted the RIBAT-2018 exercise to develop synergy between the Navy and Air Force. It included Chinese-made F-22 frigates and jointly built JF-17 fighter jets during the exercise. Pakistan has also introduced a Chinese Early Warning and Control System (AEW&C), which provides coverage for both air and sea. Clearly, Chinese assistance has contributed to the development of Pakistan's second-strike capability (Stockholm International Peace Research Institute, [SIPRI], n.d.).

China is an important and a permanent source of economic and technical assistance. As Pakistan began to advance its maritime sector, it faced resource constraints, technological hurdles and at times geopolitical pressures. It could not get help from any source other than China. For example, Islamabad had approached the US and its Middle Eastern allies to build Gwadar Port, but failed to get any assistance. It later approached China, which agreed to provide US$198 million to complete the first phase of the port. Chinese assistance was also seen in other areas. Even more significant is China's willingness to transfer technology. Almost all Chinese-origin maritime projects have contained some degree of technology transfer. As a standard practice, projects were jointly begun in China, where Pakistani engineers and technicians participated. After the initial production, the projects were then shifted to Pakistan. These arrangements afforded Pakistan the expertise to begin production locally. For example, one out of four frigates and four FACs were built entirely at the Karachi Shipyard & Engineering Works (KSEW). Similarly, four out of eight submarines will be built in Pakistan. Beijing has also assisted Islamabad in the modernization of the KSEW to increase its capacity and in the development of Gwadar shipyard (Malik, 2017). The upgrading of both shipyards will enhance Pakistan's domestic shipbuilding capacity.

In recent years, the two countries have begun to expand their cooperation in fishing and joint research projects. Yu-Fei International of China has been building a state-of-the-art Fish Processing Zone at Gwadar with the cost of US$74 million. The facility includes seafood freezing workshops, seafood deep processing workshops, an ice making factory, a sea water desalination factory, a packaging factory and a maritime scientific research center. The company has supplied seafood to Karamay, China, and plans to export to other countries in the future ("Chinese Enjoy Seafood," 2017). Some Chinese companies have invested in the fishing and seafood industry on the Sindh coast and in the development of Hawkesbay beach, Karachi to turn it into a modern tourist resort (Husain, 2017).

The CPEC has opened prospects for maritime cooperation between China and Pakistan. The two countries have thus far held three rounds of Maritime Dialogues which cover the entire range of maritime cooperation. In addition, scientists from the South China Sea Institute of Oceanology at the Chinese Academy of Sciences and the National Institute of Oceanography in Pakistan have jointly launched *Shi Yan* 3, a scientific research vessel to study the geological structure and natural resources of the Makran Trench. The study will enable scientists to assess dangers lurking in deep waters, while the data collected can be used for future coastal developers and planners. China has also provided a grant of about US$500 million to build a school, a college, a hospital and water-related infrastructure in Gwadar.

Pakistan is weak in many sectors in which it can expect China's help. The state-owned Pakistan National Shipping Corporation (PNSC) which is responsible for shipbuilding and merchant trade has suffered from dismal performance and financial losses for decades. Currently, the PNSC has only nine ships against India's 340 and China's 4,052 (Central Intelligence Agency, 2017). The existing fleet can hardly handle 10% of the country's trade while the remaining 90% is conducted by foreign merchant ships (Nawaz, 2004, p. 69). Given the enduring Indo-Pakistan rivalry, Pakistan's trade reliance on foreign cargo ships may be uneconomic and even strangulating. In 2018, Pakistan spent US$4.2 billion on freight charges to ships registered in other countries. During the US attack on Afghanistan, even though Pakistan was not directly involved in the war, foreign companies put a "war risk premium" of an additional US$25 for a 20-foot container and US$50 for a 40-foot container on all cargo traffic to and from Pakistan (Aslam, 2003), making the trade unprofitable. Relying on foreign cargo can even prove dangerous as providers might refuse to operate during a conflict. In the words of a Pakistani Naval officer, "the Indian Navy at sea can interfere with Pakistan's seaborne trade either by deterring neutral shipping from plying in a war prone zone or unacceptably increasing freight rates and insurance charges" (Nawaz, 2004, p. 69). This requires that Pakistan develops its own shipping industry.

Pakistan has also been unable to exploit its underwater resources, mainly because of a lack of resources and technological expertise. Pakistan's fishing industry in particular has remained backward due to an inadequate fishing fleet as well as the absence of surveys and modern boats equipped with navigational tools. Pakistani fishermen have no experience of Distant Water Fishing (DWF) as none of the boats can operate beyond 35 nm (Ahmed, 2016). This backwardness has badly affected a fishing industry which has barely added 1% to Pakistan's GDP—an amount far less than its actual potential. China on the other hand leads the world in DWF with more than 2,900 vessels. Likewise, the Pakistan Maritime Security Agency, which is responsible for the protection of EEZ, has a fleet that is incapable of preventing unauthorized ships from exploiting the country's maritime resources.

China has abundant resources and vast experience in fishing, shipbuilding and related maritime areas. Against the backdrop of closer bilateral ties, Pakistan's desire to develop its maritime sector and the launch of the CPEC and its strong maritime component, Sino-Pakistan cooperation in these areas is likely to expand (Ali, 2018).

Implications

Sino-Pakistan maritime cooperation has been expanding for the last two decades. India has the fifth largest Navy in the world in terms of the size of its fleet (Lucena Silva & de Amorim, 2016, p. 450). It has begun further modernization and expansion in the new century. With a marine force that has been weaker from the outset, Pakistan is unable to compete with India on its own. Islamabad has thus needed assistance from elsewhere. Under prevailing circumstances in which Islamabad's relations with the West (and especially the US) have become lukewarm at best, China has become the most viable option. China's help in terms of military hardware, technological support and economic assistance has strengthened Pakistan's maritime sector and its navy in particular.

India has regarded China–Pakistan maritime cooperation in areas such as the MSRI and the CPEC with deep concern. The Indian strategist community sees the Indian Ocean as "India's Ocean" and its prime sphere of influence. They have emphasized the creation of a "steel ring" by establishing "forward bases at or near the Indian Ocean choke points, including at Singapore, Sri Lanka, Mauritius and Socotra" to create a sea denial posture for China (Brewster, 2017, p. 275). India's countermeasures are underway. First, New Delhi has deployed a nuclear submarine, the INS Arihant, and completed the "nuclear tirade" by successfully conducting its second-strike capability. At the same time, the Indian aircraft carrier INS Vikramaditiya, equipped with Mig-29 K fighters and Kamov helicopters, has established Indian naval superiority in the region (Hundley, 2018).

Second, India has deepened its maritime cooperation with like-minded littorals and non-littorals, and especially with countries such as the US, Japan, Australia and Vietnam who are concerned about the rise of China. Indian Prime Minister Narendra Modi's Security and Growth for All in the Region (SAGAR) and the Mausam projects were launched for "re-establishing cultural and historical ties with over three dozen littorals of the Indian Ocean." Modi visited the Maldives, Mauritius and the Seychelles and increased Indian assistance for these island nations. Additionally, India has increased its connectivity with Afghanistan in Central Asia and has invested in Iran's Chabahar Port (Panneerselvam, 2017, pp. 8–9). The emerging US–India partnership is tacitly centered on a theory of a China threat. Since the signing of an Indo-US nuclear deal in 2007, the relations between the two "democracies" have been growing fast. The US has pushed India to take a leading role in regional security affairs (Mukherjee, 2014). Both sides have also activated the Quadrilateral Security Dialogue, also known as the Quad — an informal consultative mechanism between Japan, the US, India and Australia. In a joint statement, these states stressed upon the "respect for international law," and "the rules-based order in the Indo-Pacific," a clear reference to China's power play in the South China Sea and the Indian Ocean. In the words of an analyst, "The hint of regular meetings suggests that the four countries will continue to explore ways to operationalize a common cooperative agenda in the Indo-Pacific" (Panda, 2018). India and the US have also expanded the scope of Malabar naval exercises by bringing Japan permanently into them. A New Delhi–Tokyo bonhomie is also on the rise.

The increased presence of littoral and non-littoral states has crowded the Indian Ocean, triggered an arms race and most dangerously, nuclearized it. As mentioned before, in response to India's second-strike capability, Pakistan developed the "Babur Weapon System-1 (B)" capable of delivering conventional and nuclear payloads to land and sea targets at the range of 700 km. Both South Asian rivals are further advancing their second-strike capabilities, which has increased the "risk of a devastating war" (Hundley, 2018). This has led to spiral escalation and an arms race in which Pakistan has attempted to compete with India, India with China and China with the US.

Finally, the triangular rivalry between China, India and Pakistan that was once limited to their hinterlands is now expanding into maritime domains. Recent developments indicate that New Delhi might expand the theater of conflict with China to the Indian Ocean. India is cognizant of the vulnerability of Chinese SLOCs that traverse through the vast Indian Ocean where the Indian Navy has consolidated its grip. According to *India Today*, during Sino-Indian standoff at Doklam in July–August 2017, the Indian leadership tasked its navy to "spread" and "strengthen" its grip over the Indian Ocean Region. India also pushed Bangladesh, then chair of the Indian Ocean Naval Symposium, to speed up preparations for the next round of joint naval exercises. As senior officials of the Indian Ministry of Defense stated, "we have decided to revitalize the platform [which was dormant for a few years]," adding that "a large exercise with the participation of several littoral countries sends a tacit but a clear message" (Sen, 2017). Though the exercise was held after the standoff had already been diffused, it showed Indian intentions to expand the conflict to the maritime domain where it has "considerable advantages." As Brewster (2017, p. 279) noted "the Indian Ocean represents 'exterior lines' for China and 'interior lines' for India." During the crisis with New Delhi, China too upped the ante and held a rare live-fire drill in the Western Indian Ocean during the Doklam standoff ("China's Navy," 2017). Within months of Doklam, New Delhi and Beijing confronted one another in the Indian Ocean over their sphere of influence in the Maldives. The Indian media urged its government to adopt an anti-access strategy to counter China's power trajectory in the Indian Ocean (Chari, 2018). These developments indicate that continental disputes between China and India and between India and Pakistan could potentially expand to maritime domains.

Conclusion

China's strategic move to expand its sphere of influence in the Indian Ocean at the turn of the century coincided with Pakistan's initiative to develop its neglected maritime sector. Though both developments were driven separately by their respective national interests, they converged over Sino-Pakistan maritime interests in a number of ways. Although China also has cooperation with other littoral states, Pakistan remains distinct from them due to its geostrategic location, its stronger navy, its vast experience in the Indian Ocean, and its determination to project China's interests. Islamabad has facilitated Beijing's objectives by offering ports, welcoming its vessels and facilitating the PLAN in maritime exercises. These measures have enabled China to familiarize itself with the region and gain a foothold in it. In return, China has provided to Pakistan a large quantity of weapons and their systems, helped in the building of ports and shipyards and most importantly, transferred technology. China's backing has enhanced Pakistan's maritime capabilities and strengthened the Pakistan Navy, which cannot compete with the Indian Navy on its own. Sino-Pakistan maritime cooperation will add to an overall strategic relationship between the two countries. Unsurprisingly, India has viewed these developments with deep concern. To counter the emerging Sino-Pakistan maritime cooperation, New Delhi has modernized its naval forces and joined hands with like-minded states. India's induction of nuclear submarines and its second-strike nuclear capability has prompted Pakistan to respond in kind, nuclearizing and endangering the Indian Ocean. In future confrontations with China or Pakistan, India might expand the theater of the conflict seawards. Arguably, all three states have legitimate interests in these waters, but given their deep-rooted mistrust, even a defensive measure by one is viewed negatively and responded to by rivals. In the absence of trust and maritime institutional mechanisms to regularize the competing interests of different players, the Indian Ocean might become a source of tension in the future. Both coordination and a rule-based order are essential for the prevention of conflict in the region.

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The BRI, Nepal's Expectations, and Limitations on Nepal–China Border Relations

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Many Nepalese perceive China's Belt and Road Initiative (BRI) as a useful means for the India-locked country to connect to other countries. However, this paper analyzes the weakening connectivity within the border areas of Nepal and Tibet since falling under Chinese control, concluding that China is unready to increase cross-border movement and trade facilities with Nepal due to perceived security concerns.

KEYWORDS: **Belt and Road Initiative; connectivity; railways; Nepal–China relations.**

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Formerly known as "One Belt, One Road," the Belt and Road Initiative (BRI) was first unveiled at Nazarbayev University, Astana in 2013 (Kohli, 2018). Chinese President Xi Jinping first announced the idea of a Silk Road Economic Belt in Kazakhstan in September 2013. One month later in Indonesia, he proclaimed the notion of a 21st-Century Maritime Silk Road. Against this backdrop, China organized the Peripheral Diplomacy Work Conference in Beijing on October 24–25, 2013. Xi stressed that doing well in peripheral diplomatic work was necessary for China to achieve its "Two Centuries" objective and to realize the great rejuvenation of the Chinese nation. He further stated that peripheral countries have important strategic meanings for China's development, whether in their geological positions or the natural environment (China Council for International Cooperation on Environment and Development [CCICED], 2013). The Chinese government then announced the creation of a new Silk Road fund (US$40 billion) at a meeting of the Asia–Pacific Economic

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Cooperation (APEC) held in Beijing in November 2014 (Aoyama, 2016). Xi first announced in 2013 (Pyakurel, 2017), the BRI is China's new and long-term "strategy for a New Global Financial Order" to build connectivity between Asia, Africa, and Europe, a strategy which according to Mahapatra (2017) is a novel, ambitious and grand project.

This paper explores contradictions in countries like Nepal between perceptions of the BRI and its true nature. It analyzes the limitations faced by China as it strengthens its relations with Nepal, particularly with regard to connectivity over land. While doing so, this paper accesses different bilateral treaties and agreements related to border management and regulations signed after the establishment of diplomatic relations between the two countries. It also reviews the changing dimensions of Nepal–China relations since 1956. Since Nepal has seen the BRI mainly as a project to strengthen connectivity, the second part of this paper discusses people-to-people relations between the citizens of Nepal and China after the annexation of Tibet and the establishment of Nepal–China diplomatic relations in 1955. The focus of this paper is to build an understanding of the reasons behind China's continued tightening of cross-border activities and determine whether there is any sign that it may be willing to revisit its BRI policies in Nepal and meet the expectations of the Nepali people.

The BRI and Nepal's Expectations

In the BRI, the "Belt" refers to surface connectivity and the "Road" to maritime routes. The BRI has been widely seen as China's landmark globalization, development, and soft power strategy. It is also strongly associated with President Xi's leadership (Kohli, 2018). The initiative has also defined as a potentially transformational for geopolitical development. It has encompassed 65 countries, accounting for roughly 32% of global gross domestic product (GDP), 39% of the global merchandise trade, and 63% of the world's population (Huang, 2017). By now, the BRI has become a highly visible geopolitical project for which the Chinese government is expected to invest a total of US$4 trillion over the course of the initiative ("Our Bulldozers," 2016). In addition to providing direct financing for BRI projects, Chinese authorities are also actively encouraging the parallel financing of the BRI and related activities by other parties. For example, China expects that the European Union (EU) also invest in BRI-compatible facilities within Western Europe: the EU has reportedly expressed its (qualified) support for the BRI, and Italy pledged its participation during Xi's visit to the country in March 2019. The president of the World Bank subsequently expressed support for BRI-associated projects at the World Bank and International Monetary Fund (IMF) Annual Meetings in October 2017. In parallel, some international private banks, such as Deutsche Bank and HSBC, have also announced plans to support BRI projects (Kohli, 2018). Still, these endorsements for the BRI have not come without a certain degree of criticism.

China's BRI strategy is to promote the economic prosperity of the countries involved through regional economic cooperation, strengthening exchanges, promoting understanding between different civilizations, and furthering world peace and development. The strategy is also part of the Chinese government's push to export its technology and production capacity in industries such as building materials (steel and cement), electronics, infrastructure (highways and high-speed trains), and logistics (ports and airports).[1] To this end, China has tried to convince the rest of the world that the BRI will "promote cooperation, deepen mutual trust and cooperation and realize common development and prosperity, respecting each other's core interests and major concerns" (Simkhada, 2018, p. 345). The five key elements of the BRI as stated by China are promoting people-to-people bonds and cooperation, enhancing monetary policy coordination and bilateral financial cooperation, planning and supporting large-scale infrastructural development projects, building facilities to enable connectivity along the belt and road, and facilitating cross-border investment and supply chain cooperation (Subedi, n.d.).[2]

Nepal's understanding of the BRI does not differ from these narratives. The Nepalese have said that for the BRI, there are potential benefits and high hopes on both sides. They have also urged the Nepalese government not to stand in its way. Supporters of the BRI have expressed that it "will receive the financial and infrastructure support to transform economically within a short time." Quoting Melsam Ojha, Subedi (n.d.) has stated that Nepal's entry into the BRI will enhance its road and railway connectivity, gain entry into the giant Chinese market for its domestic products, and create an expanded market with access to Europe through China. Nepal's affiliation to the BRI has also been synthesized in the word "PIE," which represents for "production, investment, imports, exports, and expertise." It has also been said that Nepal needs to reap the benefits from the enormous potential offered by its participation and witness the development of Chinese railways, welcome Chinese investment into its politically stable country, and benefit from the transfer of technology (Subedi, 2018). Tiwari (n.d.) writes:

> Nepal's trade deficit with China is huge although total trade volume is just over a billion US dollar. If this trend continues for long, it is likely that Nepal will eventually fail to do any trade. To deal with trade deficit and increase economic development, Nepal needs investment

[1] For details, see <https://www.cb.cityu.edu.hk/obor/about/intro> (accessed on September 18, 2018).

[2] For details, see <http://english.lokaantar.com/articles/ways-obor-become-boon-nepal/> (accessed on September 18, 2018).

> on highly potential sectors such as hydropower generation, mines and minerals including uranium and petroleum excavation, tourism and agriculture and in other areas in which Nepal has relative advantages. And for sure, the BRI, the economic and infrastructure development campaign initiated by Chinese President Xi since 2013 can be a great help in this regard and Nepal cannot afford to miss the opportunities being offered.

Despite active lobbying for the BRI from a section of Nepalese society, China did not regard the country as a major participant in the BRI (Sapkota, 2017). Nepal was not mentioned in the initial seven major land and maritime corridors[3] in the BRI's thematic area of connectivity. It may have been that China held some concerns with Nepal during the framing of the BRI, that it had overlooked the country due to its small population size, or there were other unknown reasons. The question has not yet been discussed by Nepalese who promoted the country's joining the BRI. Two popular daily newspapers, *Kantipur* and *The Kathmandu Post*, printed cover stories about the Lhasa–Shigatse railway on August 17, 2014, saying that this was the initial stage of China's plan to extend railways from the Nepali border to Keyrong. The stories carried the impression that it was China's intent to extend the Qinghai–Tibet Railway to Shigatse. At the same time, the papers neglected to mention what China was doing to its own population in Tibet, and that Shigatse was some 575 km away from Rasuwagadhi on the Tibetan–Nepali border. However, the initial position of the Nepalese government was to "wait and see," and it thus offered no constructive engagement from before 2015.

Almost two years after the first narratives were broadcasted in Nepal, another similar story was published on May 13, 2016, stating that China has opened its first combined transport service (rail and road) to Nepal with an international freight train departing from Lanzhou, the capital city of northwestern China's Gansu province, for Kathmandu. *The People's Daily* in China reported that Kathmandu would be the final destination of the international freight train, but that rail transport would change over to road transport in Shigatse (Xigaze), Tibet. However, neither the Nepali Embassy in China nor the Ministry of Commerce in Kathmandu was aware of an international freight train leaving for Kathmandu.

The Indian blockade in 2015 allowed Nepali political leaders to take a stand on the BRI. As the blockade reminded landlocked Nepal of its need for an alternative trade and transit route, the country began searching for other options that included its

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[3]These were: the New Eurasian Land Bridge from Western China to Europe, the China–Mongolia–Russia Corridor from Northern China to Eastern Russia, the Chin-Central Asia–Western Asia Corridor from Western China to Turkey, the China–Indochina Peninsula Corridor from Southern China to Singapore, the China–Myanmar–Bangladesh–India Corridor from Southern China to India, the China–Pakistan Corridor from Southwest China to Pakistan, and the Maritime Silk Road (MSR) from the Chinese coast and Southern China down to Singapore and across to the Mediterranean through Indian Ocean, Arabian Sea, and Red Sea (Kohli, 2018).

northern neighbor, China. Coincidentally, China had been busy promoting BRI connectivity projects at the same time Nepal was exploring alternative transit routes. There have been long-standing suspicions that the Nepali government has been playing the China card in its bargaining with India. While these accusations may have some historical grounds, Nepal's engagement with the BRI rather appears to be the result of its predicament since the blockade of 2015. In fact, the situation after the blockade has become a test case for both Nepal and China. China had formerly encouraged Nepali leaders to maintain good relations with India due to their close proximity, open borders and close cultural, religious and social ties. Such proposals indicate that there was a deficit of trust between Chinese and Nepali leaders. Nepali leaders had the custom of reaching out to China when they encountered difficulties in their relations with India. When such problems were resolved and the "China card" was no longer needed, Nepal was quick to forget these overtures.

Despite not including Nepal in the framing of the BRI, China did lay some groundwork by receiving favorable coverage of its railway projects in the Nepali media. The Indian blockade also occurred at a time when China had recently shifted to a more assertive foreign policy.[4] Since Xi's rise to power, China has signaled a more ambitious international approach with a number of new foreign policy initiatives alongside the BRI, and its treatment of Nepal has changed as well. While continuing to speak of the principle of non-interference, China has made use of its abundant power and resources to influence Nepali society and media. Some may argue that BRI projects in Nepal are merely a means for China to strengthen its foothold in the region. Yet if this were the case, it is puzzling that China did not include Nepal in its original BRI plans.

Two factors have helped to create popular support for the BRI in Nepal. First, Nepal has a strong impression of China as a benevolent neighbor. This has by and large been promoted by its left-wing parties (Simkhada, 2018, p. 300) who have won the majority in the country. In his writings in 1971, Leo E. Rose stated that Nepal has considered India as the more dangerous of its neighbors. China on the other hand has appeared too physically and culturally distant to threaten the country's independence, but close enough to serve as a potential source of support. Such views have existed for years and seem destined to continue, as many Nepalese view India as an aggressor and China as a non-interfering, benevolent power (Aryal, 2018). A recent survey by Hachhethu, Kumar, and Subedi (2008) indicates that with respect to the role of the international community in Nepal's affairs, members of parliament tend to recognize China's importance more than other citizens. As elsewhere, public perception helps to

[4]For details, see <https://carnegietsinghua.org/2018/12/09/china-s-shift-to-more-assertive-foreign-policy-pub-77912> (accessed on February 2, 2019).

shape policy, and "foreign policy is made not in reaction to the world but rather in reaction to an image of the world in the minds of the people making decisions" (Ramo, 2009).

China has enjoyed an abundance of soft power for years and has made every effort to maintain its image among the citizens of Nepal. Beginning in 2006, China endeavored to increase its understanding of Nepali affairs while engaging Nepali bureaucrats and political elites, inviting them to China as guests, and exposing them to Chinese models of development (Pyakurel, 2011). Through the Nepali media, China has been able to maintain the impression that it is offering the BRI for the sole benefit of the Nepali people. In the wake of the blockade, it has also made Nepali citizens aware of the connectivity it has to offer in terms of railways, roadways, and the BRI (Subedi, n.d.).

Nepali leaders have been compelled to declare their views on BRI issues due to Indian dominance, China's assertive foreign policy, and the efforts discussed above. The government of Nepal signed a Memorandum of Understanding (MoU) with China regarding cooperation under the framework of the BRI in 2017. Later, Prime Minister KP Sharma Oli and other politicians began employing the BRI as a political slogan. The image of a landlocked Nepal that is keen to enhance cross-border rail-road connectivity, infrastructure development, trade and tourism cooperation with China under its ambitious BRI has become a major theme in Nepali politics today.[5]

Such exchanges between the two countries are growing day by day. In the third week of September 2018, more than eight different Nepali delegations were found to have visited China. Each of these was led by high level politicians such as the Speaker of the House of Representatives, Former Prime Minister Pushpa Kamal Dahal, Minister Lal Babu Pandit, Chief Minister of Karnali Mahendra Bahadur Shahi, Vice-President Nanda Kishor Pun, and Member of the House of Representatives Minendra Rijal (Khadka, 2018). Apart from these high-level visits, middle-ranking leaders, journalists, scholars, opinion makers and local elected leaders have been offered such exposure on a grand scale.

These visits have enabled China to present the railway issue in a way that attracts and engages with the Nepali mindset. Initially, many residents of the hill areas of Nepal had no experience with railways. China first took up the issue by beginning bilateral dialogues with Nepali bureaucrats and the media, both China and Nepal. Certain "inciting" media reports as previously mentioned managed to compel government officials to take a

[5]For details, see Inaugural Address by Rt. Hon. Prime Minister Mr. K. P. Sharma Oli at the International Conference on the Belt and Road Initiative: Opportunities and Implications for Nepal and the Region organized by Master's Program in International Relations and Diplomacy (MIRD), Faculty of Humanities and Social Sciences, Tribhuvan University in Kathmandu on September 12, 2018. Also, <https://www.financialexpress.com/world-news/nepal-willing-to-enhance-cross-border-connectivity-trade-with-china-under-belt-and-road-initiative-says-kp-sharma-oli/1211987/> (accessed on February 2, 2019).

positive stance on the BRI. The reports asserted that the extension of railways from Qinghai to Shigatse was done at the request of Nepal (Shrestha & Khanal, 2014). They also made reference to several meetings between Chinese and Nepalese officials (such as the one on April 25, 2008, for instance) to discuss initial ideas to extend the Qingzang railway to Zhangmu (Nepal's Khasa) on the Nepalese border.[6]

With the Nepali media publishing such instigating reports, certain scholars, authors, and op-ed writers also joined the throng by popularizing the BRI in their writings. Nandalal Tiwari published an op-ed in the government daily newspaper *The Rising Nepal*, stating:

> The BRI is expected to add a new page in the history of cooperation between Nepal and China and it is a new dimension in the relations of the two neighbours as trans-Himalayan railways and highways connecting Nepal and China will not only make it easy to transport goods but also provide an amazing travel experience to the people and thus promote tourism, trade and investment. (Tiwari, n.d.)

As stated earlier, Nepal did not scramble to join the BRI in the beginning. In fact, it first attempted to better understand the initiative by listening to different voices. There were two arguments within China's economic rationale that tempered its interest in the BRI project. First, China's double-digit growth rate is now a thing of the past. In the meantime, its infrastructure is over capacity and the domestic market appears to have become saturated. China also has vast savings that include low-interest driven American treasury bonds that need to be invested into more fruitful areas during the economic slowdown. A large number of Chinese companies are looking for new areas to move into, so they can avoid having to lay off their laborers (Mahapatra, 2017). With these issues in mind, the Nepali prime minister chose not to attend the BRI summit held on May 14 and 15 in 2017, though Nepal had agreed to participate in the BRI project and signed the agreement. Rather, the government sent a delegation under the leadership of the Deputy Prime Minister and the Minister of Foreign Affairs. It is said that the Chinese had taken note of this decision (Upadhyay, n.d.). The summit was attended by over 25 heads of state, including Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan, and senior delegates from other countries. Later, statements in support of the BRI were offered in the Nepali government media and other channels. *The Rising Nepal* published a byline of Narayan Upadhyay under the title of "BRI Implementation Nepal Should Overcome Obstacles" referring to the statement of a Chinese expert who said that "Nepal is not very forthcoming in

[6]For details, see <https://en.wikipedia.org/wiki/Qinghai%E2%80%93Tibet_railway> (accessed on September 18, 2018).

implementing the BRI, as per which Nepal will be receiving soft loans and loans from the Chinese government and firms to build infrastructure, roads, railways and power projects in Nepal." Other examples include statements that "the BRI is expected to add a new page in the history of cooperation between Nepal and China and it is a new dimension in the relations of the two neighbors" (Tiwari, n.d.), and that

> Nepal should also join the initiative without any delay as China is working to bring the Qinghai–Xigatse railway to Keruing by 2020 and Nepal's dream for Kathmandu–Pokhara–Lumbini and Keruing–Kathmandu railway connectivity Nepal's dream for railway connectivity is likely to transform into a reality with support from the same BRI. (Subedi, n.d.)

Also included were statements that "BRI is so visionary, massive and significant that sooner or later South Asia will see the benefit and come on board" (Simkhada, 2018), and "Nepal to participate on the initiatives so that it will be meaningful for Nepal to transfer her in a developed one through wider integration in all the components of the BRI" (Subedi, n.d.). Additionally, the deployment of high-profile ambassadors to Nepal can be considered as evidence of China's growing interest in the country.[7]

Along with pro-BRI statements, certain narratives emerged in the Nepali media that criticized the Nepali leadership for delaying acceptance of the BRI. These included the following:

> [P]olitical instability which has resulted in the frequent changes in government in the country and the influence of India on Nepal seem to be the major reasons that have obstructed the Nepali authority to go for implementing the agreement wholeheartedly. (Upadhyay, n.d.)
>
> Nepal appeared to have inclined less towards implementing the BRI agreement, also known as One Belt, One Road (OBOR) programme of the Chinese government. It is suspected that Nepal was not forthcoming in implementing the accord because of the Indian pressures on the Nepali authorities and politicians. India is not a signatory of the BRI agreement. Being a closer neighbour to India, the pressure from the southern neighbour is palpable and India wants Nepal should not get drawn towards China, which would allow China to have more presence in Nepal. (quotation from CIIS senior research fellow Jiang Yuechun, as cited in Upadhyay, n.d.)

In the campaign in support of the BRI, much attention was given to the Chinese versions of events. Sometimes, India was also implicated:

> India itself might not remain aloof from BRI for long because Japan, an ally of India, had somewhat showed its inclination to be the part of maritime route under the BRI. If Japan,

[7]China's interest in Nepal was seen to have been growing with the appointment of Yang Houlan as the Chinese Ambassador in 2011. Quoting a Nepali expert on China, the media stated "Houlan's arrival is no indication that China will take a hyper-active posture in Nepali politics à là Indian establishment yet it will not remain inactive as in the past." Also quoted was Rajeshwor Acharya, a former Nepalese ambassador to China, saying the "arrival of high-profile and knowledgeable ambassador as Houlan is the clear indication of the growing geo-political importance of Nepal" (Pyakurel, 2011).

> which had taken part in BRI Summit in May, could express its inclination, then its ally India might also join the initiative in one way or other. (Upadhyay, n.d.)

Second, by again blockading its small, landlocked neighbor just as it was finally adopting a new constitution in 2015, India contributed to pro-China sentiments in Nepal. The blunder came at the time when the Xi Jinping administration had announced a grand global strategy for achieving the "Chinese Dream," that is, "the dream of a great rejuvenation of the Chinese nation"[8] through the BRI (Aoyama, 2016). Not only had India sent its foreign secretary "to linger the promulgation of the constitution" at the last moment, it had also showed reluctance to join the Nepalese in the celebration of their much-awaited constitution. India refused to send even a formal congratulatory message to Nepal while the constitution was being adopted. Rather, it imposed an economic blockade on Nepal, issuing repeated statements from its Ministry of External Affairs. According to a message published in a mainstream Indian newspaper about India's concerns at that time,[9] it was very clear that India was unhappy with some of the constitutional provisions related to Nepali Madhesh and the

[8]The three principles of Xi's foreign policy aim toward the "great rejuvenation of the Chinese nation" are attaining stability in Sino-American relations, creating a sphere of influence and increasing its own influence in the international community, and not compromising on its "core interests."

[9]Shubhajit Roy of *Indian Express* published a story saying that these "amendments" were conveyed to the Nepali leadership by the Indian government through official channels — Ranjit Rae, India's ambassador to Nepal, was in New Delhi for consultations — after the South Block reviewed the new Constitution. According to reports, the proposed amendments were (i) Article 63(3) of the Interim Constitution provided electoral constituencies based on population, geography and special characteristics, "and in the case of Madhesh on the basis of percentage of population." Under this provision, Madhesh, with more than 50% of the population, obtained 50% of the seats in Parliament. The latter phrase has been omitted in Article 84 of the new Constitution. "It needs to be re-inserted so that Madhesh continues to have electoral constituencies in proportion to its population." (ii) In Article 21 of the Interim Constitution, it was mentioned that various groups would have "the right to participate in state structures on the basis of principles of proportional inclusion." In the new Constitution (Article 42), the word "proportional" has been dropped. (iii) Article 283 of the Constitution states that only citizens by descent will be entitled to hold the posts of President, Vice-President, Prime Minister, Chief Justice, Speaker of Parliament, Chairperson of the National Assembly, Head of Province, Chief Minister, Speaker of the Provincial Assembly, and Chief of Security Bodies. This clause is seen as discriminatory for the large number of Madheshi people who have acquired citizenship by birth or naturalization. Delhi says this should be amended to include citizenship by birth or naturalization. (iv) Article 86 of the new Constitution states that National Assembly will be comprised of eight members from each of the seven states and three nominated members. Madheshi parties want representation in the National Assembly to be based on the population of the provinces. (v) Five disputed districts of Kanchanpur, Kailali, Sunsari, Jhapa, and Morang: Based on the majority of the population, these districts or parts of them may be included in the neighboring Madhesh provinces. (vi) Article 154 of the Interim Constitution provided for the delineation of electoral constituencies every 10 years. This has been increased to 20 years in Article 281 of the new Constitution. Echoing the Madhesi parties, India wants this restored to 10 years. (vii) Article 11(6) states that a foreign woman married to a Nepali citizen may acquire naturalized Nepali citizenship as provided by federal law. Madhesi parties want the acquisition of naturalized citizenship to be automatic on application. This has also found favor with Delhi (for details, see <http://indianexpress.com/article/world/neighbours/make-seven-changes-to-your-constitution-address-madhesi-concerns-india-to-nepal/> [accessed on February 11, 2018]).

Madheshi population. The message was published after being leaked by the Indian establishment.[10] Whatever the reason, the Nepalese people faced a blockade at a time when they were trying hard to recover from the devastating earthquake of April 2015. Though Madheshi forces at the time had claimed responsibility for the blockade as their own strategy to corner Kathmandu and that India had taken no part in it, it was witnessed that India was responsible for unnecessary delays and shutdowns that encouraged the protests. The country had employed its border forces and customs to block the flow of goods, starving landlocked Nepal of supplies, and especially fuel. It was clear that India was behind the blockade as trucks carrying different types of goods were not allowed to enter through border points such as Kakarvitta, Sunauli, Nepalganj, and Mahendranagarm, where there were no agitating groups present. Consequently, several scholars have termed the incident an "India-inspired blockade" (Baral, 2018). Previously, a statement was released by the Ministry of External Affairs on September 21, stating "Our freight companies and transporters have also voiced complaints about the difficulties they are facing in movement within Nepal."

What India managed to achieve by its "unofficial blockade" of Nepal in 2015 remains unknown. It is clear that the decision damaged ties between the two countries by giving rise to widespread anti-India sentiments. India's unreliable and incoherent diplomacy also helped China to "use the rising anti-India sentiment to expand its influence in Nepal." China offered its aid not only to the Nepali leadership, but also to the common people to help weather the storm. China agreed to the expeditious delivery of 1,000 metric tons of petroleum products to Nepal in the form of grant assistance. In addition to the small amount of petroleum products it offered, China expressed a commitment to pave the way for the commercial importation of petroleum products to Nepal. An MoU was also signed by China and Nepal in order to supply petroleum products from China. Nepal and China sealed 10 separate agreements and MoU in the presence of Prime Minister KP Sharma Oli and Chinese Premier Li Keqiang in Beijing on March 21, 2016 during Oli's official visit to China. Along with this MoU, Nepal was promised access to China's seaport facilities through a transit transport agreement (TTA) which would be reviewed every 10 years. China also agreed to build a regional international airport in Pokhara and other cities. The Sino-Nepal transit trade agreement signed during Oli's visit been widely welcomed in Nepal

[10]After being questioned about the authenticity of the report, the reporter replied, "The Indian Express has confirmed from its sources that these amendments/changes were communicated by New Delhi to Kathmandu. It stands by the report." For details, see <http://indianexpress.com/article/world/neighbours/make-seven-changes-to-your-constitution-address-madhesi-concerns-india-to-nepal/> (accessed on February 11, 2018).

with a hope that the move would end India's monopoly over Nepal's transit trade. As an editorial observed in *The Kathmandu Post*, the popular English language daily:

> Up until now, people here felt they had no alternative to putting up with the temper tantrums of the Indian establishment: either the vital necessities had to be imported via India, or not at all. So the new trade and transit treaties with China come as a big boost to the Nepali psyche. ("Nepal Signs," 2016)

The Republica, another major daily newspaper, described the transit agreement as "a major geo-political shift" (Chalise, 2016). India's actions to harshly repress the democratic nation of Nepal were seen as the main cause of these developments. With such popular anger against India in Nepal, it was natural for the country to seek another probable alternative. Nepalese then began to expect help from its other immediate neighbor, China. Public perception of China greatly improved with Chinese promises to supply petroleum, its criticism of the blockade in the United Nations, and its proposals for railways and other transit facilities. Before long, the Nepalese were not interested in any critical assessments of China. Consequently, after having made verbal commitments in its support, Nepal finally signed on to the BRI in Kathmandu on May 12, 2017 with the goal to "promote mutually beneficial cooperation between Nepal and China in various fields such as the economy, environment, technology, and culture."[11]

Though there have been recent developments in Nepal–China ties, one should not forget the complexities in relations between the two neighbors. Many are unsure if Nepal's leaning toward China has ever been this pronounced, or if Nepal can afford to lose its ties with India. If Nepal were to replace India with China, what limitations would be presented given its geography and other geo-political sensitivities? How does the fact that the Chinese Mainland is so distant from Nepal come into play? To answer these concerns, the following section discusses what connectivity means for Nepal and China and how it is difficult for both countries to implement their said understandings.

Nepal–China Relations and Issue of Mobility, Connectivity and Cross-Border Relations

It has been said that China's BRI has been the key to developing closer ties with Nepal. For BRI advocates, the BRI is in fact the brainchild of Premier Zhou Enlai.

[11] For details, see <https://thehimalayantimes.com/kathmandu/nepal-signs-mou-related-obor-china/> (accessed on September 18, 2018).

Advocates refer to the first visit of Premier Zhou to Nepal that took place in January 1957, asserting that he had decried the need for direct contact to further consolidate diplomatic ties at the time (Tiwari, n.d.). Still, before drawing such conclusions, it is necessary to understand exactly what sort of interpersonal contact was happening between Nepal and China at the time. At the same time, one should not forget the limitations that China placed on Nepal with regard to connectivity and border issues, which happen to be milestones of people-to-people contact. The following section discusses several border-related treaties and agreements between China and Nepal after 1955, analyzing the reasons for China's continued tightening of cross-border activities that had been in practice for centuries with the understanding of Nepal and Tibet.

It should be noted that a section of Nepalese writers including Simkhada (2018, p. 343) have tried to convey that China has generally been a strong supporter of Nepal's development and a close observer of the far-reaching changes taking place in Nepal since the establishment of diplomatic relations in 1955. They have stated that "Nepalese see China as a friendly neighbor and benign neighborhood power." At the same time, it has become evident that that China may not be able to help Nepal with these needs. China's current mission appears to be to maintain the goodwill it has achieved in Nepal. Several facts that follow will unfortunately show a deteriorating situation for Nepal–China connectivity and people-to-people relations. A recent attempt to limit connectivity has been guided by a spirit of disturbing and weakening ties between people in bordering areas that formerly enjoyed a solid foundation of relations and networks. The following evidence discussed indicates that new limitations on connectivity and people-to-people relations within these bordering communities have not been due to Nepal's actions, but rather China's hyper-sensitized "security concerns."

China's reluctance to reopen the Kodari highway has brought home the principle that connectivity and people-to-people relations are difficult issues to understand in discussions of Nepal–China relations. The Kodari highway has been the lifeline of more than a dozen districts of the mid-hill region, not only allowing access to cheap garment products, but also enabling the importation of construction materials essential in the rebuilding prior to the devastating earthquake of April 2015. Sadly, China has closed the highway, vacated the bordering Khasa market, and shifted the locals further from the border. While doing so, China stated that the area was badly affected by earthquake and resettlement was for the time being. At the same time, the country has repeatedly promised that "border points will soon be in operation." Nepalese refused to give up hope for the resumption of the Tatopani border point for some time, as they had been relying on a formal statement from China. Politicians also continually shared their hopes. The then Prime Minister Pushpa Kamal Dahal, for example, had once promised the resumption of trade through the Tatopani border which would be one of the key agendas of his China visit.[12] He took up the issue while meeting the Chinese President on the sidelines of the Boao Forum for Asia, held in Hainan province on March 23–27, 2017. He received a similar promise regarding the reopening of the border point. As this positive response came from the head of the Chinese Communist Party, it created even greater optimism. Yet, as little progress has been seen, people have begun to lose hope. China proposed to set up offices for joint security forces to patrol the Nepal–China border and check the movement of Tibetan refugees and criminal activities. It is said that this proposal with "sensitive issues" was sent through local Maoist leader and former Minister Agni Sapkota, who had eventually informed Oli, Dahal, and the Sindhupalchok Chief District Officer (CDO) about the matter. Later, CDO Ashman Tamang also forwarded a Chinese proposal to Home Secretary Mohan Krishna Sapkota and Lilamani Poudyal, Nepal's Ambassador to China. It is said that the Chinese authorities who led the meeting in Khasa have been sending repeated reminders to the CDO about the proposal, but Nepal is now stating that "there are some sensitive issues involved in this proposal, so we want the Chinese side to modify it."[13] The Chinese side replied saying that they will reopen the Tatopani border only after Nepal accepts the proposal. All discussions have stated that talks on these border issues will not resume as before, and may be opened eventually to allow only cargo movement as hinted by Minister of Foreign Affairs Pradeep Kumar Gyawali on June 4, 2018.[14] Eventually after several commitments, China reopened the border point on May 29, 2019. However, due to the stern regulatory measures placed by the Chinese side, only five trucks have entered Nepal within June 28, 2019. "Four trucks crossed into Nepal on the day the trade point opened, and since then, just one more truck carrying wool has arrived," *The Kathmandu Post*[15] reports quoting the Nepali traders.

One may raise the question of why the Tatopani border point was discussed at such length while connectivity issues were under discussion between Nepal and

[12]For details, see <http://kathmandupost.ekantipur.com/printedition/news/2017-03-23/tatopani-border-reopening-one-of-key-agendas-pm.html> (accessed on September 18, 2018).

[13]For details, see <https://thehimalayantimes.com/nepal/chinese-rider-tatopani/>, also <https://thehimalayantimes.com/nepal/china-proposes-joint-security-mechanism-along-border-nepal/> (accessed on February 11, 2018).

[14]For details, see <https://thehimalayantimes.com/nepal/tatopani-border-to-reopen-in-may/> (accessed on February 11, 2018).

[15]For details, see <http://kathmandupost.ekantipur.com.np/news/2019-06-28/only-five-trucks-have-crossed-the-tatopani-border-since-its-reopening.html> (accessed on June 29, 2019).

China. This is because Tatopani is the only existing border point between the two neighbors that has been used for the commuting of transporters, tourists, and locals, while the other points that were active until 2015 have now become nonexistent. As such, the complexity of the Tatopani border point offers some clues as to why China has sought to assert greater control of border checkpoints between Nepal and Tibet. China has on the one hand signed the Nepal–China TTA to promise the Himalayan country vital access to its sea and land ports for trading with third countries while at the same time closing the only operational border between the two under false pretenses. Even if China cites earthquake damage for the closure of the Tatopani border point, it is still evident that China closed Tatopani shortly after it perceived major security concerns in the area. Reportedly, these concerns began in August 2008 when a large number of Tibetan refugees held anti-China protests (Nayak, 2018). In the meantime, the willingness of the US to invest development aid in Sindhupalchowk district in general and the Barhabise–Tatopani area in particular have made China further sensitive toward these areas. Consequently, China has sought separate assurances from Nepal on this issue before agreeing to open border points that include Tatopani for trade and transit purposes. A Chinese proposal to set up offices for joint security forces to patrol the Nepal–China border and check the movement of Tibetan refugees and criminal activities has been seen as a new expectation of China to be fulfilled by Nepal. Nepal, however, has not shown its interest in supporting China on this matter. Instead, Nepali bureaucrats have acted as if they are ignorant of Chinese anxieties about these bordering points. They are instead eager to sign the documents like the TTA, praising it by saying that Nepal could utilize China's four seaports in Tianjin, Shenzhen, Lianyungang, and Zhanjiang and three dry ports in Lanzhou, Lhasa, and Xigatse in its trading with third countries. Unfortunately, absent are the questions of why existing roads facilitating movement between Nepal and China are being stopped and whether these seaports and dry ports mentioned in the TTA will be operationalized fully as expected by Nepal.

Discussions on the Tatopani border point also help to understand how China has tightened existing connectivity and people-to-people relations between Nepal and Tibet (Pyakurel, n.d.) in the six decades since its annexation of Tibet. In fact, an open border had existed for citizens of both Nepal and Tibet before Nepal signed a treaty with China on September 20, 1956 (Bhasin, 2005, pp. 3045–3046). According to clause 8 of the treaty, there were many facilities offered to Nepali people in Tibet including Nepalese primary schools in Lhasa, Tibet, a region currently under Chinese rule. This treaty was the first attempt to limit connectivity by suggesting that residents complete registration procedures in accordance with Chinese government regulations.

According to paragraph 5(2) of the treaty, it was also China's first endeavor to advise traders of the two countries known to be customary and specifically engaged in trade between the Tibet Region of China and Nepal, their dependents and attendants to hold passports issued by their respective countries and visas by other parties, certificates issued by their respective governments, or by organs authorized by their respective governments.

However, inhabitants of the border districts who cross the border to engage in small-scale trade, to visit friends or relatives, or for seasonal changes of residence were allowed to continue their practices. The treaty stated that "they have customarily done heretofore and need not hold passports, visas or other documents of certifications." A similar exemption was offered to citizens of either country who cross the border as part of a religious pilgrimage though they must still register at border checkpoints and obtain a permit from the first authorized government office they encounter.

The trade agreement signed between Nepal and China on May 19, 1964 gave limited access to 30 km inside Chinese territory to engage in small-scale, traditional trade and bartering. Nearly two years later in May 2, 1966, the Agreement on Trade, Intercourse and Related Questions between the Tibet Autonomous Region of China and Nepal was signed in Beijing. The agreement introduced registration at border checkpoints and the issuing of permits from the first encountered authorized government office to the residents near the border who cross to engage in small-scale trade, visit friends or relatives, or for seasonal changes of residence. Article 1(6) of the 1966 law suggested that border habitants of both countries use "customary routes" while crossing the border. Nearly 20 years later,[16] certificates were introduced for residents near the border, and it was suggested that they keep them while crossing the border to carry on small-scale trade, visit friends or relatives, or for seasonal changes of residence. A new treaty signed in Beijing on July 10, 2002 amended this provision along with the agreement on trade and other related matters. It also imposed visas for traders and exit–entry passes for residents near the border who cross in order to engage in small-scale trade, to visit friends or relatives, or for seasonal changes of residence.

Additionally, it has been witnessed that during both the 1989 Indian blockades and the latest blockade in 2015, China's aid to Nepal was not according to its capacity (Adhikari, 2015). In fact, China offered only a token amount of support that was not enough even for the urban ruling class in Kathmandu to survive. When India imposed economic sanctions in 1989, China offered 600 tons of petroleum out of which aircraft

[16]The Agreement on Trade, Intercourse and Related Questions between Tibet Autonomous Region of China and Nepal was signed in Beijing on August 1, 1986.

ferried 300 tons during the first months of the crisis and another 300 tons were imported to Kathmandu by road. During 2015, China delivered only 1,000 metric tons of petroleum amidst the great expectations and of the Nepalese for their northern neighbor. When compared with the demand for petroleum in 1989, such amount can only be seen as symbolic. Apart from its meagre offer of petroleum, China also pledged to help with the commercial export of petroleum to Nepal. While the countries also signed an MoU in order to secure the supply of Chinese petroleum, the arrangements were unsuccessful due to unsettled rates and customs duties. The then Commerce Minister Ganesh Man Pun had initially urged the Chinese side not to impose customs on the petroleum in order to keep at par with Indian prices, but since China showed no interest in these concerns, he eventually gave up his request.

In conclusion, Nepal as a landlocked and import-oriented country crucially requires transit facilities. Nepal needs not only petroleum and grains, but imports seasonal vegetables, flowers, meat, and other items. These would require more time to transport from Mainland China than from India. China has become interested in Nepal both due to its "sensitivity" about Tibet and distance and geographical difficulties. The failure to implement its agreements, including the smooth reopening of the Kodari highway, has shown the government and people of Nepal that China is not an alternative to India. The border point of Rasuwagadhi presents a case for the limitations in dealing with China and the benefits of the BRI. After the closing of Kodari, Rasuwagadhi was upgraded as an international crossing point by China with "an aim to develop it as a major junction linking China to the whole of South Asia." It has been unilaterally been stopped many times by China, for three days in April 2017, for six days in October 2017[17] citing road construction, and for 22 days in February 2018 for the Losar Festival.[18] Additionally, heavy snowfall often halts mobility in the Keyrong–Rasuwagadhi area.[19] The author could observe similar tendency to control border-related mobility in Korala — another border point of Nepal–Tibet during his field visit in the month of June 2019. The citizens of Mustang district who could enter Tibetan site of the border for a few days for trade purpose twice a year are now imposed two more conditions for the same; first, the annual market place which will be 5 km inside Tibet can now be accessed by the citizens of Upper Mustang areas excluding the citizens of rest of the parts of Mustang, and they who could go there carrying with

[17]For details, see <http://kathmandupost.ekantipur.com/news/2017-10-19/rasuwa-border-closed-for-6-days.html> (accessed on February 14, 2018).

[18]For details, see <http://annapurnapost.com/news-details/90945> (accessed on February 14, 2018).

[19]For details, see <http://kathmandupost.ekantipur.com/news/2019-01-24/hundreds-of-travellers-stuck-in-snow-in-various-districts.html> (accessed on February 2, 2019).

their citizenship card till now need to issue an entry card from the local administrative officer.

All these stories tell us that the route is not feasible for Nepal and cannot fulfill the purposes of the country. Being so aware of its limitations, it is puzzling that China has continued to include only the Rasuwagadhi point of Nepal–China border in the BRI.

The Keyrong–Rasuwagadhi road and railway project is currently under discussion in Nepal and abroad, and a majority of reports are not optimistic about the BRI and its benefits for Nepal. While presenting his study on the technical assessment of a proposed railroad project in Nepal, Poudel (2018) disclosed that the grades in Rasuwagadhi–Keyrong are over 4.77 and that it would be unwise to plan a railway project there. The grades of the Shigatse–Rashuwagadhi route would be more twice as steep as the ones for a standard passenger train.[20] Analyzing some well-known mountain railroad grades, Trains Magazine has published mountain railroad grade profiles[21] and suggested that a 2.2% climb should be considered the standard maximum grade for a well-engineered mountain railroad. Poudel highlighted other issues such as oxygen deficiency, railway tunnel temperatures, and earthquakes as complications for the plan. Presenting a paper on the BRI and its economic impact on Nepal, Sharma (2018) mentioned that the plan will have fewer benefits than expected. According to Sharma, it will not help to cheapen import costs since the imported items originate largely from the coastal regions of China and sea routes would be cheaper than railways. It will have no benefit to tourism since Chinese tourists live far from the border and airline flights would be cheaper and more preferable. Sharma referred to recent estimates of the Center for Global Development, and stated that the BRI is likely to increase Nepal's debt to GDP ratio in the way it has already been estimated for several BRI countries such as Pakistan, Djibouti, the Maldives, Laos, Mongolia, Montenegro, Tajikistan, and Kyrgyzstan, who are at high risk.

Those who had once called for the BRI have lowered their voices for various reasons. They may have at first held the assumption that the construction of railways and other projects would be funded by China, but it is now clear that China does not intend to fund the projects in full even if they are enlisted under the BRI. The Kathmandu–Kerung railway under the BRI is a prime example. China agreed to bear only 50% of the funds to conduct a feasibility study. When the proposal was tabled by the Chinese Railway Authority in a joint discussion held in Kathmandu on the second

[20]For freight trains, the grade should be within 1.5 percent (Poudel, 2018).

[21]For details, see <http://trn.trains.com/railroads/railroad-history/2011/07/mountain-railroad-grade-profiles> (accessed on February 23, 2018).

week of December, 2018, Nepal stated "Nepal lacks both budget and technology to conduct a feasibility study for the ambitious railway project."[22] With China reluctant to support a feasibility study in the amount of US$3.5 million, Nepal has now begun to doubt whether China will be to fund the project, which will cost about Rs. 275 billion[23] (almost US$2.75 billion). Many Nepalese have become critical of the BRI after observing the debt trap faced by Sri Lanka for the construction of the port of Hambantota, which has been now leased to China for 99 years.

The Chinese modus operandi may not be the only cause for the backlash against the BRI in Nepal. Issues such as the competition between India and China in South Asia or US policy also have an impact on the fate of the BRI in Nepal, and for projects with such geo-political implications, the country cannot make decisions in isolation. The Trump administration offered the Indo-Pacific Vision in July 2018 as an alternative to the BRI, and India has also joined hands with the US to weaken China's influence in South Asia. Just before the visit of Nepali Foreign Minister Pradeep Gyawali to Washington in December 2018, the US officials declared that Nepal is a part of its Indo-Pacific strategy on developing opportunities across a range of issues across Asia. In a statement released by the State Department on December 18, 2018, Robert Palladino, the deputy spokesperson, said that Nepal's "central role" in a free, open, and prosperous Indo-Pacific was discussed during the meeting between the two leaders.[24] Nepali officials downplayed the announcement by saying that Nepal had not taken a decision to participate in the US-led strategy, but it has acknowledged that "Nepal and the US have agreed to widen and deepen their seven-decade-long partnership and take their relationship to the next level."

The above issues have encouraged the people of Nepal to take a second look at the BRI and its implications for Nepal–China relations. They have caused the BRI's supporters to abandon their sentiments and become aware of the practical considerations suggested by experts in development and external affairs. Here, it seems wise to suggest that China offers a truly mutually beneficial proposal under the BRI. It must perform research into the Shigatse–Zhangmu (Nepal's Tatopani) railways route, and open the Kodari highway for smooth human mobility and trade which was recently closed under the pretense of earthquakes. The Shigatse–Zhangmu Railways

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[22]For details, see <http://kathmandupost.ekantipur.com/printedition/news/2018-12-22/nepal-urges-china-to-fund-feasibility-study.html> (accessed on April 26, 2019).

[23]For details, see <https://myrepublica.nagariknetwork.com/news/100-km-kerung-kathmandu-railroad-to-cost-rs-275b/> (accessed on April 26, 2019).

[24]For details, see <http://kathmandupost.ekantipur.com/printedition/news/2018-12-20/us-says-nepal-is-part-of-its-indo-pacific-strategy.html> (accessed on April 26, 2018).

plan will not only be shorter in distance but also a quick relief for Nepal, as the distance of the railways will only be 474 km up to Khasa (as compared to Shigatse to Keyrong by train distance that is 540 km) and there is already a road link to Kathmandu from Khasa which has been functioning well for several years. For railway linkage with Kathmandu railway, this route may prove to be better than the planned Rasuwagadhi–Kathmandu line. If China sticks only on Shigatse to Keyrong railway without exploring other possibilities,[25] it is clear that it has no intention for Nepal to benefit from the BRI.

Finally, it is important to understand that Nepal is among a mere handful of countries that have no direct connections with the Chinese mainland, but are rather connected with the sensitive region of Tibet. Even if China continues to offer promises to Nepal, China may not be seeking smooth connectivity. It may believe that Tibet would become more politically difficult if there were a means to facilitate transportation and trade. Today, Nepalese residing elsewhere can visit China with a valid visa and travel to several border areas with exit–entry passes. Nepal offers free visas to the nationals of mainland China (Tibetans excepted), and Tibetans are hardly allowed over the border areas. From the above findings, one could say that China has been actually creating pretexts to limit connectivity and the mobility of people. It was in China's interest to eliminate local trade along the Nepal–Tibet border that included traditional transportation and the trans-border pasturage–usage system on both sides of the borders. The 1956 China–Nepal trade treaty which allowed the continuation of these customary practices was abrogated in 1962. It is said that Nepal agreed for the provisions after the Chinese were "unwilling to agree to a further extension." Here one could question whether China wishes through the BRI to revisit this decision that impacted connectivity and people-to-people relations in the past. It is equally important to discuss exactly what benefits the BRI offers to people living in these bordering areas. If there are no such benefits, BRI proposals for resuming other border links between Nepal and Tibet will be seen by the Nepalese as empty talk. In that case, Nepal will only become more dependent on India and the abundant soft power China has been enjoying for years will become a trust deficit which benefits neither country.

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[25]The Shigatse–Keemathanka route seems to be even shorter at 318 km.

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