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## India lets China test regional comfort zone

By Narayani Basu

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The conclusion of the South Asian Association for Regional Cooperation (SAARC) summit in Nepal last week highlighted a couple of trends that India should be keen to change.

As the largest member of the regional grouping, India has, so far, been quite comfortable in its contemplation of the number one position in the eight-member club. But that thinking needs to change if New Delhi is to capitalize on the existing window of opportunity to strengthen ties across South Asia.

For most of its three-decade existence, SAARC has been prey to the reverberations in bilateral ties between India and Pakistan. Given the fraught nature of that relationship, there is small wonder that there have rarely been concrete outcomes from SAARC summit meetings. This considerably short-sighted view on New Delhi's part has left the door wide open for the entry of a larger, well-heeled neighbor.

China became an observer at the regional grouping in 2006, but it has been pushing for a permanent membership - which comes with the power to veto key agreements - since then. For this year's summit, the Asia-Pacific Daily, published by the Xinhua news agency's Kathmandu bureau, brought out a 12-page special edition, in which at least three Nepal cabinet ministers and two former foreign ministers supported China's case for joining SAARC. This move came just

days after Beijing promised to provide 10 million yuan (US\$1.63 million) annually, from 2014 to 2018, to help Nepal develop its northern districts on the border of the Tibet Autonomous Region.

The MoU states that the funds will be spent on small-scale projects in the areas of health, education and road connectivity. These are areas vital for the development of almost all South Asian countries, and will naturally be nothing but tempting prospects for SAARC members. Small wonder, then, that on Wednesday, three members - Pakistan, Sri Lanka and the Maldives - called for an increased role for observers like China at the summit.

Prime Minister Narendra Modi is certainly attempting to revamp India's regional policy discourse towards South Asia. One of his government's key strategic priorities is to reestablish India as the regional leader in South Asia. Despite reaching out to China on key bilateral economic and geopolitical issues, there is no doubt that Modi has no desire to allow Beijing to impinge on India's position at SAARC. His invitation to SAARC heads of government to attend his swearing-in ceremony in May was a definite move to rejuvenate ties with India's neighbors, who have, of late, been rather willing to accommodate Chinese overtures.

Modi's first overseas visits were to Bhutan and Nepal, where he, too, was generous with his doling out of credit lines and other financial sops. By the close of the summit in Kathmandu, India had pledged a slew of regional investments in the areas of infrastructure, health facilities, and communications satellites. New Delhi also promised to open up its markets to exporters from smaller South Asian countries.

Despite this, a bigger question still looms over India, and over SAARC itself - can it think out of the box as far as South Asian regional strategy is concerned? Critics of the previous Congress government in New Delhi argue that it allowed India to become too complacent of its position in the region, allowing China - a clear economic giant which shares borders with not one, but four of India's neighbors - a clear window of opportunity. Roads, ports and power projects have been set up by Beijing across the region in the last few years. Chinese investments into South Asia amount to US\$30 billion, while Chinese loans at concessional rates to countries in the region add up to \$25 billion. Beijing is providing 10,000 scholarships to South Asian students, along with skills training for thousands of others. Indeed, the venue where SAARC leaders met this year in Kathmandu was built with Chinese funds.

Meanwhile, New Delhi remains embroiled in bitter tensions with Islamabad, which upstaged this year's summit as well. The leaders of the two countries spent much of their time cold-shouldering each other, only to meet briefly at the very end of the summit. During the summit itself, Pakistan blocked three major connectivity projects due to be signed on November 26, besides pushing for Chinese membership in the regional grouping. Worse still, the only outcome of the summit has been a lone agreement, on energy cooperation, which was collectively signed by SAARC members.

If India wants to present itself as a viable regional leader, it will have to do better than this. While it is true that China has deeper pockets, it is equally inevitable that given the liberal way that Beijing is wooing the region, smaller South Asian countries will be tempted by the avenues for development that China offers. Despite a free trade pact that has been in existence since

2006, cross-border trade between SAARC nations is only 5%, and there are few transport or power links between them. Beijing's offers of grant assistance, logistical support and investments in key areas like hydropower are critical for the advancement of the region. Most South Asian countries are fully aware of this, and there is little chance that such offers will be rebuffed.

Merely objecting to China's handouts to the region, or complaining about China's push to raise its status from observer to permanent member will not get India too far. What is required is to prove to the region that it is not on the foreign policy backburner as far as New Delhi is concerned. The promise to open up Indian markets to South Asian exporters is a step in the right direction, but whether Modi's government can put aside bilateral bitterness with Pakistan, and play the economic game as well as China is doing at the moment is still open to question.