What explains the India-China border flare-up?

Which are the tension points? Why has the Line of Actual Control not been clearly demarcated? Why is there a stalemate in boundary talks?

• The story so far: The India-China border has been witnessing tensions over the past month, with incidents reported in at least four different locations along the Line of Actual Control (LAC). On May 14, Indian Army Chief General Manoj Naravane said incidents at the Pangong lake in Ladakh on May 5 and at Naku La in Sikkim on May 9 had led to injuries, caused by “aggressive behaviour on both sides”. He said the two sides had disengaged. Stand-offs at two other spots in Ladakh, in the Galwan valley and in Demchok, have reportedly escalated with a build-up of troops by both sides. On May 22, General Naravane visited the Leh-based 14 Corps headquarters in Ladakh to assess the situation.

Why do face-offs occur?

• Face-off and stand-off situations occur along the LAC in areas where India and China have overlapping claim lines. The LAC has never been demarcated. Differing perceptions are particularly acute in around two dozen spots across the Western (Ladakh), Middle (Himachal Pradesh and Uttarakhand), Sikkim, and Eastern (Arunachal Pradesh) sectors of the India-China border. The boundary in the Sikkim sector is broadly agreed, but has not been delineated. Face-offs occur when patrols encounter each other in the contested zones between overlapping claim lines. Protocols agreed to in 2005 and 2013 detail rules of engagement to prevent such incidents, but have not always been adhered to.

What is behind the latest tensions?
The stand-off in Galwan valley, according to reports, was triggered by China moving in troops and equipment to stop construction activity by India. Delhi says this was well within India’s side of the LAC. The LAC was thought to be settled in this area which has not seen many incidents in the past, but China now appears to think otherwise. The northern bank of Pangong lake has, however, been a point of contention where there are differing perceptions of the LAC.

The incident in Sikkim is somewhat unexpected as the contours of the LAC are broadly agreed to in this sector. The broader context for the tensions appears to be a changing dynamic along the LAC, as India plays catch-up in improving infrastructure there. China has enjoyed an advantage in infrastructure as well as terrain that is more favourable to mobilisation. Previous agreements between the two countries have recognised both sides’ need for “mutual and equal security”, implicitly taking into consideration the different — and more difficult — terrain on India’s side that hinders mobilisation from depth.

Why has not the LAC been clarified?

India has long proposed an exercise to clarify differing perceptions of the LAC to prevent such incidents. Maps were exchanged in the Middle Sector, but the exercise fell through in the Western Sector where divergence is the greatest. China has since rejected this exercise, viewing it as adding another complication to the on-going boundary negotiations. India’s argument is rather than agree on one LAC, the exercise could help both sides understand the claims of the other, paving the way to regulate activities in contested areas until a final settlement of the boundary dispute.

What is the state of boundary negotiations?

The 22nd round of talks between the Special Representatives, National Security Adviser Ajit Doval and China’s State Councillor Wang Yi, was held in Delhi in December 2019. Both “agreed that an early settlement of the boundary question serves the fundamental interests of both countries” and “resolved to intensify their efforts to achieve a fair, reasonable and mutually acceptable solution”. In 2005, an agreement on political parameters and guiding principles completed the first of three stages of the talks. The current, and most difficult, stage involves agreeing a framework to resolve the dispute in all sectors. The final step will involve delineating and demarcating the boundary in maps and on the ground.

What are the prospects of a settlement?

The likelihood appears remote. The main differences are in the Western and Eastern sectors. India sees China as occupying 38,000 sq km in Aksai Chin. In the east, China claims as much as 90,000 sq km, extending all across Arunachal Pradesh. A swap was hinted at by China in 1960 and in the early 1980s, which would have essentially formalised the status quo. Both sides have now ruled out the status quo as a settlement, agreeing to meaningful and mutual adjustments. At the same time, the
most realistic solution will involve only minor adjustments along the LAC, considering neither side will be willing to part with territory already held.

• The 2005 agreement said both sides “shall safeguard due interests of their settled populations in border areas”. One particular sticking point appears to involve China’s claims to Tawang in Arunachal Pradesh, which has been increasingly referenced in public statements in recent years. Dai Bingguo, Mr. Wang’s predecessor, said in 2017 that “the disputed territory in the eastern sector, including Tawang, is inalienable from China’s Tibet in terms of cultural background and administrative jurisdiction”.

• The Tawang demand is, however, more a symptom than the root of the problem. In truth, China knows ceding Tawang will be impossible for any Indian government to consider. The broader issue appears to be a fundamental difference in how both sides view the boundary question.

• As one Chinese scholar put it in 2018, “China’s experience indicates that resolving border disputes is usually the result, rather than the cause, of improvement in relations. But India insists that its relations with China won’t improve fundamentally until the border dispute is resolved.” Therein lies the crux of the problem. In some sense, Beijing appears to view an unsettled border as holding some leverage with India, one of the many pressure points it could use to keep India off-guard. Until that strategic calculus — and China’s broader view of its relations with India — changes, the stalemate will likely endure.

Why are India and Nepal fighting over Kalapani?

What is the strategic importance of the region? Why do both sides stake claim to the area?

• The story so far: The dispute over Kalapani, which lies on the easternmost corner of Uttarakhand’s Pithoragarh district, between Nepal and India was revived in November 2019 when India published a revised political map showing the newly created Union Territories of Jammu and Kashmir and Ladakh. Both India and Nepal lay claim to Kalapani. The map showed Kalapani as part of Pithoragarh district. Nepal protested immediately and drew attention to the lingering issue. On May 8, India inaugurated the Darchula-Lipulekh pass link road, cutting across the disputed Kalapani area which is used by Indian pilgrims to Kailash Mansarover. Nepal hit back by summoning the Indian Ambassador to Nepal, Vinay Mohan Kwatra, to convey a formal protest.

Where is Kalapani located?

• Kalapani is a region located in the easternmost corner of Uttarakhand’s Pithoragarh district. It shares a broder on the north with the Tibet Autonomous Region of China and Nepal in the east and south. The region resembles a slice of cake wedged in between Limpiyadhura, Lipulekh and Kalapani. The area is in India’s control but Nepal claims the region because of historical and cartographic reasons.
The area is the largest territorial dispute between Nepal and India consisting of at least 37,000 hectares of land in the High Himalayas.

What is the cause of the dispute?

• The Kalapani region derives its name from the river Kali. Nepal’s claims to the region is based on this river as it became the marker of the boundary of the kingdom of Nepal following the Treaty of Sugauli signed between the Gurkha rulers of Kathmandu and the East India Company after the Gurkha War/Anglo-Nepal War (1814-16). The treaty was ratified in 1816. According to the treaty, Nepal lost the regions of Kumaon-Garhwal in the west and Sikkim in the east. According to Article 5, the King of Nepal gave up his claims over the region west of the river Kali which originates in the High Himalayas and flows into the great plains of the Indian subcontinent. According to the treaty, the British rulers recognised Nepal’s right to the region that fell to the east of the river Kali. Here lies the historic origin of the dispute. According to Nepal’s experts, the east of the Kali river should begin at the source of the river. The source according to them is in the mountains near Limpiyadhura, which is higher in altitude than the rest of the river’s flow. Nepal claims that a land mass, high in the mountains that falls to the east of the entire stretch starting from Limpiyadhura downwards, is theirs. India on the other hand says the border begins at Kalapani which India says is where the river begins. The dispute is mainly because of the varying interpretation of the origin of the river and its various tributaries that slice through the mountains. While Nepal’s claim of the territory east of Kali is based on the Limpiyadhura origin, India says the river actually takes the name Kali near Kalapani.

Why is Lipulekh pass important?

• The region juts into the Himalayas and is connected to the other side of the mountain range through the Lipulekh pass, which has been used for centuries by Hindu and Buddhist pilgrims and tourists on their way to Kailash Mansarover. The nearby markets have been used by various mountain communities. The Himalayas have several passes that connect the Gangetic region with the Tibetan plateau but Lipulekh is strategically located as it is nearest to the heart of the Indian state or the National Capital Region and can be of particular concern in case of an armed conflict with China.

What are Nepal’s claims regarding Lipulekh pass?

• The importance of Himalayan passes with the Tibetan plateau was amply highlighted in the 1962 war. During that war, Chinese forces used the pass of Se La in Tawang and reached the Brahmaputra plains in the east. The military defeat in the east clearly demonstrated that weakly guarded passes were a major vulnerability of Indian military preparedness against China. In comparison to Se La which was somewhat fortified, Lipulekh was vulnerable.

• Nepali analysts say that King Mahendra was concerned that India would take military steps to forcefully take the region of Kalapani to secure the mountain pass. He reached an agreement with Delhi and handed over the region for security purposes to India. According to another interpretation
subscribed to by Kanak Mani Dixit, India, worried over an aggressive China in the 1950s, got the King of Nepal to agree to a proposal to station 18 military outposts along Nepal’s northern frontier. In 1969, under bilateral negotiations all the posts were removed barring Kalapani.

• Former Indian Ambassador to Nepal Jayant Prasad says the region was always a part of India and India’s claims to the area are based on British Indian maps dating back to the 19th century. When pilgrimage to Kailash Mansarover paused with the takeover of Tibet by Chinese forces in the mid-1950s, India deployed troops at the Lipulekh pass in 1959, according to Mr. Prasad, who was part of the Eminent Persons Group formed in February 2016 to ensure frank conversation between India and Nepal on controversial issues.

Where have Nepal and India erred?

• India and China were in clear violation of Nepal’s concerns during the 2015 Lipulekh agreement between India and China which renewed India’s Mansarovar pilgrimage connection. Neither side consulted Nepal or sought its opinion before that agreement that boosted pilgrimage and trade to Tibet. Nepal’s then Prime Minister, the late Sushil Koirala, reportedly cancelled a visit to Delhi following this agreement. Diplomats also maintain that India should have resolved the issue with Nepal when the late Prime Minister Girija Prasad Koirala raised it with India during the 2006 India visit when Prime Minister Manmohan Singh received him at the airport in Delhi. Indian officials suggested that it could be resolved later. Analysts now say South Block should have acted promptly on Koirala’s suggestion. Though Nepal has been steadfast in citing the Sugauli treaty as the foundation of its territorial claims, on occasion, some of the new generation leaders have spoken against the treaty. According to Uddhab Pyakurel of Kathmandu University, Prime Minister Pushpa Kamal Dahal “Prachanda” for example had indicated frustration with the Treaty of Sugauli after his Prime Ministerial stint in 2009 saying that the treaty had become irrelevant and championed the cause of a Greater Nepal going into the region west of the Kali. This shows that the Nepali claim based on the Sugauli treaty is not consistent either.

What is the current position?

• Nepal has published a revised official map incorporating the territory from the Limpiyadhura source of the Kali to Kalapani and Lipulekh pass in the northeast of the triangular region as its territory. On May 22, the Cabinet led by Prime Minister K.P. Sharma Oli registered a constitutional amendment motion to grant constitutional status to the map. Indian observers say this move makes any future solution on the Kalapani issue nearly impossible as a constitutional guarantee will make Kathmandu’s position inflexible.

China suggests shift in BRI approach amid debt concerns

‘We will focus on quality in the joint pursuit of the BRI’
China has hinted at a shift in how it will pursue its signature Belt and Road Initiative (BRI) amid growing concerns about debt repayments from many partner countries because of the COVID-19 pandemic.

“We will focus on quality in the joint pursuit of the BRI”, said the annual government work report delivered on Friday by China’s Premier Li Keqiang at the start of the National People’s Congress (NPC), or Parliament.

Since 2018, the BRI has had a dedicated sub-section in the NPC report, which is China’s most important policy document. The BRI was written into the Communist Party of China’s Constitution in 2017, underlining its special status.

The report in 2018 did not mention “quality”, merely saying China “will promote the joint pursuit of the BRI”. It also mentioned then China would seek to advance infrastructure connectivity, which was omitted this year.

The NPC report is usually carefully assessed to garner changes in emphasis in Chinese policymaking. The report this year said China would focus on “achieving shared growth through consultation and collaboration” and would “work with BRI partners for mutually beneficial outcomes”.

In recent weeks, China has faced calls from countries in Asia and Africa to delay or waive debt repayments. Song Wei, deputy director at the Ministry of Commerce’s Chinese Academy of International Trade and Economic Cooperation, acknowledged last month that China was weighing how to respond to such calls.

“What China could do to help is bring projects funded by loans back to life and realise sustainable profits, instead of measures as simple as offering write-offs,” he said in an article in the Communist Party-run Global Times. “As always, China is open to talk with debtors on the basis of equality and mutual benefit.”

Financial assistance

Mr. Song noted that China’s financial assistance included grants, interest-free loans and preferential loans. “Interest-free loans which are offered by the Chinese government are applicable for debt relief,” he said. “The preferential loans are not applicable for debt relief and are more complex with regards to any difficult debt problems.

Simply waiving debtors’ obligations as some countries or organizations have called for is not going to be effective as a solution. If any debtors encounter difficulties to pay on time, there may be tailored plans including rescheduling or China increasing funding to help related projects resume operation and return profits.”
• He suggested repayments could be solved “by multiple financial or other approaches, such as China adding grants to help bring projects back to life, conducting debt-to-equity swaps, or hiring Chinese firms to assist operation”.

• According to AidData, a research lab at the College of William & Mary, China’s grants and loans totalled $354.4 billion between 2000 and 2014, of which 23% was grants while the rest were commercial loans at market or close-to-market rates.

• The world’s debt to China grew 10 times between 2000 and 2017, with developing countries owing $380 billion to China, the Kiel Institute for the World Economy in Germany said in a report last year.

Extend loans without fear of 3 Cs: FM

Banks urged to allow credit flow to eligible borrowers without dreading action by CBI, CVC or CAG

• Finance Minister Nirmala Sitharaman on Saturday said banks had been asked to extend loans automatically to eligible borrowers without ‘fear of 3Cs — CBI, CVC and CAG’.

• She said clear instructions had been given in a meeting with CEOs and MDs of public sector banks and financial institutions on Friday that the banks should not be scared to extend loans as 100% guarantee is being given by the government.

• In case of default, the individual bank or official will not be hauled up, she said in a conversation with BJP leader Nalin Kohli, uploaded on the party’s social media platforms. “Yesterday, I reiterated that by saying if a decision goes wrong, and if there is a loss, the government has given 100% guarantee now. It is not at all going to be on the individual official and on the bank, and therefore without fear they should take this automatic route in the sense, everybody eligible for additional term loan and additional working capital should be given,” she said.

• As part of the Rs. 20.97 lakh crore economic package, the government announced the Emergency Credit Line Guarantee Scheme (ECLGS) worth Rs. 3 lakh crore for the MSME sector, hit hard by the COVID-19 crisis.

• It is being said that the genuine bonafide decisions in the banking sector are being impacted because of the worry of undue harassment by 3 Cs — Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) and Comptroller and Audit General (CAG).

• The Finance Ministry has taken several steps to allay those fears including withdrawing some of the notifications which were causing fear among bankers, she said.
• “... concerns these banks have had in their minds earlier, and may have even now are absolutely well-founded. In fact, through my last 7-8 months, I have [reiterated] at least three different times with the banks to say that the fear of the 3Cs should not be in their minds,” she said.

• When asked about criticism about leaving many critical sectors including hospitality, auto and civil aviation out of the economic package, Ms. Sitharaman said the government has not taken a sectoral approach but a holistic approach.

• “Except agriculture and the power sectors where reforms would be undertaken, other than that, I have not come up with any sectoral reference. What has now become to be called as the MSME package, includes MSME, and also aims at touching others (sectors) too... So the sectors that you are referring to can also benefit through this,” she said.

• It is based on the understanding that any enterprise “with a certain exposure to the bank and with a certain invested capital, or with a certain turnover if they need additional term loan, additional working capital in order to buy their own material to restart, in order to be able to pay some fixed cost, it can take that route.”

• She expressed hope that from June 1, liquidity would start flowing from banks without any new collateral.

• During the meeting with bankers, the Minister said it was emphasised that loans should be sanctioned in a simple manner and if possible, digitally to avoid any physical contact.