

SUBIR BHAUMIK

CHINA'S BELT AND ROAD INITIATIVE

A SOUTH ASIAN PERSPECTIVE AND CASE FOR HARMONY
WITH INDIA'S ACT EAST POLICY

China's ambitious Belt and Road Initiative is President Xi Jinping's signature global growth and development strategy. The so-called New Silk Route is a network of overland and sea routes with plans for massive infrastructure and connectivity projects involving huge investments in Europe, Asia and Africa. But it also raises eyebrows in the West where the rise of China and its increasing influence is viewed with much scepticism. In South Asia, the Chinese are investing heavily in India's neighbouring countries like Pakistan, Bangladesh or Myanmar, which worries New Delhi. But India stands to gain much by harmonising its own 'Act East' policy with the Belt and Road Initiative and by avoiding strategic competition that could escalate into armed conflict.

In 2014, China overtook the United States as the world's largest economy (in terms of gross domestic product adjusted for purchasing power) according to both the International Monetary Fund (IMF) and the World Bank. Reliable data for 515 years (from 1500 to 2015) seems to suggest that the largest economy in the world has almost always been either China or the United States.¹ In 1500, China was the largest economy in the world, followed closely by India, both with estimated GDPs of approximately 100 billion US dollars. They remained there until the Industrial Revolution catapulted a number of European nations to the top and consigned China and India to centuries of colonised subjugation and humiliation.

India after Independence in 1947 and China after the 1949 Revolution remained in acute poverty for more than three decades before racing back to the pinnacle of the global economic order. The 2015 IMF projections shows China has recovered first place. India has just passed Britain to emerge as the world's fifth largest economy. Many predict India and China will be the two top economies by 2040.

Since the Western economies are in relative decline, China and India must engage and trade more with each other and with other fast-growing Asian economies, maintaining openness and embrace globalisation. 'The scenario is set for an Asian century', argues Indian economist Dhiraj Nayyar. 'But for it to materialise India, China and the rest of the region need to look beyond rivalry and defensiveness to explore the possibilities of economic integration as the West, so dominant for the last two hundred years, marginalises and isolates itself. That is the promise of 2018 and beyond.'²

COMPETITION AND CONFLICT

However, for the last six decades, intense rivalry has dogged Sino-India relations. Both India and China seemed to suffer from siege mentality in their strategic thinking. The economic growth of both nations, instead of boosting greater economic integration, seems to spur strategic competition that often threatens, like in the May–June 2017 Doklam standoff, to escalate into armed conflict.³ The humiliating Indian defeat in the 1962 border war has left it with a bitter hangover while dealing with China.

India has opposed China's Belt and Road Initiative and Maritime Silk Road plan by raising sovereignty concerns and fears of unsustainable debt traps. It has felt threatened by Beijing's development of deep sea ports in Pakistan (Gwadar), Bangladesh (Sonadia, project rejected but China trying to revive it), Sri Lanka (Hambantota) and Myanmar (Kyauk Phyu), viewing them as an attempt to encircle India and curb its influence in the Indian Ocean. Many Indian strategists subscribe to the 'string of pearls' thesis floated by US consulting firm Booz Allen Hamilton in 2005.⁴

The Indian Navy appeared influenced by this thesis, while outlining perceived challenges and suggesting naval strategies in its 2007 'Indian Maritime Security Doctrine'.⁵ It pushed for an active Indian naval presence from the Strait of Hormuz to the Strait of Malacca, making explicit mention of the need to police international shipping lanes and, in particular, control choke points of Indian Ocean trade. India's re-construction of the Sittwe port is often cited as evidence of a concerted strategy to counterbalance growing Chinese influence in Southeast Asia.⁶

India's close naval ties to the US, reinforced by the annual Malabar exercises since 1992, irks China, because now it has expanded into the QUAD, drawing in Japan and Australia. China sees the QUAD as part of a plan to encircle it and contain its rise. Chinese commentator Shen Dingli warned in a New York Times interview: 'China actually has many ways to hurt India [...] China could send an aircraft carrier to the Gwadar port in Pakistan [...] If India forces China to do that, we can put a navy at your [India's] doorstep.'⁷

Chinese analysts Song Dexing and Bai Jun argued that the maritime order in the Indian Ocean Region (IOR) is 'not static but dynamic' and should be able to accommodate China, given Beijing's burgeoning trade in the region. Many other Chinese commentators challenged the idea of the Indian Ocean as 'India's Ocean' and India's formulation of the 'Indo-Pacific' region as an attempt to dominate the strategic discourse of contemporary Asia.⁸

But since 2013, when Chinese Premier Li Keqiang offered India a 'handshake across the Himalayas' and offered to harmonise China's Belt and Road Initiative (BRI) with India's 'Look East' (now Act East) Policy, Sino-Indian relations have shifted. India has continued to oppose the BRI, specially the China-Pakistan Economic Corridor (CPEC), on the grounds that it undermines Indian sovereignty over its disputed Kashmir province. It did not join the 2017 Belt and Roads Forum in Beijing and Bhutan followed suit, ostensibly under Indian pressure. But Indian Prime Minister Narendra Modi's meeting with Chinese President Xi Jinping on the sidelines of the BRICS Summit at Xiamen in September 2017 began the reset process. The 'informal summit' between Modi and Xi Jinping at Wuhan in April 2018 has carried this forward.

One of the key takeaways from Wuhan appears to be consensus to take forward the long dormant BCIM. So far China has been keen on BCIM while India has gone slow, unsure of the impact of a proposed economic corridor running through its turbulent Northeast. Chinese diplomats say millions of dollars in Chinese investments would flow into BCIM-linked or -related projects.⁹ That should not only make neighbours Bangladesh and Myanmar but also states in India's East and Northeast happy.¹⁰ The BCIM economic corridor, traversing frontier regions of four countries, could attract substantial Indian and Chinese corporate investments.

The Wuhan spirit raises prospects for meaningful Sino-Indian cooperation in the East that could transform the peripheries of China, India, Bangladesh and Myanmar from a zone of conflict into one of growth. A Sino-Indian consensus to push Myanmar to start taking back the Rohingya refugees can not only help Bangladesh resolve a difficult problem but also bring peace to the Rakhine state where China's Kyauk Phyu port and Special Economic Zones (SEZ) and India's Kaladan multi-modal connectivity project based on the renovated Sittwe port are located.¹¹

For BCIM to take off, the Myanmar peace process has to work because the economic corridor will pass through long-festering conflict zones in the country's North. The Myanmar peace process has a much greater chance of success if China and India join hands to support it. That will help India settle its restive Northeast and incentivise domestic peace-making in India and Myanmar.

The Wuhan impact on BCIM Economic Corridor may also revive the Kolkata-Kunming-Forum or K2K dialogue that got grounded by the Doklam stand-off. Chinese diplomats have already prioritised "sub-regional cooperation" between

Indian and Chinese provinces.¹² If the Indians follow suit, that would be good news for Asia's most strategic link region.

BRI: A SOUTH ASIAN PERSPECTIVE

With the exception of Bhutan, all of India's neighbours so far have endorsed the Belt and Road Initiative, a \$ 4 trillion geo-political and geo-economic project, the most expansive by any nation so far. Bangladesh has backed the BRI, explaining the need to balance 'sovereignty' and 'economic integration' during the World Economic Forum (WEF) in New Delhi in October 2017. The country's foreign secretary made it clear that 'Bangladesh is attempting to balance ties with India and China, keeping its own geopolitical and economic interests in mind. Economic issues now dictate how much sovereignty one should exert.'¹³

India's traditional ally Nepal signed up for BRI during the 2017 Belt and Road Forum in Beijing, which was attended by delegations from 100 countries and international organisations. Later, perhaps under Indian pressure, Nepal alluded to remaining neutral, with Prime Minister K.P Sharma Oli saying: 'I think we are neutral. Geographically, we are in [the] centre between the two countries.'¹⁴

China is aiding Nepal in a number of infrastructure projects including roads, power grids, bridges and industrial parks, which will strengthen China-South Asia trade and turn Tibet into an important gateway. The Nepal-China economic corridor, proposed under the BRI, could graduate into the China-Nepal-India corridor. A Nepalese commentator recently pitched for trilateral cooperation: 'If China extends the rail links up to Lumbini and India supports the construction of rail links up to Kathmandu from the southern border, trilateral cooperation would definitely take place.'¹⁵

In Myanmar, State Counsellor Aung San Suu Kyi inked an agreement with China to cooperate on the BRI during the May 2017 Forum. Former Myanmar president U Htin Kyaw told Chinese foreign minister Wang Yi that 'the initiative has vigorously pushed forward international cooperation and promoted the common development of countries.'¹⁶ However, opinion in Myanmar is divided over the BRI. While the growth of physical infrastructure like roads, rail, ports and power plants are welcome, many voice debt trap and environmental concerns and raise land and labour rights issues involving Chinese projects in Myanmar. But the government and the business class appear committed to BRI.

Pakistan has wholeheartedly endorsed the BRI. In 2015, China and Pakistan launched the China-Pakistan Economic Corridor (CPEC), signing 49 agreements to finance a variety of projects with a total expected value of 46 billion US dollars, including upgrades to Pakistan's Gwadar Port, oil and gas pipelines, road and railway infrastructure and a series of energy projects. CPEC aims to connect China's Xinjiang Province with Gwadar via more than 3,000 kilometres of railroad and pipelines, which would cut transportation costs and distance. Chinese covets the Gwadar Port to gain a foothold in the Persian Gulf region, provide safe passage to its oil tankers and monitor U.S. and Indian naval activities in the area. But Pakistan's new government under Prime Minister Imran Khan has hinted at a possible review of some Chinese projects to address sustainability concerns.

Sri Lanka signed onto the BRI after being the leading beneficiary of Chinese infrastructure investment in South Asia, with nearly 15 billion US dollars' worth of projects between 2009 and 2014. Worth particular mention is the Chinese



funding of the port of Hambantota. Now leased out to China because Sri Lanka is unable to repay the huge debt, it has provided China with a firm presence at the centre of the Indian Ocean. But it has also raised controversy over sovereignty-eroding Chinese funding under the BRI.

China has financed the modernisation of the Chittagong port in Bangladesh, which handles around 92 per cent of the country's trade. It wants to invest in the proposed Sonadia Island deep-water port in Cox's Bazaar. Like both Pakistan and Sri Lanka, Bangladesh also enjoys a strategically significant location, which can provide Southwest China with access to the Indian Ocean.

Despite much concern of debt traps and sustainability, South Asian countries, except India and Bhutan, have welcomed the BRI and sought key projects under its umbrella. One European commentator describes the BRI as 'not a route, but as a smart power strategy' which aims to wrap up the entire world, not only Eurasia and Africa, and has become the leitmotif of China's foreign policy. The BRI combines hard power elements, like economic investments, with a soft power strategy, like promoting Chinese culture or improving China's image.¹⁷

In the past three years, the BRI has graduated from a simple regional project into a truly global one, having expanded into every conceivable field: infrastructure, finance, culture, education, people-to-people relations and political relations between states. The Chinese government, provincial governments, and Chinese companies don't waste any opportunity to brand a project or an investment as being part of the BRI, thus transforming it into a catch-all brand. The Belt and Road and the larger Silk Road concept have become a strategy to position and present China as a global and responsible power that wants to help global economic growth. But debt trap fears, project unsustainability, the choice of projects from a Chinese rather than a local need perspective and undermining local land and labour rights and environmental concerns have begun to weigh on BRI projects in many countries from the Maldives to Malaysia.

BCIM-EC AND BRI: THE INDIAN STAND

The Chinese have identified the Kunming-Kolkata corridor (K2K), coterminous with the proposed BCIM (Bangladesh-

China-India-Myanmar) corridor, as one of six economic corridors under the Belt and Road Initiative. Chinese Vice-Premier Zhang Gaoli recently listed the six economic corridors as China-Mongolia-Russia, Central China and Western Asia, China-Indo China Peninsula, China-Pakistan, Bangladesh-China-India-Myanmar and the New Eurasian Land Bridge, to focus on Asia-Europe connectivity.¹⁸ Billions of dollars in Chinese investment will flow into the corridors to prop up trade and connectivity, infrastructure and investment, with the Chinese-sponsored Asian Infrastructure Investment Bank (AIIB) sure to play a major role.

The BCIM corridor, which aims to connect Kolkata to Kunming in Yunnan province, is one of China's priority projects. Its limited coast in the east has compelled China to push for land-to-sea access into the Indian Ocean through both the Bay of Bengal and the Arabian Sea to avoid the Strait of Malacca (which most Chinese analysts see as a 'choke point'). Besides Kyauk Pyu in Myanmar and possibly Sonadia in Bangladesh, Kolkata could serve as the third land-to-sea access in the Bay of Bengal for China, if India agrees to operationalise the BCIM corridor.

China's long term plan to use Kolkata as the third opening into the Bay of Bengal has been somewhat mutely highlighted in an analysis: 'The Kunming-Kolkata corridor will not only rejuvenate the economies of Southwest China, northern Myanmar, Bangladesh, East and Northeast India, but will also connect to the proposed Amritsar-Kolkata growth corridor in India. Kolkata is thus the only Indian city that can connect a transregional corridor with an important Indian domestic growth corridor and the port system of the city will sustain a unique convergence of regionalisation and globalisation.'¹⁹

'No wonder that the 2014 K2K Forum in Kunming decided to 'develop several initiatives for greater connectivity between Kolkata and Kunming, with the BCIM economic corridor in mind'.²⁰ India's continued opposition to CPEC on Kashmir-related concerns notwithstanding, the prospect of forward movement on the BCIM actually helps harmonise China's BRI and India's 'Act East' in Asia as the most strategic link region connecting South to East and Southeast Asia. The fulfilment of the prophecy of the 21st being an Asian century depends on the success of this potential.

WUHAN AND AFTER

When China and India agreed at Wuhan to take forward the BCIM Economic Corridor, it led to much enthusiasm not only in Bangladesh and Myanmar but also in India's East and Northeast.²¹ Immediately after the Wuhan Summit, the Chief Minister of Assam, from India's ruling Bharatiya Janata Party (BJP), officially demanded upgrading and opening the Stillwell Road from Assam to Kunming to link Northeast India to Yunnan during a meeting in May 2018 in Delhi. He said opening this World War II Road as part of the proposed BCIM Economic Corridor could attract Indian manufacturing to Assam with potential access to the big Chinese market in sight. A 2003 study by the Indian Chamber of Commerce had said the Stillwell Road could handle up to 20 per cent of the China-India bilateral trade.²²

This writer has long argued that India's Act East Policy through the Northeast will only work if China is in the matrix. It is much easier to connect to the Tiger economies of South-east Asia by sea and makes better business and logistical sense to use the ports in eastern India to send goods to Singapore, Penang, Jakarta and Bangkok. Since China's ports are in the distant Far East, it makes much more sense to access its huge western and south-western market through the proposed BCIM corridor using East and Northeast India as the land bridge. So India's Look-East thrust through Northeast, to situate the country's long troubled Northeast at the heart of India's engagement with East and Southeast Asian Tiger economies, can only work if Indian manufacturers can access the huge Southwest and Western Chinese markets (and through it the rest of the country).

Former Portuguese minister and Sinologist Bruno Macaes has argued that India holds the key to the success of the Belt and Road Initiative: 'If China and India can align their foreign policies [...] then the Belt and Road's chances of success increase proportionately. But if India decides that life within the Western Order will be better than under an alternative arrangement, the Belt and Road will struggle to meet its original ambition.'²³ India's huge market and fast-growing economy, its geo-strategic location with coasts on either side, its capacity to provide an alternative pole to China's neighbours and its growing military strength makes it imperative for China to win over India to ensure the success of BRI.

Macaes blames China for failing to draw India into the BRI. 'China must have thought that India would be happy with any kind of role in the Belt and Road and neglected the vital task of cajoling and flattering its neighbour. The result has been very much the opposite – India became the core critic of China's geopolitical plans', says Macaes, but he is quick to add: 'Many in Delhi think that because the root of the problem is China's misperceptions of the issue, it can be corrected and an aggressive policy towards Beijing should be tempered by the recognition that China and India ultimately belong together.'²⁴

India may not yet join the BRI (though it has joined the China-driven Asian Infrastructure Investment Bank) because it tends to upset its Kashmir claims, but there are indications that India would be willing to go ahead with the BCIM-EC. Indian diplomats argue the BCIM predates the BRI and so it should be implemented without any obvious linkage to BRI. China should be able to accommodate that position. An Indian parliament committee on external affairs, in its recent report on 'Sino-Indian Relations', suggested concrete and urgent steps for 'improving bilateral relations by working on

synergies with Chinese positions in many fields.'²⁵ Regional and sub-regional cooperation in the eastern South Asia's link region with East and Southeast Asia could surely be one of them.

Subir Bhaumik, a veteran BBC journalist and author on regional conflicts in South Asia, is an expert in India's East and Northeast and its neighborhood. Bhaumik is also a senior member in Mahanirban Calcutta Research Group, a Kolkata-based think-tank, with which the Rosa-Luxemburg-Stiftung cooperates in India.

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