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IMPLICATIONS OF CHINA'S BELT AND ROAD INITIATIVE FOR BANGLADESH: A STRATEGIC ANALYSIS

Rashed Al Mahmud Titumir
Md. Zahidur Rahman



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Rashed Al Mahmud Titumir
Md. Zahidur Rahman

Rashed Al Mahmud Titumir, PhD is Professor, Department of Development Studies, University of Dhaka. He can be reached at: rt@du.ac.bd

Md. Zahidur Rahman is Lecturer, Department of Development Studies, Bangladesh University of Professionals. He can be reached at: zahidur.rahman@bup.edu.bd

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ABSTRACT

The paper provides an alternative framework in comprehending the geostrategic implications of China's Belt and Road Initiative (BRI) for Bangladesh in the milieu of transition of pacifist Indo-Pacific region to a point of strategic significance. On the contrary to liberal and realist perspectives, the paper develops an alternate framework based on internal compulsions resulting from political settlements of the countries involved. The paper also makes an attempt to propose a balancing mechanism to contribute to the perceived gap, as most available accounts typically urge to strike a 'delicate balance'. Identifying conditions for mutual stability and growth by outlining equiangular development diplomacy, the paper further fleshes out optimal outcome that can be reached if there is an alignment of necessary, sufficient and sustainability conditions amongst the collaborating and/or contending partners. Finally, the paper argues that the sustenance of such partnership is contingent upon normative legitimacy, which arises out of broad-based social approval along the lines of political settlement.

ACRONYMS

ASEAN	Association of Southeast Asian Nations
AIIB	Asian Infrastructure Investment Bank
BBIN	Bhutan, Bangladesh, India, Nepal
BCIM-EC	Bangladesh China India Myanmar Economic Corridor
BIG-B	Bay of Bengal Industrial Growth Belt
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRF	Belt and Road Forum
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, China and South Africa
CMIE	Centre for Monitoring Indian Economy
CMEC	China-Myanmar Economic Corridor
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
DBO	Daulat Beg Oldi
EEZ	Exclusive Economic Zone
FOIP	Free and Open Indo-Pacific
FDI	Foreign Direct Investment
GSP	Generalized System of Preferences
IDSA	Institute for Defence Studies and Analyses
IMF	International Monetary Fund
LAC	Line of Actual Control
M2M	Military to Military
MoU	Memorandum of Understanding
MSR	21 st Century Maritime Silk Road
NSR	New Silk Road
R&D	Research and Development
SAARC	South Asian Association for Regional Cooperation
SCO	Shanghai Cooperation Organisation
SEZ	Special Economic Zone
TPP	Trans-Pacific Partnership
VIF	Vivekananda International Foundation

Chapter 1

Introduction

China's Belt and Road Initiative (BRI) has drawn unprecedented attention from academics to state officials and business actors from both developed and developing countries. Understating China's grand strategy has been one of the key concerns for all those who are observing the developments since 2013. BRI, introduced in 2013 by Chinese President Xi Jinping, consists of six over-land economic corridors across Eurasia and a 'Maritime Silk Road' connecting vast geopolitical regions and strategic sea routes across Asia, Africa and Europe. Despite China's packaging of BRI as a project of connectivity, infrastructure development and mutual cooperation, it assumes global significance due to its geostrategic implications in a complex milieu of rising Chinese prominence and apprehensive responses from other global and regional powers.¹

Geostrategically, the BRI provides China both an 'institutional and normative' framework to guide its policy agenda and cater for its needs of a growing and transforming economy.² Prevailing approaches, however, emphasize more on geopolitical aspects of the initiative either using realist or liberal lenses, even though one contrasts the other, both groups provide less emphasis on explaining the internal politico-economic compulsions arising from a transitioning Chinese economy which is facing a number of challenges in terms of running its wheel of economic growth and driving Chinese leaders to pursue policies appropriate for its further stages of industrialization.³ Nevertheless, the BRI appears to pose challenges to the existing global and regional orders and often it is presented as an alternative framework for global development.

For China, this marks a major foreign policy transformation from Deng Xiaoping's inward-looking policy to Xi Jinping's outward-looking strategy which received further thrust from recent developments in the international arena due to Trump administration's 'America First' policy withdrawing from Trans-Pacific Partnership (TPP) as well as its waning economic influence in the world. Far outspending the USA's Marshall Plan which rebuilt European economies after the Second World War, the BRI is apparently the largest economic development programme in history.⁴

¹ Expert Brief by Ashlyn Anderson and Alyssa Ayres, *Economics of Influence: China and India in South Asia*, New York: Council on Foreign Relations, 2015.

² David Arase, "China's two silk roads initiative: What it means for Southeast Asia", *Southeast Asian Affairs*, 2015, p. 25-45.

³ Peter Cai, "Understanding China's Belt and Road Initiative", *Lowy Institute for International Policy*, 2017, available at <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>, accessed on 22 October 2019.

⁴ Simon Shen and Wilson Chan, "A comparative study of the Belt and Road Initiative and the Marshall plan", *Palgrave Communications*, Vol. 4, No. 32, 2018.

Departing from the traditional approaches of analysis which use either liberal or realist paradigms, the present paper advances a new approach for explaining BRI that calls for an ‘equiangular development diplomacy’. The paper argues that the China’s BRI, on the contrary to the voluminous literature from liberal and realist perspectives, is resultant of internal compulsions. In other words, for a specific country – including strong and weak states with differential levels of strategic resources – internal compulsions determine its external policy orientations. The re-emergence of China indicates a shifting balance of power and major re-configurations of international, regional and bilateral orders of relationships.

Placing Bangladesh in the context of China’s secular rise in the global and regional levels and taking the country’s growing need into account for securing resources such as capital, infrastructure and technology to fuel its transformation imply that Bangladesh has a lot to achieve by tapping the potential from the BRI. It requires Bangladesh to emerge as a strategic hub in the region through land and sea-based connectivity. On matters of capitalizing maritime connectivity and resource exploration in the Bay of Bengal, the country needs to define its strategy of either continuance with status quo or harnessing the economic resources both in Exclusive Economic Zone or EEZ (sub-optimal level), and high sea (optimal level) in the Bay of Bengal region linking it with different pathways including that of China’s 21st century maritime silk road initiative.

Realizing the potential is, however, plagued by a number of geostrategic intricacies involving China in particular (as the paper is about China and Bangladesh) and other regional and global powers in general. The latter is exemplified by the fact that Bangladesh does not share borders with China. Apart from India and Myanmar, for Bangladesh to join in any connectivity initiatives involves a third country, which is subject to multifarious bilateral complexities amongst South Asian countries. Bangladesh nonetheless faces a formidable challenge to initiate, or be a part of, or supplement any multi-states arrangements. This can be termed as the ‘third-party conundrum’.

Based on these realizations, any exercise about Bangladesh’s approach towards China’s BRI must be informed by drawing the trajectory involving other parties concerned. Belying the usual assertions of liberal and realist perspectives, the paper makes the following assumptions on the complex paths of relationships. First, the Indo-China relation is assumed to be that of a ‘competitive cooperation’ between the two where India’s strategy could be described as ‘two steps backward and one step forward’ while China wants to herald it as a global power and wants to contain India at best as a regional power. Second, Sino-USA relations can be described as one of ‘accommodation and hedging’, as opposed to what has been described as ‘Thucydides trap’. Third, the Indo-Bangladesh relationship is embedded in history with two violent conflicts and ongoing distributive conflicts, and the trajectory can be termed as a ‘continuation of creeping optimism’ as opposed to the liberal’s fascination of a revolutionary rise in expectations or realists’ pessimism of a ‘low-level equilibrium trap’. Further, Bangladesh’s strained

relation with Myanmar appears like ‘a fork in the path’, which can be travelled in favour of Bangladesh through appropriate intervention by a third party.

Moreover, the BRI has been reduced to either an issue of connectivity focusing mainly on discussion about potentials and challenges for participating countries or an issue of countering China’s growing geopolitical influence. These readymade approaches place China on the one side and India on the other, and put Bangladesh *fait accompli* sandwiched between the two, with no option for a home-grown approach.⁵ These available accounts typically and ironically urge to strike a ‘delicate balance’, without suggesting pathways, elements and instruments for achieving that balance. This is, no doubt, the hardest task while delving into the contours of policy choices for the so-called ‘small and relatively weak’ country with competing powerful neighbours. Nonetheless, the paper tries to work out the ‘balancing mechanism’ that Bangladesh needs to figure out in the context of China’s BRI strategy and its repercussions on the region and beyond.

The paper presents a new analytical framework⁶ for explaining geostrategic compulsions arising out of China’s BRI, illustrating through the case of Bangladesh amidst a translation of erstwhile pacifist Indo-Pacific region to a point of strategic importance. It also identifies the optimal outcomes that can be reached if there is an alignment of necessary and sufficient conditions amongst the contending and/or collaborating partners. The sustenance of such partnership is dependent upon normative legitimacy arising from broad-based social approval and popular support along with a specific political settlement interested in expanding productive capacities of the country. It further goes into identifying conditions for mutual stability and growth by outlining equiangular development diplomacy in the milieu of imbalance of power dynamics involved within the parties. A background of BRI with its historic link to ancient Silk Road and the rise of modern China are briefly discussed to figure out the interests and motivations for such a grand initiative like BRI.

⁵ Ataur Rahman, “The Challenges of Competitive Cooperation”, *The Daily Star*, 31 December 2014.

⁶ This alternative understanding is also supplemented by another paper by the Authors titled “China’s Belt and Road Initiative (BRI): Economic Implications for Bangladesh”, *BIISS Journal*, Vol. 40, No. 2, July 2019.

Chapter 2

BRI and Bangladesh: An Alternative Framework

Conventional approaches to understand BRI can be categorized into two broad camps – a security-based paradigm or realist approach and liberalization based economic paradigm or liberal approach.

Realist perspective holds that the world is an anarchical state where the state is only concerned with power and international relations are based on the assumption of zero-sum game.⁷ Consequently, prospects for cooperation and effectiveness of international arrangements are too bleak to pursue. Essentially, this reflects a hawkish tendency that is not interested in peace rather it let the states to externalize their internal compulsions as they have problems in their home constituencies. This might be visible in case of India as well as USA – how they frame the external threat perceptions to manipulate their internal politics.⁸ Instead of confronting the reality, their analysis is based on speculation. The problem is that realists are always interested in violent process of instability meaning permanent continuous instability as conceptualized by Hobbesian notion of the ‘state of nature’. Primarily, realism leads to more tensions and militarization ultimately creating what is known as ‘security dilemma’, and as a consequence it makes countries buy more arms than what they actually need or can afford.⁹ For example, the growing expenditure for arms and ammunition worldwide vindicates this strategy.¹⁰ This is also evident in the case of India and even in Bangladesh along with its neighbouring regions.¹¹ Moreover, realism is not working because conflict over time is increasing. For instance, the incidence of conflict and number of casualties has escalated in the world during the post-Cold War period in an unprecedented rate.

Forexample, the number of state-based (interstate, intrastate and internationalized) armed conflicts in the world increased from 41 in 2014 to 53 in 2016 (highest number since 1991). Although state-based conflicts slightly decreased to 49 in 2017, the number of non-state conflicts including ‘internationalized intrastate conflicts’ increased to 82 in

⁷ Thomas G. Moore, “Racing to Integrate, or Cooperating to Compete? Liberal and Realist Interpretations of China’s New Multilateralism,” in Guoguang Wu and Helen Lansdowne (eds.), *China Turns to Multilateralism: Foreign Policy and Regional Security*, London and New York: Routledge, 2008. Also see, Jeffry A. Frieden, David A. Lake, and Kenneth A. Schultz, *World Politics: Interests, Interactions, Institutions*, New York: WW Norton & Company, 2015. Also see, Stephen M. Walt, “International Relations: One World, Many Theories”, *Foreign Policy*, no. 110, 1998, pp. 31. Also see, Raju G. C. Thomas, *Indian Security Policy: Foreword by Joseph S. Nye*, New Jersey: Princeton University Press, 2014.

⁸ Ibid.

⁹ Jeffry A. Frieden, David A. Lake, and Kenneth A. Schultz, op. cit.

¹⁰ See for example data on growing trends in arms purchase and military expenditure in SIPRI Yearbook 2017: Armaments, Disarmament and International Security – Summary, Stockholm: Stockholm International Peace Research Institute (SIPRI), 2017.

¹¹ David P. Nicolas, *Chinese infrastructure in South Asia: a realist and liberal perspective*, Monterey, California: Naval Postgraduate School, 2015.

2017 from 62 in 2016.¹² The number of people killed as a direct consequence of armed conflicts was over 97,000 in 2015 and 104,000 in 2014 and this has been higher than any other time in the post-Cold War era.¹³ While the number declined to 69,000 in 2017 with 80 per cent of conflict related deaths occurring in Syria, Afghanistan, Iraq and Yemen, there was renewed conflict between India and Pakistan over the disputed territory of Kashmir.¹⁴

The reality of the present world shows that the realist perspective is not only just inadequate but also inapt to approach the BRI. It is because theoretically it stresses on the Chinese interest in advancing its geopolitical assertiveness under the guise of economic diplomacy and apparently this leads to a situation which will not create a favourable ambience.

Liberal approach, by contrast, focuses on interdependencies among states through global norms and institutions, economic cooperation and exchange and they present interaction among states a positive-sum game where interdependence affects the interest and behaviours of the states.¹⁵ Although liberals focus on peace and cooperation, but their problem is that they do not address the huge discontents due to pursuance of its neoliberal globalization. Liberalist policies disguised through the market penetration in developing countries has rendered them even more vulnerable in an unequal exchange relationship with developed countries.¹⁶ Though there is increased trade, it has remained extractive in nature due to its decoupling of associated increase in production or real economy in most of the developing countries.¹⁷ The promised outcome in terms of faster economic growth has not been realized despite their integration with the global market has deepened.¹⁸ More frustratingly, the growth pattern is jobless, extractive in nature and it benefits only a handful of large corporations and a few countries at the expense of many others.¹⁹

¹² Kendra Dupuy and Siri Aas Rustad, *Trends in Armed Conflict, 1946 - 2017*, Oslo: Peace Research Institute Oslo, 2018.

¹³ Kendra Dupuy, Scott Gates, Havard Mogleive Nygård, Ida Rudolfson, Siri Aas Rustad, Havard Strand, and Henrik Urdal, *Trends in armed conflict, 1946 - 2015*, Oslo: Peace Research Institute Oslo, 2016.

¹⁴ Kendra Dupuy and Siri Aas Rustad, op.cit.

¹⁵ Robert O. Keohane, and Joseph S. Nye Jr., *Power and Interdependence*, Boston: Longman, 2012.

¹⁶ Andrew K. Jorgenson and Brett Clark, "The economy, military, and ecologically unequal exchange relationships in comparative perspective: a panel study of the ecological footprints of nations, 1975-2000", *Social Problems*, Vol.56, No.4, 2009, 621 - 646.

¹⁷ UNCTAD, *Trade and Development Report 2017-Beyond austerity: Towards a global new deal*, Geneva: UNCTAD, 2017. See also, UNCTAD, *Trade and Development Report 2010 -Employment, globalization and development*, Geneva: UNCTAD, 2010.

¹⁸ UNCTAD, op. cit.

¹⁹ UNCTAD, *Trade and Development Report 1997-Globalization, Distribution and Growth and Trade*, Geneva: UNCTAD, 1997. See also, UNCTAD, *Development Report 2000-Global Economic Growth and Imbalances*, Geneva: UNCTAD, 2000.

Taken together, liberalism and realism, however, do not explain analytically the new form of globalization promoted by the BRI both at the normative and structural levels. This is because there are limitations at the theoretical and empirical levels.

Whereas liberalists' emphasis on trade and cooperation among states left many countries no better-off, realists are in fact spreading fear and apprehension among competing states when it comes to taking part in a mutual development initiative. Departing from these traditional understanding, the paper advanced a new approach for explaining BRI and it defines the sufficient condition for a successful regional alignment under BRI by bringing in two concepts — political settlement and normative legitimacy. The former as a sufficient condition while the latter as a sustainability condition.

The underpinning is that social property relationships — political settlement, distribution of power and resources — generate compulsions in a particular historical and institutional setting that determines the design and direction of a state's policies and actions. In other words, how things are engaged on the outside depend on how things are on the inside — political settlement based on domestic compulsions drives the external policies by the states. Another crucial aspect is normative legitimacy for sustainability of a cooperation.

The concept of 'political settlement' is defined as the forms of distribution of power within a given society.²⁰ Whether the prevailing political settlement or distribution of power within it promotes and fosters particular institutions and policies that would lead to the creation of a group interested in the transformation of the productive capacities of the economy will determine how much the country can gain from opportunities made available by mega initiatives like China's BRI.

Legitimacy refers to popular consensus or political support for political community, political regimes and for their actions or decisions, and the stability of a political system depends on normative legitimacy arising from the convergence between political culture and political structures.²¹ This connection between legitimacy and political order is emphasized when there is 'crisis of legitimacy' or even 'international crises of legitimacy'.²² Moreover, legitimacy is considered to be a key component of a country's development and its entrepreneurial success.²³ In effect, 'normative legitimacy' derives from the cognition level as well as based on perception or social recognition within the country. In order to forge a relation between countries that would eventually

²⁰ Mushtaq Khan, "Political settlements and the governance of growth-enhancing institutions", 2010, available at http://eprints.soas.ac.uk/9968/1/Political_Settlements_internet.pdf, accessed on 28 December 2017.

²¹ Bettina Westle, "Political Beliefs and Attitudes: Legitimacy in Public Opinion Research", in Achim Hurrelmann, Steffen Schneider and Jens Steffek (eds.), *Legitimacy in an Age of Global Politics*, 2007, p.93.

²² Christian Reus-Smit, "International crises of legitimacy", *International Politics*, Vol. 44, Issue. 2-3, 2007, p.161.

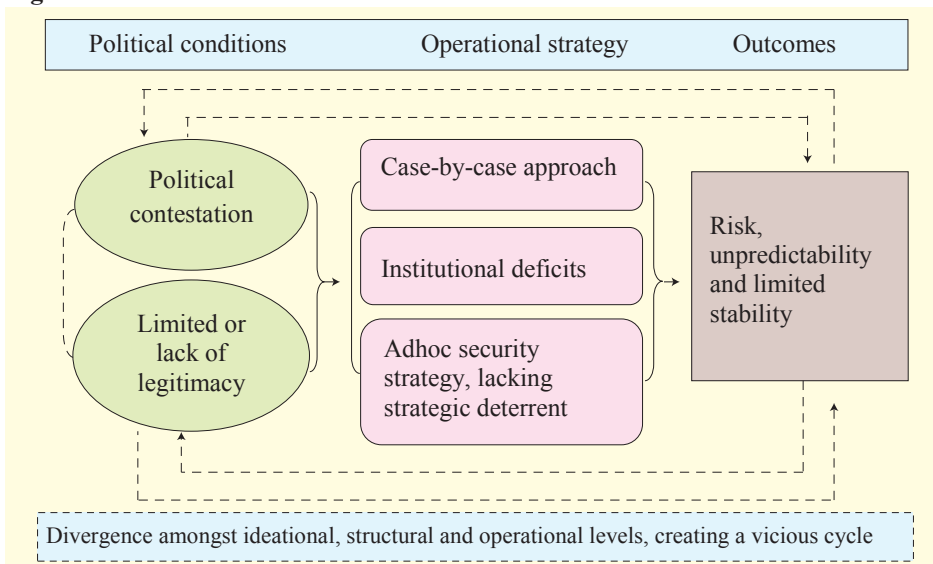
²³ Emilio Díez, Camilio Prado-Román, Francisco Díez-Martín, Alicia Blanco-González, "The Role of Normative Legitimacy in the Development of Efficiency-Driven Countries", in Marta Peris-Ortiz and Jose Merigó-Lindahl (eds), *Entrepreneurship, Regional Development and Culture*, Berlin: Springer, 2015.

foster effective cooperation, trade and mutual development, the deals of cooperation need to be based on normative legitimacy.

Connecting with the concept of normative legitimacy, this means when agency and structure come to a synergic position meaning when there is political consensus and social recognition over the distribution of power and resources and a productive class interested in entrepreneurial activities along with supporting set of institutions and policies, this would create conditions of stability and growth.

The paper adopts the approach of equiangular development diplomacy. This refers to a balanced pathway to progress where relations among countries would focus on mutual development needs and priorities rather than on divergent geopolitical interests or disputes. While this approach does not deny or ignore existing conflicts or contradictions, because that would be hugely impractical, it basically calls for a balanced approach that would align the interests and requirements of countries in question in ways to maximize gains and minimize loss. It addresses restrictive and imbalanced practices arising from monopoly of power. So, equiangular means reforming centralization of power and considering common grounds for mutual cooperation, stability and growth. Drawing on the preceding discussion, it is formulated that the relations among neighbouring states and China within the framework of BRI can create two conditions with differing outcomes. First is the business-as-usual condition and second is the stability and growth condition.

Figure 2.1: Business-as-Usual Framework

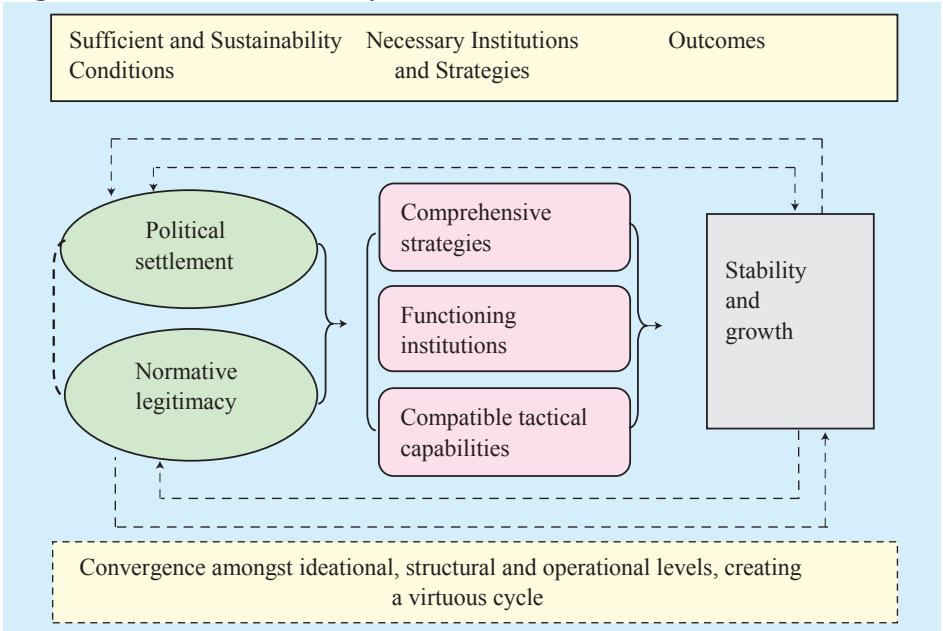


Source: Authors' presentation.

The business-as-usual framework displays: (a) case-by-case approach in building and maintaining relations with other countries lacking any comprehensive

national strategy, (b) disfunctional institutions, and (c) ad hoc security strategy with hardly any capabilities of strategic deterrent. These actions manifest from the lack of sufficient condition of a pro-active political settlement rather is underwritten by political contestations leading to no long term stable and strategic relations with its neighbours. The political contestation is, to a large extent, a product of limited or lack of legitimacy. The outcome is a combination of risk, unpredictability and limited stability. These outcomes lead to a vicious cycle of further political contestations and strains on legitimacy, which in turn lead to aggravated outcomes and the cycle continues.

Figure 2.2: Growth and Stability Framework



Source: Authors' presentation.

Contrary to the business-as-usual situation, the necessary conditions of growth and stability framework include: (a) comprehensive approach in building and maintaining strategic relations, (b) functioning institutions to deliver results, and (c) compatible tactical capabilities to act as strategic deterrent. The sufficient condition is a political settlement that drives the necessary condition to advance a balanced pathway and the sustainability of such a mutual cooperation depends on the peoples' approval through normative legitimacy. The outcome is, thus, stability and growth. This convergence amongst ideational, structural and operational levels create a virtuous cycle and such dynamic circular process bring further boosts in each of nodes, with a sustained flow of increasing outcomes.

Taken together, realizing strategic gains from China's BRI would need to be based on necessary conditions driven by political settlements and legitimacy. It can be argued that such necessary and sufficient conditions could allow Bangladesh to be a partner in progress, as it would also ensure access to China via a passage through a third country. The framework specifies that ensuring stability and security are essential for leveraging gains from China's BRI and political settlement and normative legitimacy are sufficient conditions or what would ensure the security and stability for smooth undertaking of a balanced strategy between Bangladesh and China.

Chapter 3

Rise of China and BRI: Interests and Motivations

China is one of the oldest and continuously surviving civilizations. Ancient Chinese society made tremendous inroads by making administrations run by scholar-bureaucrats of the Confucius traditions, pointing out a bureaucratic political system with absolute central authority and decentralized administration. In modern times, Maoist era laid down the crucial foundations for the later high economic performance, i.e., getting rid of imperialists and creating an opportunity for Communist planned economy that could later transform for more profitability.

The success of China's sui generis reforms which has been preconditioned by the country's size; the mediating role and purposeful coordination of the Chinese party state; and the unique global conditions of expanding world markets and growth during the three-decade period from the early-1980s to the start of the 21st century has set the tone for present global ambitions. This marks the shift from Deng Xiaoping's cautious international strategy of "conceal brilliance and cultivate internal strength" (*taoguang yang hui*) to President Xi Jinping's "dream for China's future", in which he hopes, by 2049, that China will have been restored to the position of global pre-eminence that it enjoyed in imperial times.²⁴

China's economic power and political ambition have been growing over the last decades and this has achieved a new height with Xi Jinping's coming to power in 2012. He introduced the ambitious plan of 21st Century Maritime Silk Road and New Silk Road Economic Belt that ushered a new era of Chinese diplomacy in the region.²⁵ China took leading roles in establishing BRICS Bank and particularly Asian Infrastructure Investment Bank (AIIB). BRI strategy has great significance for the South Asian countries, and the United States and certainly this will largely shape their geopolitical, strategic, and economic futures.

The Chinese undertaking of the BRI is a grand framework enveloping the country's imperatives for economic development and its vision of geoeconomic diplomacy. It is unsurpassed in its vision and potential, yet deeply rooted in millennium-long history of ancient Silk Road with unprecedented appeal for grandeur, enormity and transformation potential in today's world. BRI will see the development of six major economic corridors.

Since 2013, Beijing is putting considerable efforts to the BRI to transform and repackage the model of its economic diplomacy.²⁶ While most observers of China's

²⁴ Rashed Al Mahmud Titumir, "Sino-Bangladesh Relations: In Search of an Equiangular Partnership", *The New Age*, 14 October 2016.

²⁵ David P. Nicolas, op. cit.

²⁶ Michael Clarke, "The Belt and Road Initiative: Exploring Beijing's Motivations and Challenges for its New Silk Road", *Strategic Analysis*, Vol.42, Issue. 2, 2018, p. 84-102.

peaceful rise see this as an expression of skilful manoeuvre of Chinese foreign policy and of President Xi Jinping, debates exist regarding the actual motivations and interests of China. On March 28, 2015, an action plan on the BRI was issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with authorization of the State Council. The Action Plan on BRI provides the national interest of China in undertaking this initiative which promotes a common path towards shared prosperity, peace and win-win cooperation based on five Principles of Peaceful Coexistence highlighting the solemn message of equal growth, respect for sovereignty, and win-win cooperation.²⁷ This is the continuation of China's effort since the Bandung Conference in 1955 to pacify the fears of its Asian neighbours maintaining policy of peace and cooperation to assist in the development of the global community.²⁸

In spite of the Chinese assurance, one group of foreign policy analysts explained the Chinese initiative from a geopolitical lens, arguing the intention of China is a 'new geo economic strategy' to assert its diplomatic and economic leadership.²⁹ While explaining Chinese motivations for the BRI using liberal or realist approaches, it either analyses China's motive to advance strategic and material arrangement for mutual economic growth for all participating countries or it points out to China's geopolitical interest to draw countries into its sphere of influence and establish hegemony in the region.

Assessing vitality of the both sides of the argument, Nicolas argued that liberal lens can better explain the BRI by highlighting on increased opportunities for shared progress and multilateral growth and alternative to address the drawbacks of the current global and regional institutions. Emphasizing the points to China's "pursuit of institutionalized cooperation" as evidence of Beijing's desire to work within the confines of the world order to promote cooperation and multilateral growth, liberal perspective explains China's motivation as peaceful. In contrast to this argument, the realist perspective posits that China's interest in multilateralism is for the purpose of gaining "coercive power and political influence" and not for the sole purpose of cooperation.³⁰ The realist tendency to highlight power game and China's ambition for regional hegemony, however, has little concrete evidence except lengthy speculation.

What is more important is that a number of contradictions led China to take the current course of actions. China struggles to offset the distortions created by accumulation of capital to align with social cohesion for coping with modernity and gigantic scale for building a 'harmonious society', through a combination of grass-roots democracy and the

²⁷ National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, *Action Plan on the Belt and Road Initiative*, 28 March 2015.

²⁸ David P. Nicolas, op. cit.

²⁹ Xiaoyu Pu, "One Belt, One Road: Visions and Challenges of China's Geoeconomic Strategy", *Mainland China Studies*, Vol. 59, No.3, 2016, pp.111-132.

³⁰ David P. Nicolas, op. cit. p.7.

decentralization of economic power to regions. As per with the conceptual framework, the paper places more emphasis on the inner reasons and internal compulsions for China to take up such a strategy as discussed below.

First, as the Chinese economy matures and transitions to a high-end trajectory, the contributions of domestic industrial sectors, such as steel, aluminium, cement, construction, ship building and others are declining mainly because of the unutilized excess production capacity.³¹ Exporting the excess production capacity across borders in neighbouring countries can save Chinese firms from major setback.³² This is one of the main reasons China is undertaking massive infrastructure projects under the BRI.³³

Second, the growing cost of labour is eroding the comparative advantage, and this has led China to seek out different ways to safeguard their course of economic growth. Rising wages has dampened China's exports in recent years and challenged its future viability as a low-cost manufacturing centre.³⁴

Third, as China's economic growth slows down and cost of production rises in recent years, the country needs to diversify its focus of industrial development to concentrate more on high-end and high-tech manufacturing industries.³⁵ BRI would calculatedly serve this purpose.

Fourth, compared to China's Eastern region, most of the Western and central provinces had lower economic growth that resulted in widening regional disparity.³⁶ For example, the average income per capita of poorest Guizhou province is only 25 per cent of the richest Tianjin region.³⁷ Addressing China's growing regional disparity is one of the key objectives of BRI.

Fifth, currently China has the world's largest reserve of US dollar amounting to over 3 trillion. China's total foreign exchange reserve was US\$3.13 trillion in February

³¹ Chinese economy has chronic excess capacity problems in manufacturing industries since late 1990s. "The capacity utilization rates for five manufacturing industries in China, including steel, cement, aluminium, flat glass, and shipbuilding in 2012, were 72%, 73.7%, 71.9%, 73.1% and 75%, respectively, much lower than the 80% level" which is considered normal. See for details: Rui Fan, "China's Excess Capacity: Drivers and Implications", *Stewart and Stewart*, 2015.

³² Zhang Mei, "The Present and the Future of China's Production-Capacity Cooperation with Foreign Countries." *China Institute of International Studies*, 2016, available at http://www.ciis.org.cn/english/2016-08/19/content_8975283.htm, accessed on 12 April 2018.

³³ Peter Cai, op. cit.

³⁴ For example, for every 100 yuan (US\$14.37) of income, the cost of production of the main manufacturing sector increased from 85.27 yuan in 2013 to 85.68 yuan in 2015, and 85.87 yuan in September 2016. See for details: Hangyan Zhang, 2016, op. cit.

³⁵ Hangyan Zhang, "How to revive manufacturing sector?", *China Daily*, 20 December 2016, available at http://www.chinadaily.com.cn/opinion/2016-12/20/content_27716250.htm, accessed on 02 May 2018.

³⁶ Shantong Li, Fei Wang and Zhaoyuan Xu, "The Trend of Regional Income Disparity in China", *Working Paper Series N° 193*, RIMISP, 2016.

³⁷ Stephen King, "China's path to tackling regional inequality", *Financial Times*, 02 February 2016.

2018 which was equal to 22.7 months of country's imports.³⁸ Utilizing more than US\$3 trillion reserve in more productive ventures and projects is a major motivating factor for China's BRI strategy. Moreover, the need for internationalization of RMB as a medium of exchange and world currency motivates China to integrate more actively with world economy.³⁹ In this regard, financing BRI projects may also act supportively.⁴⁰

Sixth, ensuring China's energy security through finding alternative routes for energy import and industrial supply line assumes top priority. BRI involves massive infrastructure projects primarily focusing on connectivity. Underlying motivation for Beijing has been targeted towards resolving 'Malacca Dilemma'. Nearly 80 per cent of China's Middle Eastern energy imports pass through the narrow stretch of water and this is the reason why this disputed and geostrategically tense route requires other back-up plans.⁴¹ By undertaking projects like China-Pakistan Economic Corridor (CPEC) and pipelines through Myanmar under BRI, China will be able to pump its oil supplies from the Middle East. In addition, these alternative communication routes will act as strategic gateway for China to Middle East, Africa and Europe.⁴²

Finally, China has been increasingly ushering its strong economic and strategic presence in the world since the last decade. This has been a result of a major foreign policy transformation in China from inward looking policy of Deng Xiao Peng (Ping) to Xi Jinping's going out strategy.⁴³ Since 2013, the Chinese government has been pushing for BRI, aiming to connect China with countries along the ancient Silk Road and a new Maritime Silk Road via infrastructure investment, which has been a clear manifestation of China's going global strategy.⁴⁴

It can be argued that the main driving force for undertaking BRI is internal economic compulsions and this policy has a more domestic focus to transform and take over to the next phase of development to extend its international influence.

³⁸ The People's Bank of China (PBC) in CEIC Data, "China Foreign Exchange Reserves 1989-2018", available at <https://www.ceicdata.com/en/indicator/china/foreign-exchange-reserves>, accessed on 02 May 2018.

³⁹ Yukon Huang and Clare Lynch, "Does Internationalizing the RMB make sense for China", *Cato Journal*, Vol.33, No. 3, 2013, p.571.

⁴⁰ Hyo-Sung Park, "China's RMB Internationalization Strategy: Its Rationales, State of Play, Prospects and Implications", *M-RCBG Associate Working Paper Series*, No. 63, Mossavar-Rahmani Center for Business & Government, Harvard Kennedy School, 2016.

⁴¹ James Tunningley, "Can China overcome the Malacca Dilemma through OBOR and CPEC?", *Global Risk Insights*, 08 March 2017, available at <https://globalriskinsights.com/2017/03/china-overcome-malacca-dilemma-obor-cpec/>, accessed on 25 March 2018.

⁴² Joel Wuthnow, *Chinese Perspectives on the Belt and Road Initiative: Strategic Rationales, Risks, and Implications*, China: National Defense University Press, 2017.

⁴³ Yong Wang, "Offensive for defensive: the belt and road initiative and China's new grand strategy", *The Pacific Review*, Vol.29, Issue.3, 2016, p. 455-463. See also, Stephanie Kleine-Ahlbrandt and Andrew Small, "China's new dictatorship diplomacy: is Beijing parting with pariahs?", *Foreign Affairs*, 2008, p.38-56.

⁴⁴ Yong Wang, op. cit.

Chapter 4

Strategic Implications of BRI for South Asia: India and Myanmar

South Asia assumes vital importance for the success of BRI as much as it creates some of the mounting challenges for China stemming from the complex regional geopolitics. The analysis of geopolitical and strategic implications in the region gets prominence when studying BRI strategy. The implications for countries in South Asia vary based on their bilateral relations with China and their respective lens or fear of China's hegemonic influence (Table 1). Hence, the understanding of regional alignment strategy within BRI framework requires to be viewed from both global and regional perspectives. Based upon Bangladesh's relations with other countries, this paper discusses the implications of BRI from three aspects. The present chapter deals with countries which share borders with Bangladesh (i.e. India and Myanmar). The subsequent chapters contain an analysis of countries which do not share borders with Bangladesh but play an influential role in the dynamics of geopolitics in the Bay of Bengal region (i.e., USA). The geo-strategic implications as regards other selected belt-sharing countries are also discussed.

Table 4.1: China's Strategic and Economic Relationship with Selected South Asian Countries

Country	Active Naval Vessels Manufactured/ Co-developed by China	Big-Ticket Marine Infrastructure under development by China	Chinese Investment Spending 2005-2017 (in billion US dollar)	Status of Free Trade Agreement with China
Bangladesh	46	Chittagong Port	24.1	Biggest trading partner, feasibility study started in 2016
Pakistan	15	Gwadar Deep Water Port	50.6	Signed (2007)
Sri Lanka	17	Hambantota Port	14.7	Biggest trading partner, negotiations started in 2014
Myanmar	17	Kyaukpyu Deep Water Port	7.4	ASEAN-China Free Trade Area (2010)
India	0	0	-	Not signed

Maldives	0	Ihavandhippolhu Integrated Development iHavan) Project	NA	Signed (2017)
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Source: Based on Mukherjee⁴⁵

India: India is a regional power in Asia, South Asia being its sphere of influence. This large country with over a billion population is, however, still facing perennial problem of underdevelopment, poor infrastructure, huge investment deficit and greater need for connectivity both within the country and across the region. In this connection, BRI presents considerable potentials for India. For example, one estimate shows that India is expected to receive the highest share of China's massive flow of investment amounting US\$84 to US\$126 billion over the next five years from 2017.⁴⁶ China is also the largest trading partner of India and both countries share historic links to ancient Silk Route and deep-rooted economic and cultural exchanges. Yet, the bilateral relation between the countries has been with strategic mistrust and periodic escalation of tensions due to border disputes along with the memory of two brief wars fought by the two nuclear-armed neighbours in last six decades.⁴⁷

Since its inception in 2013, India's stance toward the BRI has been inauspicious which is a staunch reflection of realist conviction. Delhi's concern lies with the prospect that the BRI would marginalize its primacy in the region while advancing Beijing's commercial, economic and strategic interest in countries under India's sphere of influence. Indian establishment views the BRI to be a geostrategic blueprint to strengthen China's presence in the 'Indo-Pacific maritime domain' by building major infrastructure projects in strategic locations and tying in countries with loan and economic investments (Blah, 2018⁴⁸; Mohan, 2017).⁴⁹ The perception of threat of rising China by the political elite in India and strategic considerations of 'Indo-US alignment of interests in the Indian Ocean region' are likely reasons behind its stance in this regard.⁵⁰

⁴⁵ Tuneer Mukherjee, "China's Maritime Quest in the Indian Ocean: New Delhi's Options", *The Diplomat*, 24 April 2018, available at <https://thediplomat.com/2018/04/chinas-maritime-quest-in-the-indian-ocean-new-delhis-options/>, accessed on 20 November 2019.

⁴⁶ Peggy Sito, "India and Russia tipped to be the big winners from China's massive 'Belt and Road' investment", *The South China Morning Post*, 13 May 2017, available at <http://www.scmp.com/business/article/2094224/india-and-russia-tipped-be-big-winners-chinas-massive-belt-and-road>, accessed on 21 November 2018.

⁴⁷ Peter Cai, "Why India is wary of China's Silk Road Initiative", *The Huffington Post*, 07 September 2016, available at https://www.huffingtonpost.com/peter-cai/india-china-silk-road-initiative_b_11894038.html, accessed on 20 October 2019.

⁴⁸ Montgomery Blah, "China's Belt and Road Initiative and India's Concerns", *Strategic Analysis*, Vol. 42, No. 4, 2018.

⁴⁹ C. Raja Mohan, "Network is the Key", *The South China Monitor*, 09 May 2017, available at <http://southasianmonitor.com/2017/05/09/network-is-the-key/>, accessed on 21 November 2018.

⁵⁰ Md. Muhibbur Rahman, "South Asia's View on China's One Road One Belt Initiative", *Fudan IIS Working Paper Series*, Fudan University, 2015.

India's official position became clear when it decided not to take part in BRI Summit held in Beijing on May 2017. The first summit on the BRI, remarked by President Xi Jinping as the "project of the century", was attended by more than 120 countries, including 29 head of states, and top representatives from key global organizations, such as the UN and International Monetary Fund (IMF).⁵¹

India mentioned the main reason for not participating in the summit to be the CPEC, which passed through Pakistan-held Kashmir because sovereignty and territorial integrity issues were the priority agenda for Modi's government overcharged with nationalist sentiments.⁵² India has doubts that the CPEC is not simply a commercial project and considers this to be a challenge to its territorial integrity for China not showing respect to the 'One India' policy. Following the China's recent stance on sovereignty claims over the disputed South China Sea islands, Indian policy also interestingly echoes President Xi's stance of not sacrificing the "core interests" for the sake of developmental interests.⁵³ Some Indian commentators, however, consider India's absence from BRI summit as not being able to achieve an acceptable deal in case of CPEC project as signs of failure of Indian foreign policy under Modi's government and as a consequence of which seemingly "China-Pakistan axis has isolated India in South Asia besides rendering it lonely in the world".⁵⁴

To counter China's BRI strategy, India is also taking various initiatives, for example redrawing Bhutan, Bangladesh, India, Nepal (BBIN) Initiative, developing Chabahar port in Iran, aligning with USA, Japan and Australia. India approved US\$1.08 billion project for building and upgrading 558 km long roads that connect Bangladesh, Bhutan and Nepal.⁵⁵ Moreover, India's Chabahar deal with Iran and a trilateral agreement with Iran and Afghanistan to develop a transport corridor from Chabahar through Afghanistan showcase its willingness to make a major strategic role in Central Asian trade, although there remains concern about the actual extent of economic gains.⁵⁶ India has proposed alternative Cotton Road initiative to counter China's BRI and also made new alignment with USA, Japan and Australia to work on a joint regional infrastructure plan.⁵⁷

⁵¹ Srikanth Kondapalli, "Why India is not part of the Belt and Road Initiative summit". *The Indian Express*, 15 May 2017, available at <http://indianexpress.com/article/opinion/why-india-is-not-part-of-the-belt-and-road-initiative-summit-4656150/>, accessed on 22 October 2018.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ashok Swain, "India's absence from OBOR forum is testimony of Modi's failed foreign policy", *Daily O*, 15 May 2017, available at <http://www.dailyo.in/politics/obor-india-foreign-policy-china-south-asia/story/1/17201.html>, accessed on 22 November 2018.

⁵⁵ IANS, "Centre approves \$1 billion Bangladesh-Bhutan-India-Nepal road connectivity project", *The News Minute*, 18 September 2016, available at <http://www.thenewsminute.com/article/centre-approves-1-billion-bangladesh-bhutan-india-nepal-road-connectivity-project-50058>, accessed on 22 November 2018.

⁵⁶ Sarah Watson, "Does India's Chabahar Deal Make Sense?", *The Diplomat*, 24 May 2017, available at <http://thediplomat.com/2017/05/does-indias-chabahar-deal-make-sense/>, accessed on 25 November 2018.

⁵⁷ Zhiqun Zhu, "Can the Quad Counter China's Belt and Road Initiative?", *The Diplomat*, 14 March 2018, available at <https://thediplomat.com/2018/03/can-the-quad-counter-chinas-belt-and-road-initiative/>, accessed

Over the years, however, India's relations with China have been full of ups and downs. Despite occasional confrontations, both the countries have taken repeated efforts to improve cooperation on economic and strategic frontiers.⁵⁸ Overwhelming sense of competition on the side of many Indians sometimes undermines the benefits of cooperation with China. During the former government under Manmohan Singh, relations between India and China reached a new height, for example, Indian Prime Minister's visit to China in 2013 and signing of Border Defence Cooperation Agreement testified a reassured intention to resolve disputes and move forward.⁵⁹ Both sides also agreed to form joint study group to advance Bangladesh China India Myanmar Economic Corridor (BCIM-EC) and showed commitment to work together for connectivity and regional cooperation.

When BJP-led government under Narendra Modi came to power, India's overall stance towards China and prospects for cooperation altered significantly. Current Modi government has adopted a hawkish view on China and is taking a cautious move to the BRI mostly driven by geopolitical and security concerns with China's growing presence in the Indian Ocean region.⁶⁰ Further, a 73-day-standoff in 2017 due to border dispute between India and China at Doklam casted deep shadow over the possibility of India's involvement in the BRI and successful implementation of the initiative in South Asia.

But after the meeting of Modi and Xi Jinping at BRICS Summit at Xiamen, China, hope started to emerge that both the countries will act responsibly when it comes to cooperation and stability in the region. Putting aside diplomatic disputes, both India and China showed notable progress for creating space for multilateral cooperation on an array of issues during the Summit terming it a productive and successful event.⁶¹ Afterwards, a number of bilateral meetings between Xi and Modi as well as many senior level official visits by both the governments suggests a strategy of accommodation.

In a span of six weeks, Modi visited China twice in late-April and early-June in 2018. The first one was an informal meeting in the central Chinese city of Wuhan where both Modi and Xi agreed to resolve all disputes through peaceful means and improve bilateral cooperation. China welcomed this move and stated that "this Wuhan meeting will increase mutual trust, manage and control disputes, deepen cooperation and lead to a new phase in China-India relations".⁶² The second visit was in June 9, 2018 when Modi met Xi

on 25 November 2018.

⁵⁸ Tanvi Madan, "Dancing with the Dragon? Deciphering India's 'China Reset'", *Commentary, War on the Rocks*, Texas National Security Network, University of Texas, 26 April 2018, available at <https://warontherocks.com/2018/04/dancing-with-the-dragon-deciphering-indias-china-reset/>, 25 November 2018.

⁵⁹ Ananth Krishnan, "China highlights outcome of Manmohan's visit", *The Hindu*, 26 October, 2013.

⁶⁰ M. Muhibbur Rahman, "Prospects for Sino-Indian Maritime Connectivity in the Indian Ocean Region", *BIISS Journal*, Vol. 36, No. 3, 2015, pp. 241-260.

⁶¹ Pragya Pandey, "2017 BRICS Summit: Post-Doklam, India, China Meet in Xiamen", *The Diplomat*, September 2017, available at <https://thediplomat.com/2017/09/2017-brics-summit-post-doklam-india-china-meet-in-xiamen/>, accessed on 22 November 2018.

⁶² "China and India agree to maintain border peace as Modi wraps up visit", *CNBC*, 28 April 2018, available at <https://www.cnbc.com/2018/04/28/china-india-agree-on-border-peace-as-modi-wraps-up-visit-with-xi.html>,

multiple times on the sidelines of the Shanghai Cooperation Organisation (SCO) summit held in the coastal city of Qingdao and discussed strengthening economic ties between the countries.⁶³ These series of high-level visits and other developments suggest how India is trying to accommodate its relation with China.

Modi and Xi held their second informal summit in Chennai, India, on 11-12 October 2019. In April 2018, the first informal summit between Xi and Modi in Wuhan pulled bilateral relations back on track from the shadow of the Doklam standoff. Modi has accepted the invitation to visit China for a third informal summit next year. During the second summit, both leaders held “heart-to-heart” and “candid discussions like friends” on a series of issues. An Indian newspaper says in its editorial that Modi and Xi have not allowed recent disagreements to cloud their meeting and adds that ‘above all, the leaders decided, as they had in Wuhan, that they would “prudently manage” differences and not allow “differences to become disputes” or as Mr. Xi put it, “dilute cooperation”’.⁶⁴

Before the Summit, Mandip Singh, formerly a Senior Fellow at the Institute for Defence Studies and Analyses (IDSA) writes a commentary⁶⁵ in the IDSA website titled ‘The Next Step in Building India-China Military to Military (M2M) Relations.’ He says:

“The most convincing argument in support of a successful India-China military relationship is the fact that not a shot has been fired across the 3488 km long Line of Actual Control (LAC) in over 50 years. It is also to the credit of the militaries of both countries that they have shown maturity and restraint in defusing potentially explosive situations such as those in Daulat Beg Oldi (DBO) in 2013, Chumar in 2014, and Doklam in 2017..... It is axiomatic that as India explores a more meaningful relationship of ‘cooperation and competition and not confrontation’ with China, there is a need to ensure that the borders are peaceful. This way energies could be devoted to issues of consonance and convergence rather than dissonance and divergence.”

Following the summit, a former Deputy National Security Adviser of India and current Director of Vivekananda International Foundation (VIF) in his signed article⁶⁶

accessed on 20 November 2018.

⁶³ Abhishek Chakraborty, “Modi visits China for second time in 6 weeks, meets Xi Jinping today: 10 facts”, *NDTV*, 9 June 2018, available at <https://www.ndtv.com/india-news/sco-summit-2018-pm-narendra-modi-xi-jinping-to-hold-bilateral-talks-during-shanghai-cooperation-orga-1864796>, 22 November 2018.

⁶⁴ “Chennai Connect: On Xi-Modi Informal summit”, *The Hindu*, 14 October 2019, available at <https://www.thehindu.com/opinion/editorial/chennai-connect-on-xi-modi-informal-summit/article29675445.ece>, accessed on 22 October 2019.

⁶⁵ Mandip Singh, “The Next Step in Building India-China Military to Military (M2M) Relations”, *Institute for Defence Studies and Analyses*, 16 September 2019, available at <https://idsa.in/idsacomments/building-india-china-military-relations-msingh-160919>, accessed on 21 November 2019.

⁶⁶ Arvind Gupta, “The Chennai Connect in Sino-Indian Relations: Assessing the Second India-China Informal Summit at Mamallapuram, 11-12 October 2019”, *Vivekananda International Foundation*, 14 October 2019, available at <https://www.vifindia.org/2019/october/14/the-chennai-connect-in-sino-indian-relations>, accessed on 15 November 2019.

titled “The Chennai Connect in Sino Indian Relations: Assessing the Second India-China informal Summit at Mamallapuram, 11-12 October 2019” in the pages of VIF, Arvind Gupta writes:

“The two leaders, already having met 18 times since 2014, are interested in enhancing mutual understanding of these changes. They do not want the bilateral relationship to be derailed by the difficult issues. As Mr Modi observed at the delegation level talks, Mamallapuram summit is a step towards ‘managing’ the relationship and building trust and not letting differences become disputes. Neither side seems to be in a mood to take up the difficult questions at this stage to avoid derailing the relationship. That seems to be the message coming from Mamallapuram. The difficult issues like the boundary question can await resolution. The second informal summit kept the focus on convergences with an eye on the future. The emphasis in Mamallapuram seems to have been to ‘manage’ the differences ‘prudently’.”

As regards Chinese side, before the meeting of the two leaders, an editorial titled, ‘Informal meetings important new element in high-level Sino-Indian exchanges’, the *China Daily*⁶⁷ states, “The belated official announcement of Xi’s visits to the country’s two South Asian neighbours, only 48 hours ahead of the informal meeting, was proof that Beijing and New Delhi cherish the opportunity to improve bilateral ties through the personal chemistry between their top leaders.” “That both Beijing and New Delhi announced the meeting will take place, squashed the earlier speculation that the two leaders would postpone any meeting and sent the reassuring message that they want nothing to get in the way of constructive engagement,” it adds.

The Chinese newspapers are also upbeat after the Meeting. In an opinion piece in the *China’s People’s Daily*⁶⁸: “China and India have developed a new space for pragmatic cooperation. In recent years, the bilateral trade volume between China and India has continued to rise, reaching a record high in 2018. The two countries see a lot of development opportunities in each other. Companies of the two countries have actively explored each other’s markets and conducted business operations to achieve mutual benefit and win-win results. China and India are promoting industrial integration, and digital cooperation is expected to become a new bright spot for cooperation.”

The Western media have also reported that the two sides have focussed on stepping up of the relationship by keeping the difficult issues on hold. The *Wall Street Journal* reports:⁶⁹ “The leaders of China and India wrapped up two days of meetings at a resort

⁶⁷ “Informal meetings important new element in high-level Sino-Indian exchanges”, *China Daily*, 10 October 2019, available at http://www.chinadaily.com.cn/global/2019-10/10/content_37514645.htm, accessed on 25 October 2019.

⁶⁸ Hua Yisheng, “Xi-Modi Meeting Further Cements China-India Relations”, *People’s Daily*, 14 October 2019, available at <http://en.people.cn/n3/2019/1014/c90000-9622480.html>, accessed on 25 October 2019.

⁶⁹ Rajesh Roy, “China’s Xi and India’s Modi Talk up Trade, but Turn Aside Touchy Topics”, *The Wall Street Journal*, 12 October 2019, available at <https://www.wsj.com/articles/chinas-xi-and-indias-modi-talk-up-trade-but-turn-aside-touchy-topics-11570885346>, accessed on 20 October 2019.

town in southern India by agreeing to find ways to step up trade, but they steered clear of thornier matters such as Kashmir and the 5G data prospects of Chinese powerhouse Huawei.”

Overall, competing with China and its massive initiative and capacity would not be a feasible alternative for India. Rather, the long run implications of BRI in the region and considerable potentials for India in it need to be considered from the perspective of a regional alignment strategy for a successful cooperation and shared development.

India’s tactics towards China can be described as ‘two steps backwards, one step forward’ which underlines the apparent apprehensions expressed from the top political authority while essentiality of economic compulsions and trade dependence on China remain a reality to many Indians. There are a number of reasons why India would not want any aggressive counteractions against China despite the heightened political narratives. This strategy can be termed as ‘competitive collaboration’ as it involves both competition and collaboration at the same time. In other words, economic collaboration continues even under heightened geopolitical competition and rivalry. Though India’s ambitions might be growing, its economy is troubled with a number of headwinds.

First, India faces problem of acute capital shortage. Data on current account deficits testify this (Figure 1). Provided massive borders (India’s land border spans over 15,106.7 km along with a coastline of 7,516.6 km including island territories)⁷⁰ and continued disputes with neighbours, India’s border security and maintenance cost is very high. For example, India and Pakistan share one of the most militarized borders in the world and it is also regarded as very dangerous marked by constant violence and legacy of three wars leaving 115,000 dead.⁷¹

Intense military competition with Pakistan (world’s seventh largest military power claiming one-sixth of public spending) means that India (world’s fifth largest military spender) needs to spend a large proportion of its military budget to protect its borders. This is evident in case of its growing military cost, for example, over last 15 years India spent US\$75 billion on arms deals.⁷² India’s arms imports increased 24 per cent in four years between 2013 and 2017 and its imports constitute 12 per cent of total global arms trade. India’s top two sources are USA and Russia. Indian armed forces procure 65 per cent of their requirements from abroad and the demand for imported arms is increasing day by day as the country has limited capability for manufacturing arms domestically.⁷³ During the same period China’s arms import decreased by 19 per

⁷⁰ South Asian Terrorism Portal “Border Management” in *Annual Report 2008-2009*.

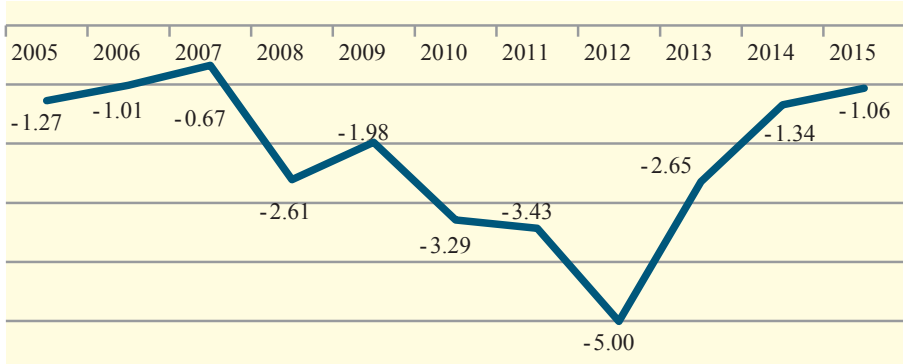
⁷¹ Philip Walker, “The World’s Most Dangerous Borders”, *The Foreign Policy*, 24 June 24, 2011, available at <https://foreignpolicy.com/2011/06/24/the-worlds-most-dangerous-borders/>, accessed on 15 November 2018.

⁷² Rajat Pandit, “With 12% of global imports, India tops list of arms buyers: Report”, *Times of India*, 13 March 2018, available at <https://timesofindia.indiatimes.com/india/with-12-of-global-imports-india-tops-list-of-arms-buyers-report/articleshow/63276648.cms>, accessed on 20 November 2019.

⁷³ Ibid.

cent as the country domestic arms manufacturing capacity is increasing.⁷⁴ India's total defence budget was US\$45 billion in 2017-18 whereas China's budget was US\$175 billion.⁷⁵ Further India's internal security cost is also high due to insurgency in Kashmir and Maoist separatist movements in North-eastern states.⁷⁶

Figure 4.1: India's Current Account Balance (% of GDP)



Source: Based on World Bank Data (2017).

Second, India's poverty rate and rate of inequality are very high. For example, India houses the highest number of poor people – one quarter of world's 736 million extreme poor in 2015 live in this country.⁷⁷ One in five Indians is poor and poverty rate is the highest among secluded tribes (48 per cent are poor). There also high degree of inequality based on economic, social and caste groupings. For instance, seven low income states include 62 per cent of India's poor while housing 45 per cent of India's population.⁷⁸ In contrast to India, the poverty situation in China is much better. A total 68.53 million people of were moved out of poverty between 2012 and 2017 in China with poverty rate declining from 10.2 per cent to 3.1 per cent.⁷⁹ Moreover, China is India's largest trading partner and India's imports were US\$68.10 billion in 2017 (14.59

⁷⁴ "Asia and the Middle East lead rising trend in arms imports, US exports grow significantly, *Stockholm International Peace Research Institute*, 12 March 2018, available at <https://www.sipri.org/news/press-release/2018/asia-and-middle-east-lead-rising-trend-arms-imports-us-exports-grow-significantly-says-sipri>, accessed on 15 November 2019.

⁷⁵ Ibid.

⁷⁶ "A look at the conflicts that have plagued India for decades", *The Daily Mail*, 27 July 2016, available at <https://www.dailymail.co.uk/wires/ap/article-3710341/A-look-conflicts-plagued-India-decades.html>, accessed on 18 November 2019.

⁷⁷ World Bank, *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle*, Washington, DC: World Bank, 2018.

⁷⁸ World Bank, *Infographic: India's Poverty Profile*, 2016, available at <http://www.worldbank.org/en/news/infographic/2016/05/27/india-s-poverty-profile>, accessed on 20 November 2019.

⁷⁹ "China brings nearly 13 mln people out poverty in 2017", *Xinhua*, 01 February 2018, available at http://www.xinhuanet.com/english/2018-02/01/c_136942195.htm, accessed on 20 November 2019.

per cent rise from previous year) with US\$51.75 billion trade deficit for India.⁸⁰ In this connection, as India enjoys cheap imports of goods from China, searching for alternative source of imports would only deteriorate its current account deficit.

Third, despite huge size of population, the quality of human capital is poor in India. The labour market is characterized by high unemployment rate and skill shortage. The Centre for Monitoring Indian Economy (CMIE) reports that the number of unemployed Indians looking for a job was around 31 million in 2018 (the highest since October 2016) and unemployment rate has risen to 7.1 per cent in 2018 showing an increasing trend possibly due to widespread skill shortage in the job market.⁸¹ Leaked report from Indian National Sample Survey Office shows that national unemployment rate has reached a record 45-year high 6.1 per cent in 2017-18 which the Modi government has tried to hide as the election is approaching in April 2019.⁸² Moreover, in addition to high unemployment, there are shortfalls of skilled workers as 64 per cent of employers in India reported difficulties in job hiring against an average of 36 per cent from a survey of employers in 42 countries.⁸³ The proportion of manpower with a secondary education in India is only half of that of China which indicates large relative skill-shortage as well.⁸⁴

Fourth, India's innovation capacity is lower than other BRICS countries (Brazil, Russia, China and South Africa). Its economy is still at the infant stage when it comes to industrial innovation. India's Research and Development (R&D) expenditure was US\$40 billion in 2012 compared to China's US\$200 billion spending in the same year. India's Knowledge Economy Index score was 3.06 quite lower than that of China (4.37) and the Asia and the Pacific average of 4.39.⁸⁵ Global Competitiveness Report 2014-15 ranked India 48th in terms of innovation while China and Brazil ranked 40th and 44th, respectively. In terms of other indicators like patents granted per million population and company's spending on R&D India's position is far below China.⁸⁶ Most of the

⁸⁰ "India-China bilateral trade hits historic high of \$84.44 billion in 2017", *The Times of India*, 07 March 2018, available at <https://timesofindia.indiatimes.com/india/india-china-bilateral-trade-hits-historic-high-of-84-44-billion-in-2017/articleshow/63202401.cms>, accessed on 20 November 2019.

⁸¹ Mahesh Vyas, "Sharp increase in unemployment rate", *Centre for Monitoring Indian Economy*, 27 February 2018, available at <https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2018-02-27%2009:45:02&msec=506>, accessed on 17 November 2019.

⁸² Jeffrey Gettleman and Hari Kumar, "India's Leader Is Accused of Hiding Unemployment Data Before Vote", *The New York Times*, 31 January 2019, available at <https://www.nytimes.com/2019/01/31/world/asia/india-unemployment-rate.html>, accessed on 25 September 2019.

⁸³ "Talent Shortage Survey Research Results", *Manpower Group*, 2014, available at http://www.manpowergroup.com/wps/wcm/connect/587d2b45-c47a-4647-a7c1-e7a74f68fb85/2013_Talent_shortage_survey_results_us_high+res.pdf?Mod=aJPeres, accessed on 17 November 2019.

⁸⁴ Asian Development Bank, "Innovative Asia: Advancing the Knowledge-Based Economy – Country Case Studies for the People's Republic of China, India, Indonesia, and Kazakhstan", Manila: ADB, 2014.

⁸⁵ Ibid.

⁸⁶ "Economic Survey 2015: India's innovation capacity lags most BRICS nations", *The Economic Times*, 27 February 2015, available at <https://economictimes.indiatimes.com/news/economy/finance/economic-survey-2015-indias-innovation-capacity-lags-most-brics-nations/articleshow/46394715.cms>, accessed on 20 November 2019.

technology in India is imported from abroad. Although it signed a number of agreements, i.e., with Russia, USA and Japan, but little technology transfer is taking place except few cases in IT sector.⁸⁷ As a result, India needs to purchase arms and war technology from abroad which put further pressure on the current account balance, local industrialization and unemployment situation.

Provided these bottlenecks, India's response to China question is a difficult and tricky one. Even though political rhetoric opposes the China's advance and finds unease to accept China's growing presence in the region, the economic compulsions will make India keep a strong economic tie with China. Geopolitical interests might not interfere with economic issues and ultimately India's economic compulsions will guide its relations with China which is the cheapest source of imports and cannot be readily replaced by locally produced substitutes. This reality makes a strong case why India is better off cooperating with China in areas of connectivity and trade under the BRI.

Myanmar: Myanmar's strategic position at the crossroads of South East and Southeast Asia makes it geopolitically important place. The country is, however, facing its own problems including militarization, ethnic conflicts and vulnerable democracy. Currently, Myanmar is going through three critical transitions – from 'an authoritarian military rule to democratic governance', from a 'centrally-planned to a market-driven economy', and from '60 years of armed conflict to contestations and reforms'. With total population of around 60 million, Myanmar is extremely ethnically diverse with active conflicts among up to 25 armed groups. Deadly conflicts in many areas, particularly in Rakhine, Kachin and Shan States, are among the most enduring in the world directly affecting one-quarter of the population and have led to huge displacement and humanitarian crises.⁸⁸ Continuous ethnic unrest resulted in persistent poverty and arrested socio-economic development. Human development indicators remain lower than even the other least developed countries.⁸⁹

Nonetheless, Myanmar remains a key strategic partner to China which provided diplomatic shelter to Myanmar during its decades of isolation under military rule and it is still an important ally of the current regime. Further, China is Myanmar's largest trading partner and source of about one-fourth of foreign direct investment in the country.⁹⁰ Myanmar is of vital geostrategic significance to China given its access to the Indian Ocean and Andaman Sea. Being China's gateway to the Bay of Bengal, it provides critical

⁸⁷ Sanhita Rath, Ajaz Nathani, Daxesh Patel, Preeti Kulkarni and Vikram Gota, "Status of technology transfer in India – the much needed Magic Remedy", *Current Science*, Vol. 106, No. 8, 2014.

⁸⁸ The Asia Foundation, "*The Contested Areas of Myanmar: Subnational Conflict, Aid and Development*," Myanmar: The Asia Foundation, 2017.

⁸⁹ United Nations Development Programme, "*Human Development Indices and Indicators: 2018 Statistical update*", New York: United Nations, 2018.

⁹⁰ Josh Chin, "Call for Rohingya Genocide Prosecution to Deepen China's Support of Myanmar", *The Wall Street Journal*, 29 August 2018, available at <https://www.wsj.com/articles/call-for-rohingya-genocide-prosecution-lets-china-rush-to-myanmars-rescue-1535536804>, accessed on 20 November 2019.

supply of gas and oil and strategically important access to sea ports. China-Myanmar Oil and Gas Pipeline project began construction in 2009 and was completed in 2013. The Myanmar oil pipeline alone transfers 22 million tons of crude oil annually, accounting for more than 10 per cent of China's total oil imports and the gas pipeline supplies 10 billion-cubic-meters of natural gas to China per year.⁹¹

Despite some setbacks in 2011 when Myanmar government suspended China-funded Myitsone dam project, China's partnership with Myanmar appears to have grown stronger in last few years, with stable bilateral relations based on trade, investment, and energy co-operation. Top leadership of both the countries termed their bilateral relation as "*paukphaw*" (fraternal) friendship and working jointly to implement major projects including the China-Myanmar Economic Corridor (CMEC).⁹² Within the framework of the BRI, China-Myanmar relations get much impetus since Myanmar is "far more intimately involved in the project" due to the construction of Kyaukphyu port on the western coast of the country.⁹³ KyaukPhyu is crucial to the overall objectives of the BRI linking China with neighbours India, Bangladesh and Myanmar and ensuring strategic access to the Indian Ocean.

The Hindu, India's newspaper, reports⁹⁴ that India's decision to skip the Belt and Road Forum (BRF) of 2019 may have led to the exclusion of the BCIM Economic Corridor from the list of projects covered by the BRI umbrella and South Asia is covered by three major undertakings. These are: the CMEC, the Nepal-China Trans-Himalayan Multi-dimensional Connectivity Network, including Nepal-China cross-border railway, as well as the CPEC. The newspaper cites an annex tagged with the Joint Communiqué of the Leaders' Roundtable of the BRF, published in the Chinese foreign ministry website, which has not listed the BCIM as a project covered by the BRI.⁹⁵ Instead, it mentions the CMEC, besides the two others in South Asia — the Nepal-China Trans-Himalayan Multi-dimensional Connectivity Network, and the CPEC. Myanmar officially joined as an official BRI partner country after signing a 15 point memorandum of understanding (MoU) establishing the CMEC in September, 2018. The estimated 1,700 km long corridor will connect Kunming, the capital of China's Yunnan province, to Myanmar's major

⁹¹ Ru Yuan, "China-Myanmar Oil and Gas Pipelines: Widespread Benefits and Multilateral Wins Saving the Arniko", *China Pictorial*, 10 April 2017, available at http://www.chinapictorial.com.cn/en/features/txt/2017-05/02/content_739910.htm, accessed on 20 November 2019.

⁹² "China pledges to strengthen ties with Myanmar, Laos and Vietnam", *China Global Television Network*, 01 April 2018, available at https://news.cgtn.com/news/77637a4e316b7a6333566d54/share_p.html, accessed on 25 November 2019.

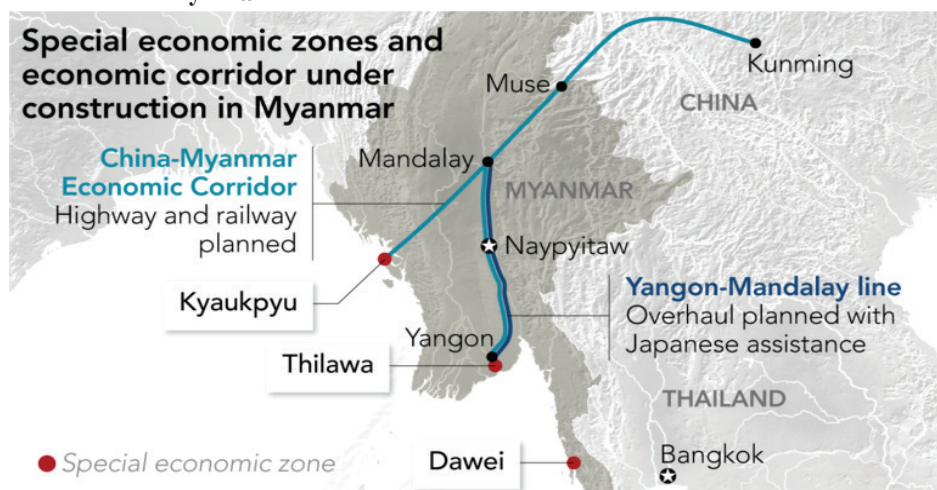
⁹³ Larry Jagan, "Asia is central to China's strategic vision", *South Asian Monitor*, 17 May 2017, available at <http://southasianmonitor.com/2017/05/17/asia-central-chinas-strategic-vision/>, accessed on 20 November 2019.

⁹⁴ Atul Aneja, "Bangladesh-China-India-Myanmar (BCIM) Economic Corridor no longer listed under BRI umbrella", *The Hindu*, 28 April 2019, available at <https://www.thehindu.com/news/international/bangladesh-china-india-myanmar-bcim-economic-corridor-no-longer-listed-under-bri-umbrella/article26971613.ece>, accessed on 22 November 2019.

⁹⁵ Ibid. Also see, *The Hindu* in the same report, however, mentions that a report titled, "The Belt and Road Initiative Progress, Contributions and Prospects," released by the Leading Group for Promoting the Belt and Road Initiative of the Communist Party of China (CPC) on April 22, 2019 does list the BCIM as a BRI project.

economic checkpoints first to Mandalay in central Myanmar, and then east to Yangon and west to the Kyaukphyu Special Economic Zone (SEZ). According to the Myanmar Government, China has proposed a total of 38 projects under the CMEC. Myanmar, however, approved nine early harvest projects at the second BRI forum in Beijing in April, 2019. So far Myanmar has only publicised three projects: the construction of three economic cooperation zones in Kachin and Shan states; the Kyaukphyu SEZ; and the Muse-Mandalay railway project.⁹⁶ Under the CMEC MoU, Myanmar agrees to cooperate with China on industry, transportation, energy, agriculture, the “digital silk road”, finance, tourism, environmental protection, people-to-people exchanges, science and technology, personnel training, water resources, and flood prevention and control. Myanmar also signed a separate framework agreement in November, 2019 for China’s ambitious Kyaukphyu SEZ, a key strategic project under the BRI that is expected to boost development in China’s landlocked Yunnan province and provide China with direct access to the Indian Ocean, allowing Beijing’s trade and energy reliance on the Malacca straits — the narrow passage that links the Indian Ocean with the Pacific.

Map 4.1: Special Economic Zones and Economic Corridor Under Construction in Myanmar



Source: Yuchi Nitta (2019).⁹⁷

⁹⁶ “Ambassador Vows to seek ‘Practical Cooperation’ with Myanmar on BRI projects”, *Belt and Road News*, 20 June 2019, available at <https://www.beltandroad.news/2019/06/20/ambassador-vows-to-see-practical-cooperation-with-myanmar-on-bri-projects/>, accessed on 22 November 2019.

⁹⁷ Yuchi Nitta, “China and Japan set to reshape shipping in Myanmar”, *Nikkei Asian Review*, 09 November 2018, available at <https://asia.nikkei.com/Business/Business-deals/China-and-Japan-set-to-reshape-shipping-in-Myanmar>, accessed on 23 November 2019.

Map 4.2: Gas and Oil Pipelines From Myanmar to China



Source: Vinod Anand (2019).⁹⁸

Since its independence in 1948, Myanmar has been rife with prolonged ethnic violence and armed conflicts. The worst humanitarian crisis in the Rakhine state, as reported by the so called Anan Commission Report (2017), includes (a) development crisis — chronic poverty and enforced marginalization, (b) human rights crisis — protracted conflict and violent persecution of ethnic minorities along with denial of political representation; and (c) security crisis — communal violence inciting militant attack and subsequent military and police operations leading to killing and forced eviction of tens of thousands of Rohingya Muslims to Bangladesh in last few years.⁹⁹

Citing the crisis in the Rakhine state as a complex and historic one, China has defended the Myanmar government from sanctions at the UN Security Council on several occasions on the issue of persecution of Rohingyas. China's strong backing for Myanmar seems to deepen its influence over the country which fares well for China's ambition in the region.¹⁰⁰ Although China takes a lenient role amidst Myanmar's worsening relation with the West due to Rohingya crisis, China has interest for maintaining peace and stability in the region given its considerable economic and strategic interests. China

⁹⁸ Vinod Anand, "A Perspective on China Myanmar Economic Corridor and Internal Dynamics", *Vivekananda International Foundation*, 05 July 2019, available at <https://www.vifindia.org/article/2019/july/05/a-perspective-on-china-myanmar-economic-corridor-and-internal-dynamics>, accessed on 20 November 2019.

⁹⁹ Advisory Commission on Rakhine State, "Towards a Peaceful, Fair and Prosperous Future for the People of Rakhine: Final Report of the Advisory Commission on Rakhine State", 10 April 2017.

¹⁰⁰ Josh Chin, op. cit.

has taken initiatives to arrange a series of negotiations with rebel groups and Myanmar government to facilitate peace process and resolve conflicts along the China-Myanmar borders.¹⁰¹

India is also competing for influence in Myanmar and it is critical of China's BRI citing lack of financial transparency and possible debt burden to Myanmar. India has now scaled up its 'Look East Policy' to 'Act East Policy' which aims to build strong economic and strategic connections with South East Asian countries. India is working on to build the India-Myanmar-Thailand Trilateral Highway and it has built a sea port in Sittwe — Rakhine's capital city which rivals China's proposed Kyaukphyu deep-sea port in western Rakhine. India is also constructing a US\$484 million Kaladan multi-modal transport project to connect northwestern state of Mizoram with Rakhine state.¹⁰² With considerable economic and strategic significance, the Sittwe port can be a key point for transportation between Rakhine state and India's northwestern states along the Kaladan river.

Map 4.3: India's Involvement in Myanmar



Source: Ramesh (2013).¹⁰³

¹⁰¹ Amara Thiha, "Myanmar Speeds up Progress on China's Belt and Road", *The Diplomat*, 08 December 2018, available at <https://thediplomat.com/2018/12/myanmar-speeds-up-progress-on-chinas-belt-and-road/>, accessed on 21 September 2019.

¹⁰² Viraj Solanki, "India boosts relations with Myanmar, where Chinese influence is growing", *IISS Analysis*, 01 June 2018, available at <https://www.iiss.org/blogs/analysis/2018/05/india-myanmar-china-relations>, accessed on 22 November 2019.

¹⁰³ M. Ramesh, "ESSR hopes to complete work on Myanmar's Sittwe port by June", *The Hindu Business Line*, 13 December 2013, available at <https://www.thehindubusinessline.com/economy/logistics/Essar-hopes-to-complete-work-on-Myanmar-s-Sittwe-port-by-June/article20699388.ece>, accessed on 20 November 2019.

There is a growing convergence of economic and security interests of India and China in Rakhine state which could be a basis for a pragmatic alignment between them and they can work together to solve Rohingya crisis as well.¹⁰⁴

India, however, faces a number of challenges as regards its involvement in Myanmar. The first is the fear of China's domination which essentializes maintaining a bargaining chip with Myanmar in order to balance or deter China. Further, India needs Myanmar's side since it is the gateway to Southeast Asia and a central part of its 'Act East Policy'. The second is the territorial integrity concern related to India's Northeastern states – the least developed regions of the country with frequent insurgency and self-determination movements. These states share border with Myanmar and insurgents may take shelter on the other side of the border. Hence, India needs Myanmar to counter long sustaining insurgencies in seven sister states. The third is the religious question since Myanmar is a non-Muslim majority neighbour to India. Some incident of persecution of Hindus is taking place in Myanmar and this is also related to Rohingya problems involving Bangladesh as well.

Bangladesh has not taken any fruitful initiative to establish strategic relations with Myanmar. Bangladesh has a number of long-standing crises involving Myanmar. Biggest issues include Rohingya crisis, drug trafficking, separatist insurgencies in the hill tract regions and border security problems. Since August 2017, over 727,000 Rohingya refugees fled to Bangladesh due to extreme violence and persecution in Rakhine State. As of 4 September 2018, total of 921,000 Rohingyas were living in different camps in Cox's Bazar in Bangladesh making it one of the world's rapidly growing refugee crises.¹⁰⁵ Bangladesh has seen little progress to stop influx of Rohingya or managing the crisis despite resorting to international bodies. Repatriation measure is stalled and there is lack of genuine interest on the part of Myanmar government to address the problem.

Given all these challenges, getting to a working strategic relation with Myanmar is subject to uncertainties. Nonetheless, Myanmar is Bangladesh's land corridor to South East Asia with vast potential for economic cooperation. Realizing the prospects of connectivity would depend on resolving existing problems between the countries. In fact, Bangladesh's strained relation with Myanmar appears like 'a fork in the path,' to effective cooperation with China's land corridor connecting the region which can be turned in favour of Bangladesh through appropriate intervention by a third party. China can play a mediating role in this context. India

¹⁰⁴ Abigail Chen and Hunter Marston, "What the US Can Learn from China and India's Engagement with Myanmar", *The Diplomat*, 09 August 2018, available at <https://thediplomat.com/2018/08/what-the-us-can-learn-from-china-and-indias-engagement-with-myanmar/>, accessed on 15 October 2019.

¹⁰⁵ Inter Sector Coordination Group, "Situation Report Rohingya Refugee Crisis", 27 September 2018, available at https://reliefweb.int/sites/reliefweb.int/files/resources/iscg_situation_report_27_sept_2018.pdf, accessed on 10 November 2019.

is, however, concerned with China's growing economic and political relations with its neighbours and it will not welcome any unrelated initiative by China. The fact that India's competition with China extend beyond its neighbourhood to race for influence, resources and markets means that resolving their concerns has no long-term certainty.¹⁰⁶

¹⁰⁶ Tanvi Madan, "India's Relations with China: The Good, the Bad and the (Potentially) Ugly", *Brookings East Asia Commentary*, 08 October 2013, available at <https://www.brookings.edu/opinions/indias-relations-with-china-the-good-the-bad-and-the-potentially-ugly/>, accessed on 10 November 2019.

Chapter 5

China's Geostrategic Relationship with Global Powers: USA

A mix of competition and collaboration characterizes China-USA bilateral relations. A working relationship between the world's two largest economies is vital for global stability, trade and development.¹⁰⁷ Stability of the current global order depends primarily on how the competing global powers negotiate compromises among themselves when it comes to economic interests and military engagements. China's geostrategic relations with USA can be described as 'hedging and accommodation'. Hedging is essentially an insurance strategy against uncertainty.¹⁰⁸ Specifically, hedging means adopting a counteracting policy to "avoid an explicit confrontation with a potentially adversarial state" by continuing economic cooperation while at the same time increasing preparedness for potential conflict by diplomatic or military means.¹⁰⁹

China prioritizes economic development as its main objective while upholding regional stability which has proved to be a key strategy for maintaining domestic legitimacy as well. It seems reasonable that China's best interest is to avoid physical confrontation with the United States. China will use third party strategy to deal with USA and would not go for direct engagement. China has always been strongly committed to maintain a stable relationship with USA as emphasized by Xi when he visited USA in April 2017 that "We have a thousand reasons to get China-US relations right and not one reason to spoil" them.¹¹⁰

The USA's approach, however, is shifting toward strategic competition from a policy of strategic engagement that lasted several decades since post-1978 period.¹¹¹ Still, the USA will maintain its relation of economic cooperation and it will also strengthen its ability to compete successfully to assert its dominant position in the world. Against all odds, the USA will continue to seek "a constructive and results-oriented relationship with China".¹¹²

¹⁰⁷ Andrew Sheng and Xiao Geng, "This is why a positive relationship between China and the US matters for the average worker", *World Economic Forum*, 28 April 2017, available at <https://www.weforum.org/agenda/2017/04/this-is-why-a-positive-relationship-between-china-and-the-us-matters-for-the-average-worker>, accessed on 16 November 2019.

¹⁰⁸ David Lake, "Anarchy, Hierarchy, and the Variety of International Relations," *International Organization*, Vol. 50, No.1, 1996, pp.1–33.

¹⁰⁹ Kei Koga, "The Concept of "Hedging" Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift", *International Studies Review*, Vol. 20, Issue 4, 2017.

¹¹⁰ Steve Holland, "China's Xi urges trade cooperation in first meeting with Trump", *Reuters*, 06 April 2017, available at <https://www.reuters.com/article/us-usa-china-idUSKBN178150>, accessed on 15 October 2019.

¹¹¹ Daniel H Rosen, "A Post-Engagement US-China Relationship?", 19 January 2018, available at <https://rhg.com/research/post-engagement-us-china-relationship/>, accessed on 20 July 2019.

¹¹² The US Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*, 2018.

Nonetheless, as China's rise is posing a challenge to USA's predominance in the world, it is often argued that there could be a deadly 'trap' due to a sense of distrust or misunderstandings about rival's actions and intentions. Thucydides, ancient Greek historian, first explained that "it was the rise of Athens and the fear that this instilled in Sparta that made war inevitable". During last five hundred years, twelve of the sixteen cases when "a rising power threatened to displace a ruling one" resulted in war.¹¹³ In case of China and USA, avoiding the 'Thucydides' trap', is of best interests to both the sides.

In recent years, disputes over trade relation between Washington and Beijing have escalated to critical stage. US's growing trade deficits with China and its concerns about China's 'unfair' trade practices have led Trump administration to impose tariffs on US\$250 billion of worth of imports from China in July 2018.¹¹⁴ With China taking counter measures on USA and resultant tensions over further tariffs have been dubbed as 'trade war' between two largest economies of the world causing sizable losses to both sides. Two countries reached a 90-day truce on trade war on December 2018 and negotiation to reach a deal of settlement is on-going. Given USA is China's largest export market (total export exceeded US\$506 billion in 2017 with US\$375 billion deficits for USA) while China remains the one of cheapest sources of imports for USA, the dispute is likely to be resolved soon with both countries accepting concessions.¹¹⁵ Economic compulsions faced by the respective countries mean that cooperation on economic fronts would continue to be largely mediated by competition in geo-politics.

Likewise, US's position towards BRI was clear given its concerns with China's growing prominence. But when Trump came to power with an unexpected turn in the US's history, it created a vacuum in the global order. A more "isolationist" stance taken by the current administration in the US as it pulled out of the TPP has created windows of opportunity for China to expand its global influence. This has also made BRI more promising to countries seeking favourable trade and investment opportunities. For USA acknowledging BRI means letting China expand its economic and strategic influence over a large group of countries, although there can be opportunities for US firms to take part and benefit from the initiative.¹¹⁶ USA is rather trying to counter China's initiative through undertaking alternative measures. Even before China, a New Silk Road (NSR) initiative was proposed by the then Secretary of State Hillary Clinton

¹¹³ Graham Allison, "The Thucydides Trap: When one great power threatens to displace another, war is almost always the result- but it doesn't have to be", *The Foreign Policy*, 09 June 2017, available at <http://foreignpolicy.com/2017/06/09/the-thucydides-trap/>, accessed on 20 October 2019.

¹¹⁴ "A quick guide to the US-China trade war", *BBC*, 07 January 2019, available on <https://www.bbc.com/news/business-45899310>, accessed on 18 September 2019.

¹¹⁵ Ibid.

¹¹⁶ Sara Hsu, "Trump's Support For China's One Belt, One Road Initiative Is Bad For U.S., Good For World", *The Forbes*, 18 May 2017, available at <https://www.forbes.com/sites/sarahsu/2017/05/18/trumps-support-for-chinas-one-belt-one-road-initiative-is-bad-for-u-s-good-for-world/#7134fc493402>, accessed on 20 September 2019.

in 2011.¹¹⁷ With an underlying aim to counter China's BRI, USA is now interested to revive two infrastructure projects linked to NSR in Afghanistan, South Asia and South East Asia, while India has interests as well to back this project.¹¹⁸

Further, the USA is striving to advance a new strategic investment and connectivity initiative in the Indo-Pacific region first articulated in 2017 and later elaborated on several security documents including National Security Strategy in 2017.¹¹⁹ Trump administration's repackaging of a "Free and Open Indo-Pacific" (FOIP) strategy is seen by many to be an attempt to counter China's growing influence by strengthening alliances with India, Japan and Australia.¹²⁰ It is, in fact, an extension of long-standing US policy to Asia and the Pacific with added emphasis on Indian ocean region. In practical terms, USA's announcement of US\$113 million plan to the connectivity and security initiative is unmatched with China's trillion-dollar plan, but it does reflect US policy of competitive engagement with China.¹²¹ Given China's scale of economic involvement in 'Indo-Pacific' countries as well as being largest trading partner of almost all Asian economies including India, Japan and Australia, the US initiative seems to offer limited alternative to confront China.¹²² Making sense of the recent trade war and eventual compromises made by both parties, it seems plausible that none of the countries would afford to lose each other's largest trade partners as they overlap in economic compulsions prevail over divergent strategic motives.

¹¹⁷ Joshua Kucera, "Clinton's Dubious Plan to Save Afghanistan with a 'New Silk Road'", *The Atlantic*, 02 November 2011, available at <https://www.theatlantic.com/international/archive/2011/11/clintons-dubious-plan-to-save-afghanistan-with-a-new-silk-road/247760/>, accessed on 20 October 2019.

¹¹⁸ "US revives two key infrastructure projects in Asia: Five things to know", *Indian Express*, 24 May 2017, available at <http://indianexpress.com/article/world/us-revives-two-key-infrastructure-projects-in-asia-five-things-to-know-4671749/>, accessed on 19 November 2019.

¹¹⁹ The White House, *National Security Strategy of the United States of America*, Washington, DC, December 2017.

¹²⁰ Amitendu Palit and Shutaro Sano, "The United States' Free and Open Indo-Pacific Strategy: Challenges for India and Japan", *ISAS Insights*, No. 524, 4 December 2018.

¹²¹ Xuan Loc Doan, "US's Indo-Pacific plan unveiled with China as key target", *The Asia Times*, 1 August 2018, available at <http://www.atimes.com/uss-indo-pacific-plan-unveiled-with-china-as-key-target/>, accessed on 25 October 2019.

¹²² Robert Manning, "US Indo-Pacific Strategy: Myths and Reality", *Global Affairs*, 21 September 2018, available at https://eng.globalaffairs.ru/valday/US-Indo-Pacific-Strategy-Myths-and-Reality-19763#_ftn1, accessed on 22 September 2019.

Chapter 6

China's Geostrategic Relationship with South Asian Countries: Pakistan, Sri Lanka and Maldives

The CPEC under BRI assumes great importance in the complicated context of South Asia. Adding to the 46 billion investment for CPEC, China have promised Pakistan additional 50 billion-dollar investment for the Indus River Cascade. The corridor is expected to add a major economic dimension to the political and security ties between Islamabad and Beijing. But the project is also controversial because it runs through disputed territory between Pakistan and India. China also wants to deepen cooperation with Pakistan under the framework of the Shanghai Cooperation Organisation (SCO).¹²³

The so called 'All Weather Friendship' between China and Pakistan received further boost with the CPEC project under BRI. Starting from military to economic assistance, Pakistan has been the greater beneficiary of its friendship with China and this relation is much more promising compared to Pakistan's 'erratic' ties with USA.¹²⁴ Leaders from both countries affirm that the mutual relation is like "higher than the Himalayas, deeper than the deepest ocean, and sweeter than honey".¹²⁵ This fact is vindicated by the affirmation from Chinese leaders that CPEC would not be affected by any regime change in Pakistan. China's Foreign Ministry spokesman Lu Kang said that "We believe that the China-Pakistan strategic cooperative partnership will not be affected by the change of the situation inside Pakistan".¹²⁶

In essence, Pakistan is not benefitting unilaterally from its relations with China. Their relations can be best described as a client-vendor partnership which is carefully conditioned on their usefulness for each other. As suggested by Sattar (2015),¹²⁷ "Beijing is mindful that Pakistan can play a significant role in China's quest to establish itself as a strategic global power." Strategically located economic corridor in Pakistan connects China to the Western world and provides it alternative route for transporting energy supply. It will also contribute to addressing energy shortage and lack of transport infrastructure in Pakistan.

China has strategic motives to gain access to Indian Ocean. However, this aspect should not blur other considerations as often done by Sinophobes based in Delhi,

¹²³ Sarah Hsu, op. cit.

¹²⁴ Huma Sattar, "China and Pakistan's All-Weather Friendship", *The Diplomat*, 12 March 2015, available at <https://thediplomat.com/2015/03/china-and-pakistans-all-weather-friendship/>, accessed on 22 November 2019.

¹²⁵ "Massive Chinese investment is a boon for Pakistan", *The Economist*, 09 September 2017.

¹²⁶ "Sharif's disqualification will not affect CPEC: China", *The Hindu*, 29 July 2017, available at <http://www.thehindu.com/news/international/sharifs-disqualification-will-not-affect-pec-china/article19385529.ece#>, accessed on 20 October 2019.

¹²⁷ Huma Sattar, op. cit.

Tokyo and Washington. According to Andrew Small, one of the overriding objectives of China is to improve domestic economy of Pakistan in order to establish regional peace by curbing militancy and extremism and thereby creating a wider market for Chinese products and industrial capacity.¹²⁸

The challenges for Pakistan, however, lies not in the sustainability of relations with China but with the sustainability of the projects built under CPEC with regards to loan repayment and promised economic benefits. Pakistan's heavy external debt, which was US\$95 billion in the second quarter of 2018 reaching highest level – almost twice the average US\$54 billion for the period 2002-2018, is often cited to refer to CPEC as contributing to soaring debt burden.¹²⁹ Chinese official statements, however, assert that Pakistan's debt to China is only 6.3 per cent of Pakistan's total debt and China's loan is not creating any debt burden.¹³⁰ Considering size of Pakistan's economy (about one twentieth of China's in PPP terms)¹³¹ and its strong strategic and military cooperation with China (63 per cent of military equipment supplied by China)¹³², it is reasonable that both countries would resort to mutually favourable terms when it comes to sharing burden, if any, from China's BRI projects in Pakistan.

Sri Lanka emerged as a key partner of China in South Asia ushering unprecedented maritime cooperation and giving strategic access to sea ports to China in the Indian Ocean region. Bilateral relations between the two countries have strengthened over the years mostly since 2005 with Chinese military support to resolve decade-long civil war and growing financial assistance to reorganize the economy and address infrastructure gaps in the country.¹³³ Despite political developments during last few years raising concerns over changes to its foreign policy, current Sri Lankan government maintains stable ties with China and takes a pro-China stance inciting India's unease.¹³⁴

One of the first countries to join BRI, Sri Lanka accepted multiple billion-dollar investment from China in major mega-infrastructure projects including Colombo International Container Terminal, Colombo Port City Project, Hambantota deep sea port,

¹²⁸ The Economist, op cit.

¹²⁹ Panos Mourdoukoutas, "To Solve Its Debt Problem, Pakistan Should Either Follow Malaysia or Turn Into The Next Sri Lanka", *Forbes*, 8 October 2018, available at <https://www.forbes.com/sites/panosmourdoukoutas/2018/10/08/to-solve-its-debt-problem-pakistan-should-either-follow-malaysia-or-turn-into-the-next-sri-lanka/#3e978cd25e8b>, accessed on 20 October 2019.

¹³⁰ Naveed Siddiqui, "CPEC is not a burden on Pakistan's economy: Chinese envoys", *The Dawn*, 26 October 2018, available at <https://www.dawn.com/news/1441485>, accessed on 24 November 2019.

¹³¹ International Monetary Fund, "World Economic Outlook Database", Washington, DC: IMF, 2018.

¹³² Mercy A Kuo, "China-Pakistan Relations: Challenging US Global Leadership", *The Diplomat*, 30 May 2018, available at <https://thediplomat.com/2018/05/china-pakistan-relations-challenging-us-global-leadership/>, accessed on 25 November 2019.

¹³³ Saman Kelegama, "China-Sri Lanka Economic Relations: An Overview", *China Report*, Vol. 50, No.2, 2014, pp.131-149.

¹³⁴ Sudha Ramachandran, "China Expands its Footprints in Sri Lanka", *The Diplomat*, 11 September 2018, available at <https://thediplomat.com/2018/09/china-expands-its-footprint-in-sri-lanka/>, accessed on 23 November 2019.

international airport and several economic expressways. Sri Lanka's eagerness to join the BRI underpinned its ambitious plan to transform itself into an economic hub in the Indian Ocean region while at the same time balancing its Indo-centric orientation in terms of economic and commercial interdependence.¹³⁵

There are growing concerns over China's role in Sri Lanka. BRI critics often mention the case of Hambantota sea port to indicate China's 'debt-trap' diplomacy which claims China purports to use economic guise for strategic leverage. Amid losses and pressure of debt repayment, Sri Lanka officially handed over the operation of Hambantota port to a Chinese company for a 99 years lease in exchange for US\$1.12 billion deal which precluded any use for military purposes.¹³⁶

While the strategic implications of the deal cannot be ruled out, the prevailing hawkish tendency to highlight debt-trap and diplomacy over economic realities needs a through examination. As of 2017, about 9 per cent of Sri Lanka's total outstanding loan (14 per cent among bilateral lenders) is owed to China which is equivalent to Sri Lanka's debt to India as well.¹³⁷ Moreover, 61 per cent of China's US\$9.2 billion development loan to Sri Lanka is on concessional terms with two per cent interest rate and 15-20 years maturity period. All these developments, especially non-performing large infrastructure projects, may have contributed to Sri Lanka's debt problem, but China's involvement is clearly not the primary cause.

China's involvement in other South Asian countries are also growing. Recently, Nepal signed BRI framework agreement in May 2017 and opened its door to Chinese investments to diversity its trade and economy as well as to hedge in China to counterbalance India's monopoly influence over the small land-locked country.¹³⁸ With unkept promises and failure to deliver a number of projects, India strained its relations with Nepal making Chinese inroads easier. The proposed Trans-Himalayan Economic Corridor is a new addition to BRI plan. China has also granted Nepal access to its sea and land ports ending Nepal's reliance on Indian sea ports.¹³⁹ Bilateral ties between the two countries are growing to cover cooperation in proposed hydro-electric projects, transport infrastructure, investment in businesses, military and people to people exchange. China accounts for about 60 per cent (US\$79.26 million)

¹³⁵ Rahman, 2015, op. cit.

¹³⁶ "Sri Lanka hands over running of Hambantota port to Chinese company", *South China Morning Post*, 10 December 2017, available at <https://www.scmp.com/news/china/diplomacy-defence/article/2123658/sri-lanka-hands-over-major-port-chinese-company>, accessed on 15 October 2019.

¹³⁷ Dushni Weerakoon, "Debt and diplomacy in Sri Lanka relations with China", *The Economy Next*, 23 January 2019, available at https://economynext.com/Debt_and_diplomacy_in_Sri_Lanka_relations_with_China-3-13214-2.html, accessed on 20 November 2019.

¹³⁸ Kamal Dev Bhattarai, "Nepal-China: Reality Sets In", *The Diplomat*, 22 June 2018, available at <https://thedi diplomat.com/2018/06/nepal-china-reality-sets-in/>, accessed on 21 November 2019.

¹³⁹ Rajeswari Pillai Rajagopalan, "Why Nepal's Access to China Ports Matters", *The Diplomat*, 14 September 2018, available at <https://thedi diplomat.com/2018/09/why-nepals-access-to-china-ports-matters/>, accessed on 18 November 2019.

of total FDI commitments offered to Nepal in 2017 well above the amount offered by India (US\$36.63 million), the US or Japan.¹⁴⁰

Maldives, another island nation in the Indian Ocean, has been a key part in China's Maritime Silk Road plan. Much to India's dismay, Maldives signed free trade agreement with China in December 2017 and continued favouring China over India despite political tensions due to changes in government. China's relations with Maldives have flourished since President Xi visited the country in September 2014. China is financing several mega infrastructure projects in Maldives and contributing to island's tourism sector replacing Europe as the largest source of tourists.¹⁴¹ China's involvement in Maldives has also caused security concerns from India and the USA. In fact, the island nations in South Asia appear to become the strategic battleground for regional influence between India and China. Brief crises over power transitions in Maldives and Sri Lanka in 2018 revealed the China-India tug of war over political influence on these two island nations in the Indian Ocean Region. Although dusts of political unrest have settled down in both Sri Lanka and Maldives, China is seen to have become a big player in the region challenging India's secular influence over its small neighbours.¹⁴²

China is also vowing to strengthen its relations with Afghanistan and Bhutan. China has stepped forward to negotiate the peace process in Afghanistan and promised the country of increased military cooperation and economic assistance in an effort to restore regional peace and stability needed for the BRI's success.¹⁴³ After decades of border disputes and having no diplomatic relations, China has extended friendship offer to Bhutan when Chinese Vice-Foreign Minister visited the country in July 2018 and both sides reached a number of agreements.¹⁴⁴ China is deepening its involvement with South Asian neighbours despite India's diplomatic efforts to deter China from doing so by various measures. Since India cannot outcompete China in economic might or offer feasible alternatives, its hawkish stance towards China poses a delicate challenge for other small countries in the region. Nevertheless, besides offering financial assistance and economic opportunities, China has also become strategic leverage for India's small neighbouring countries.

¹⁴⁰ Debasish Roy Chowdhury, "Driven by India into China's Arms: Is Nepal the New Sri Lanka?", *The South China Morning Post*, 25 February 2018, available at <https://www.scmp.com/week-asia/geopolitics/article/2134532/driven-india-chinas-arms-nepal-new-sri-lanka>, accessed on 12 November 2019.

¹⁴¹ Sudha Ramachandran, "China-Maldives Connection", *The Diplomat*, 25 January 2018, available at <https://thediplomat.com/2018/01/the-china-maldives-connection/>, accessed on 14 November 2019.

¹⁴² "As a political crisis unfolds in the Maldives, China and India vie for influence", *The South China Morning Post*, 11 February 2018, available at <https://www.scmp.com/news/asia/south-asia/article/2132889/political-crisis-unfolds-maldives-china-and-india-vie-influence>, accessed on 20 October 2019. See also, Mazumdaru, Srinivas, "Sri Lanka: A battleground for India-China rivalry", *Deutsche Welle*, 31 October 2018, <https://www.dw.com/en/sri-lanka-a-battleground-for-india-china-rivalry/a-46101828>, accessed on 20 November 2019.

¹⁴³ M Waqas Jan, "China's increasing role in brokering peace in Afghanistan", *Modern Diplomacy*, 29 January 2019, available at <https://modern diplomacy.eu/2019/01/29/chinas-increasing-role-in-brokering-peace-in-afghanistan/>, accessed on 20 November 2019.

¹⁴⁴ Prakash Katoch, "China pushes for greater influence in Bhutan", *The Asia Times*, 31 December 2018, available at <http://www.atimes.com/china-pushes-for-greater-influence-in-bhutan/>, accessed on 22 November 2019.

Chapter 7

Implications of BRI for Bangladesh: Land Routes

Bangladesh's relations with China along with historic trade links and cultural exchanges give the country a strong hold in taking part in the BRI. The Southern branch of Silk Road connected the eastern part of Bengal (presently Bangladesh) with the Middle Kingdom for almost 300 years, the trace of which can be found in many ancient Chinese documents that substantiated the "history of friendly communication" as well as the "glory of Sino-Bangla ancient contacts".¹⁴⁵ The legacy of this time trusted friendship legitimizes a strong foundation for further cooperation and establishing new partnerships with China to promote common development and welfare of people in the two countries and overall prosperity in the region.

Bangladesh-China relations have improved greatly in recent years. President Xi Jinping's historic visit to Bangladesh in October 2016 was a significant milestone. During President Xi's visit China signed as many as 27 deals and committed US\$24.45 billion in investments to Bangladesh. After the visit, Ministry of Foreign Affairs published a joint statement of Bangladesh and China outlining the details of the strategic partnership cooperation which ushered a new era in the traditional friendship between the countries.¹⁴⁶ The two countries agreed to expand trade and investment cooperation and signed agreements for working together in the BRI, industrial capacity building, power and energy, transportation, information and communication technology, disaster management, maritime cooperation and cultural and people-to-people contacts.¹⁴⁷

Bangladesh has always procured most of its military hardware from China and the recent purchase of two submarines was another notable step in defence cooperation between the two countries.¹⁴⁸ Bangladesh was the second highest importer of arms supplies from China (19 per cent of China's total exports) between 2013 and 2017 while Pakistan was the highest importer buying 35 per cent of China's arms supplies during

¹⁴⁵ Address by Zhang Xianyi, Former Ambassador of China to Bangladesh, "History and Legend of Sino-Bangla Contacts", in Celebration of the 35th anniversary of the establishment of diplomatic relations between China and Bangladesh, 2010.

¹⁴⁶ *The Daily Star*, Ministry of Foreign Affairs, Bangladesh-China Joint Statement, Press Release, Dhaka, 14 October 2016, available at <https://www.thedailystar.net/frontpage/bangladesh-china-joint-statement-1299403>, accessed on 15 October 2019.

¹⁴⁷ Two countries agreed to cooperation specifically on "construction and operation of infrastructure, metallurgy and material, resource processing, equipment manufacturing, light industry, electronics and textiles, semiconductors and nanotechnology, industry clusters, and other areas agreed by both countries. The two sides agreed to cooperate for developing and investing in the ICT sector." See, *The Daily Star*, Ministry of Foreign Affairs, Bangladesh-China Joint Statement, Press Release, Dhaka, 14 October 2016, available at <https://www.thedailystar.net/frontpage/bangladesh-china-joint-statement-1299403>, accessed on 20 October 2019.

¹⁴⁸ Azzam Khan, "One Belt One Road: Bangladesh is willing but wary", *The South Asian Monitor*, 13 June 2017, available at <http://southasianmonitor.com/2017/06/15/one-belt-one-road-bangladesh-willing-wary/>, accessed on 15 November 2019.

the same period. Over the five-year period, Bangladesh imported 71 per cent of its arms from China compared to Myanmar's 68 per cent imports from China as well.¹⁴⁹

Most importantly, there is a generally positive attitude towards China and support for its BRI, proposed economic corridor as well as maritime connectivity involving the country. It must be emphasized that at the government, civil society and popular levels, there is a broad consensus that Bangladesh's involvement with China's mega initiative would bear considerable benefits for the country's economic development.

Bangladesh has much potential to realize from the BRI given country's deep-rooted bilateral ties, shared commitment for economic development and possible trade complementarities with China. China has been the largest source of imports for Bangladesh, however, there is huge bilateral trade deficits against Bangladesh. In the fiscal year 2016-17, Bangladesh imported US\$13.3 billion from China which was 27 per cent of country's total imports compared to 15.2 per cent imports from India and during the same time Bangladesh's export China was about one billion dollar indicating substantial trade deficit.¹⁵⁰

India being the second highest source of imports for Bangladesh and its 'encircling neighbour', Bangladesh needs to devise carefully crafted policy in order to participate in BRI based on the calculation of likely response of other neighbours, in particular India. Khan (2017)¹⁵¹ explains this situation as such,

"Bangladesh finds itself between a rock and a hard place. On one side, there is China's BRI, which promises seamless connectivity to the rest of the world. On the other side, there is the disapproving neighbour, India, ready to take any overtures in the westerly direction as a personal affront. Bangladesh's foreign policy is based on friendship towards all and malice towards none, but how far can it exercise this principle on the ground remains a question".

Bangladesh is striving ahead with an ambitious plan of transforming the nation into a middle country by 2021 and a developed country by 2041. Bangladesh's response to BRI is mostly linked to how Bangladesh places importance on connectivity and regional cooperation for the country's economic growth in the next decade. China's connectivity initiative can be a growth engine for the country to overcome bottlenecks like infrastructure gaps and facilitate production sharing and technology transfer needed for structural transformation of the economy.

¹⁴⁹ Stockholm International Peace Research Institute Fact Sheet, "*Trends in International Arms Transfers*, 2018.

¹⁵⁰ Ministry of Finance, *Bangladesh Economic Review 2018*, Government of the People's Republic of Bangladesh, 2018.

¹⁵¹ Azzam Khan, op. cit.

Bangladesh is primarily connected to the BRI through BCIM economic corridor spanning 2,800 kilometres and linking Kolkata in India with Kunming in China via Dhaka and Sylhet in Bangladesh, Silchar in Assam, Imphal in Manipur and Mandalay in Myanmar. Originally, BCIM initiative was launched in Kunming in 1999 as a regional connectivity initiative and significant progress was made until February 2013 when a successful car rally was organized between Kunming to Kolkata.¹⁵²

Map 7.1: Route of BCIM Economic Corridor



Source: The Daily Star (2017).¹⁵³

BCIM region includes 40 per cent of world's population and untapped potentials in natural resource rich landmass across four countries. Intra-BCIM trade potential is estimated to be about US\$132 billion connecting vast markets from China to India.¹⁵⁴ Defying much optimism, the initiative has made limited progress since last few years because of China's rebranding of BCIM as a component of the BRI and India's reluctance to join the China led mega-initiative highlighting security reasons. Though India-China relation has seen a 'reset' in 2018 when Modi and Xi met twice and agreed to cooperate on major issues, major impediments still remain to the implementation of the corridor.¹⁵⁵

¹⁵² K. Yhome. "The BCIM Economic Corridor: Prospects and Challenges", *Observer Research Foundation*, 10 February 2017, available at <https://www.orfonline.org/research/the-bcim-economic-corridor-prospects-and-challenges/>, accessed on 15 March 2018.

¹⁵³ Shah Husain Imam, "Closer China-Bangladesh ties shouldn't worry India", *The Daily Star*, 01 December 2017, available at <https://www.thedailystar.net/opinion/pleasure-all-mine/closer-china-bangladesh-ties-shouldnt-worry-india-1498687>, accessed on 20 October 2019.

¹⁵⁴ Syed Munir Khasru, "BCIM – Economic opportunities for Bangladesh", *The Daily Star*, 11 March 2015, available at <https://www.thedailystar.net/supplements/24th-anniversary-the-daily-star-part-2/bcim---economic-opportunities-bangladesh-70929>, accessed on 20 October 2019.

¹⁵⁵ Saheli Bose, "Can an India-China 'Reset' Help BCIM?", *The Diplomat*, 09 June 2018, available at <https://thediplomat.com/2018/06/can-an-india-china-reset-help-bcim/>, accessed on 15 November 2019.

Since Bangladesh does not share border with China, the main challenge is to solve the third-party-conundrum to connect to mainland China. In case of BCIM corridor, Myanmar and India both present difficult to reconcile concerns leaving Bangladesh with limited feasible options. Resolving Rohingya problem between Bangladesh and Myanmar as well as building trust and consensus between India and China remain as the thorns in the path to effective cooperation among the countries. China needs to mediate between Bangladesh and Myanmar by guaranteeing security of passage through the latter's territory. Bangladesh can also play effective role to streamline the negotiation process between India and China.

As a whole, the India factor should not worry Bangladesh since India and China have burgeoning trade relations despite diplomatic disputes over certain issues which they would certainly figure out as development needs become more imperative. Rather, Bangladesh needs to design its strategy on an independent basis prioritizing its potentials and suitable match with the changing Chinese economy taking a balanced diplomacy and interest of the people into account. Bangladesh needs to create an investment-friendly environment and focus on building productive capacity and favourable political settlement to tap seamless potentials as the BRI unfolds to reality.

BCIM Economic Corridor (BCIM-EC) is instrumental for practical cooperation among the BCIM-EC countries. Bangladesh can push for building consensus and formulating framework for governmental cooperation among the four countries. Considering uncertainty over BCIM due to India's reservation, however, Bangladesh can proceed with alternative route involving only China and Myanmar. A corridor project to connect Chattogram and Kunming through Myanmar can allow Bangladesh to get access to Mekong sub-region and beyond promoting trade and people-to-people contacts. Overall, China could take the lead in transforming the BCIM forum into a growth quadrangle by resolving prevailing rows among the parties and utilizing untapped resources of the region.

For the BRI to create multiplier effects on the countries and communities, separate routes for connectivity such as Nepal-Bangladesh, Bhutan-Bangladesh, Indian state of Assam-Bangladesh, Indian state of Meghalaya-Bangladesh and Indian state of Tripura-Bangladesh are of utmost significance.¹⁵⁶ Extending the financing channels for both sub-regional cooperation and country-specific projects would make the connectivity between Bangladesh and China, inter-connectivity amongst SAARC members and with countries in the ASEAN region into a reality.

¹⁵⁶ R.A.M. Titumir, 2016, op. cit.

Chapter 8

Implications of BRI for the Bay of Bengal

China's 21st Century Maritime Silk Road (MSR) is one of the major components of BRI. China's plan to build maritime infrastructure for connectivity and cooperation includes Bay of Bengal and neighbouring countries in the region. The Bay of Bengal is located in the southern part of Bangladesh which shares many oceanic characteristics of the Indian Ocean and connects some of the most important trade routes between Indian Ocean with the Pacific the Ocean. Economic and strategic significance of the Bay of Bengal make the region a ground zero of 'strategic competition in the Indo-Pacific' as well as a 'cockpit for economic growth' for the South and Southeast Asian countries.¹⁵⁷

For Bangladesh, the Bay of Bengal assumes much importance after the settlement of maritime boundary disputes with Myanmar and India in 2012 and 2014, respectively. Bangladesh achieved a total of 118,813 sq.km of territorial sea (this is 81 per cent of country's land mass), 200 nautical mile of Exclusive Economic Zone (EEZ) and a substantial portion of the extended continental shelf in the Bay of Bengal.¹⁵⁸ It offers Bangladesh a sizable prospects to explore resources, such as gas, oil, minerals and fisheries and leverage the blue economy for the country's development.

Bangladesh's approach to BRI as regards to the Bay of Bengal needs to be centred on three issues. The first is about the issue of resource exploration and utilization. The second is about the issue of connectivity and increased cross-border trade. Both the issues combine to what is now referred to as blue economy. The third and final issue is about security and stability in the region to ensure realization of opportunities to the maximum. It requires cooperation and capability building to a new height as the region is characterized by a range of geo-political contradictions and confrontations.

The Bay of Bengal has large potential resource base. Types of resources available in the Bay of Bengal include fisheries, fossil fuel, renewable energy, mangrove and mineral resources. In Bangladesh's side, the Bay of Bengal has the widest shallow shelf stretching outward for more than 185 kilometers (100 nautical miles) which is at least three times wider than those of Myanmar and India's eastern coast (global average is 65 km). Moreover, continental shelf of the Bay of Bengal is 1.0-1.8 km shallower than open ocean basins which offers greater scope for fishing and makes any potential exploration activity less expensive and easier.¹⁵⁹ Myanmar

¹⁵⁷ David Brewster, "The Bay of Bengal: the Indo-Pacific's new zone of competition", *The Strategist*, 02 December 2014, available at <https://www.aspistrategist.org.au/the-bay-of-bengal-the-indo-pacifics-new-zone-of-competition/>, accessed on 13 October 2019.

¹⁵⁸ Bangladesh Institute of International and Strategic Studies (BIISS), Proceedings of Seminar on "Marine Resource Management of Bangladesh in the Context of Newly Demarcated Boundary", 26 February 2015.

¹⁵⁹ M. Shahadat Hossain, Sayedur R. Chowdhury and SM Sharifuzzaman. *Blue Economic Development in*

has found a number of gas fields (Shwe, Shwephu and Mia) in Arakan offshore in the bordering blocs with Bangladesh. Since Myanmar is already lifting gas and oil after the delimitation, delay in exploration means Bangladesh would lose its fair share of resources. Bangladesh also needs to start rigorous exploration activity.¹⁶⁰

Moreover, utilizing full potentials of blue economy could help Bangladesh continue its economic development. Country's one-fifth of the population (about 30 million) are directly dependent on the Bay of Bengal "for activities like fisheries, aquaculture, tourism, shipping, shipbuilding and ship decommissioning, and offshore oil and gas production"¹⁶¹ Due to lack of modern fishing technologies, Bangladesh's marine fishing is only limited to shallow waters. Exploiting fishery, mineral and marine resources in the High Sea beyond Exclusive Economic Zone (EEZ) still remains vacant. Bangladesh lack both strategy and technology to explore and utilize full potentials in the Bay of Bengal which makes it imperative to cooperate with other countries in the littorals.

Further, the issue of connectivity in the Bay of Bengal region includes development of ports and transportation along with the expansion of country's maritime trade and shipping capacity. The Bay of Bengal is a busy trade route between South and Southeast Asian countries. Bangladesh can provide India access to Northeastern states and access to sea for land-locked countries like Nepal and Bhutan. The proposed deep seaport in Sonadia can become a regional commercial hub. Developing coastal tourism has significant potential for Bangladesh as well.¹⁶²

Finally, the main issue is security and stability in the region. Possibility of maintaining peace has already been proved by the peaceful resolution of two critical maritime boundary demarcation disputes of Bangladesh with India and Myanmar that has created win-win situation for cooperation, resources exploration and joint undertakings of development projects. Any further developmental cooperation among the countries including Myanmar India and China. Realizing potentials of blue economy to develop needed infrastructure, explore energy resources and ensure maritime security requires extensive cooperation with neighbours like India, Myanmar and China and other relevant countries.

Myanmar's place in the Bay of Bengal region and Bangladesh's strained relation with Myanmar because of lack of trust, confidence and political will along with long standing Rohingya crisis makes it much complicated. Moreover, India's interest in the

Bangladesh: A Policy Guide for Marine Fisheries and Aquaculture, Institute of Marine Sciences and Fisheries, University of Chittagong, 2017.

¹⁶⁰ BIISS, op.cit.

¹⁶¹ M. Shahadat Hossain, Sayedur R. Chowdhury and SM Sharifuzzaman, *Strategy for Ocean and River Resource Management*, Background study for the 7th Five Year Plan, The Planning Commission, Dhaka: Government of Bangladesh, p.25.

¹⁶² BIISS, op. cit.

greater Indian Ocean Rim would functionally encircle the Bay of Bengal as well as dwarf Bangladesh's singular position in the region. This implies that Bangladesh would hardly be able to exercise independent strategy with any partner country and this would make any form of cooperation hard to achieve and difficult to maintain without participation of all parties concerned.

With regards to China's BRI, main bargaining chip Bangladesh has other alternative proposals, such as Bay of Bengal Industrial Growth Belt (BIG-B) initiative by Japan, India's proposal to build deep sea-port and Bay of Bengal's place in USA's Indo-Pacific plan including 'Indo-Pacific Economic Corridor Initiative'. All these options give Bangladesh strategic leverage while negotiating with any potential partner.

Japan has proposed the BIG-B initiative as a key strategy for South Asia which marked a new milestone for bilateral relations between Bangladesh and Japan.¹⁶³ The BIG-B concept involves improving infrastructure for industrial development, creating a better environment for investment, and improving interconnectivity and cooperation focusing on the geo-strategic and economic potentials of Bay of Bengal region. With three pillars including industry and trade, energy and transportation, BIG-B strategy offers Bangladesh concrete opportunities to capitalize on its cost-competitiveness in global marketplace and to become the gateway to landlocked hinterlands as well as the hub of Bengal regional economy.¹⁶⁴

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has been another platform bringing together India, Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka, and Thailand with common agenda for development of the region. Despite decades of collaboration and a number of summits, concrete progress made so far remains limited, yet it showcases shared commitment for peaceful and prosperous Bay of Bengal region.¹⁶⁵

The USA's latest Indo-Pacific strategy puts added emphasis on South Asian region connecting Indian Ocean with wider Pacific region. India is a pivotal part in this strategy along with Japan and Australia ostensibly to compete China's growing presence in the countries along the region. The quadrilateral cooperation is expected to include infrastructural investment initiatives going beyond a security blueprint, but it still lacks clear implementation strategy and wider supports from the Indian Ocean

¹⁶³ ASMG Kibria, "Bangladesh Juggles Chinese, Japanese Interest", *The Diplomat*, 05 January 2015, available at <http://thediplomat.com/2015/01/bangladesh-juggles-chinese-japanese-interest/>, accessed on 22 November 2019.

¹⁶⁴ Akihiko Tanaka, "BIG-B toward Growth beyond Borders", Keynote Speech, at the University of Dhaka on 16 June 2014.

¹⁶⁵ Shruti Godbole, "Revival of BIMSTEC at the Kathmandu Summit?", *Brookings*, 29 August 2018, available at <https://www.brookings.edu/blog/up-front/2018/08/29/revival-of-bimstec-at-the-kathmandu-summit/>, accessed on 23 November 2019.

region.¹⁶⁶ Since Bangladesh has warm defense cooperation and security partnership with the USA, the country can take a positive approach to the strategy to diversify its sources of investment and strengthen its strategic position.¹⁶⁷

Bangladesh has also signed a number of agreements with India to strengthen trade and maritime cooperation including agreement to allow India use Chattogram and Mongla ports for transportation the purposes.¹⁶⁸ Both India and China expressed interest to invest in building deep-sea port in the Bay of Bengal. Bangladesh can leverage the strategic importance of maritime infrastructure to get better deals from India vis a vis China. Djibouti can be an example which welcomed both China and India to its fullest strategic leverage.¹⁶⁹

The centre of gravity of world economy has shifted to Indo-Pacific region that includes the Bay of Bengal. Hence, Bangladesh can act as the strategic hub as well as can gain a great deal from the shift in global economic dynamism toward the Indian Ocean.¹⁷⁰ Successful leveraging of the potentials would depend on prudent policy coordination and use of equiangular developmental diplomacy. Given multiple and competing arrangements for cooperation and overlaps of connectivity initiatives in the Bay of Bengal, devising a functional and inclusive approach is needed to involve big actors like USA, China, Japan and India along with other neighbours that would focus on common areas for mutual development reconciling existing differences and reconsidering complementarity among diverse initiatives.

With regard to maritime cooperation in the Bay of Bengal, Bangladesh's approach is developmental, not militaristic. So, maintaining peace assumes highest priority for which deterrent is needed to maintain property rights stability for harnessing resources. Since Bangladesh apparently has no high sea ambition and its only purpose is developmental, maintenance of peace for property rights and creating strategic deterrent to access high sea are fundamental to ensure sustainable exploration and use of resource both at EEZ and high sea and transforming Bay of Bengal into a developmental zone.

¹⁶⁶ Alyssa Ayres, "The U.S. Indo-Pacific Strategy Needs More Indian Ocean", *Council on Foreign Relations*, 22 January 2019, available at <https://www.cfr.org/expert-brief/us-indo-pacific-strategy-needs-more-indian-ocean>, accessed on 17 October 2019.

¹⁶⁷ James Jay Carafano and Jeff M. Smith, "How Bangladesh Can Improve Indian Ocean Security", *The Heritage Foundation*, 05 February 2018, available at <https://www.heritage.org/asia/commentary/how-bangladesh-can-improve-indian-ocean-security>, accessed on 24 November 2019.

¹⁶⁸ Nethra Singhi and Viraj Tuli, "India's Maritime Cooperation with Bangladesh: Challenges and Opportunities", *Center for Land and Warfare Studies*, 29 June 2017, available at <http://www.claws.in/1762/india's-maritime-cooperation-with-bangladesh-challenges-and-opportunities-nethra-singhi.html>, accessed on 30 October 2019.

¹⁶⁹ Arjun Raf, "India to get access to Japanese Djibouti base: More worry for China", *Defence Lover*, 16 November 2018, available at <https://defencelover.in/india-to-get-access-into-japanese-djibouti-base-more-worry-for-china/>, accessed on 26 November 2019.

¹⁷⁰ "The Initiative of BIG-B (The Bay of Bengal Industrial Growth Belt): Toward Growth beyond Borders", *Japan International Cooperation Agency*, 2014, available at <https://www.jica.go.jp/bangladesh/english/office/topics/141105.html>, accessed on 20 October 2019.

For this the strategic focus needs to shift from Blue economy rhetoric to practicality of resource exploration and utilization.

Overall, a transformative approach is needed to realize the potentials of the Bay of Bengal. First, sequencing and pacing are needed along with appropriate strategy and institutional arrangement to explore marine resources from the Bay of Bengal. Devising a coordination mechanism and enhancing implementation capability are essential to realize transformative potential of the Bay of Bengal. Second, besides these measures, limited deterrent would be needed to maintain peace and stability in the region. So, Bangladesh needs to upgrade its Navy and Coast Guard to capitalize on blue economy in the Bay of Bengal.

Chapter 9

Bangladesh's Strategic Engagement: Choices and Trade-offs

Bangladesh is a lower-middle income country with high density of population facing pressing challenges of economic development and environmental sustainability. Sandwiched between dominating neighbours and delicacy of balancing domestic politics, the country's fragmented foreign policy is not poised to leverage strategic gain in the long run. Drawing on the preceding analysis, an exercise is carried out on how Bangladesh can negotiate with other countries in the region that may lead to a balanced pathway to progress and ensure peace, stability and growth in the region.

Table 9.1: Bangladesh's Strategic Engagement: Choices and Trade-offs

	Main strategic priority to Bangladesh	Main strategic priority of Bangladesh to them	Balance and way forward
BD-USA	Market access Technological catching up: Knowledge and innovation High sea cooperation Humanitarian supports	Geopolitical significance of balancing China and India Bangladesh (BD) is 'central to the stability of a region that is home to nearly two billion people'	Partnership in trade and development, foreign direct investment, security dialogue and military to military cooperation Fighting violent extremism and terrorism, addressing refugee crisis, disaster relief and climate change and jointly working on peacekeeping and regional stability
BD-India	Addressing trust deficit and hegemonic attitude Cross-border water sharing disputes resolution Free trade and market access Giving access to connectivity to Nepal and Bhutan	Getting direct access to Northeastern States to promote integration and development Maintaining peace and stability in the region	Trade and development cooperation Access to and improvement of Northeastern states Enhanced prospect of peace and prosperity One example can be binding clause like Indus Valley treaty between India and Pakistan

BD-Rest of South Asia	<p>Increased regional trade and development cooperation among South Asian countries</p> <p>BD can take a key role or play the act of ‘mediator’ in ensuring an integrated South Asia with enhanced trust and confidence on each other.</p>	<p>Land-locked countries, i.e., Nepal and Bhutan will get access to sea routes to Bay of Bengal</p> <p>BD enjoys trusts and lends confidence to its neighbours</p> <p>BD can take initiatives and/or strengthen SAARC to improve regional alignment and all forms of cooperation</p>	<p>When Bangladesh takes up the role, Bhutan and Nepal as well as Northeastern states of India will be benefitted</p> <p>North Indian problems of developmental deficits and identity crisis can be mitigated</p> <p>Otherwise problem will intensify when Bangladesh develops due to relative sense of derivation</p>
BD-China	<p>Integration in production network, technology transfer and financing for development</p> <p>Infrastructure building, balanced trade and defence partnership</p> <p>Dealing with Myanmar particularly the expatriation of Rohingya refugees</p>	<p>Strategic access to South Asia</p> <p>Resource exploration in the Bay of Bengal</p> <p>Source of cheap labour and viable economic complementarity</p> <p>Relocation potential for excess industrial capacity</p> <p>Investment and business opportunities</p>	<p>Material gains: raw materials supply and market access</p> <p>Political gain: stability</p> <p>Balance: BD including other South Asian countries can supply raw materials to China and China would provide both market for export and cheap import of goods and services</p> <p>Increased trade share with neighbouring countries can reduce over reliance on geographically distant overseas markets</p> <p>BD can act as a strategic hub and gain a great deal from the shift in global economic dynamism toward the Indian Ocean</p>

Source: Prepared by the authors.

Search for an Equiangular Development Diplomacy: Primarily, China’s motivation is driven by internal compulsions to transform its domestic economy which becomes obscure viewing from the geo-political lens of rising China. China still faces the challenge of massive economic transition and the legitimacy of its ruling party depends on how successfully they can steer wheel of economic progress. While liberal approaches tend to justify China’s market expansion, those,

in fact, undermines the interests and needs of small countries like Bangladesh. As a result, liberalization turns out to be extractive globalization which is, in effect, enhancing the markets for the powerful economies without integrating the participating countries in their production network. Both the tendencies cannot really explain the process of BRI in terms of materializing the potentials unleashed by the large flow of investment, trade and infrastructural development. Based on this realization, the suggested approach is the 'equiangular development diplomacy' that calls for a balanced pathway to progress based on the countries' relations on mutual development needs and priorities rather than on divergent geo-political interests or disputes.

China is vowing to eliminate the geo-political apprehensions of major contenders while also enabling the participating countries to transform the potential into concrete outcomes for themselves. Influenced by realist perspectives, Indian security establishments focus on a 'zero-sum' power game in relation to China's investment offers that sidelines the interests of Bangladesh and other small countries. For example, when China signs any contract or funds any project in Bangladesh (like procuring Submarines), Indian side shows its unease with marked counter initiatives. It means, realist thinking always creates an atmosphere of tension that is not conducive to growth and stability and does not promote favourable atmosphere for shared development. India needs to acknowledge that its domineering approach and unwelcoming attitude to China is causing alienation among its neighbouring countries as is seen in case of Sri Lanka, Nepal and Maldives.

Drawing on the growth and sustainability framework, Bangladesh's strategic decision needs to be based on comprehensive approach rather than current case-by-case approach in building and maintaining strategic relations taking into account all countries involved in the region and explicitly not siding with any particular block. Compatible strategic defence that stresses on increasing defence capability by modernising armed forces and emphasis on research and innovation in advancing military technology. Two sufficient conditions are political settlement and legitimacy aspect that would foster relations among countries at political and production levels which are approved by a broad-based social favourable consensus and strategic capability and security aspect that would guarantee cooperation among countries to advance on a balanced pathway towards development.

Finally, realizing strategic gains from China's BRI would need to be based on security, legitimacy and favourable political settlements. It can be argued that without ensuring the security aspects of BRI, it will not work out for any of the countries in South Asia. The paper specifies the sufficient conditions or what would ensure the security and stability for smooth undertaking of the strategy. It is because ensuring stability and security would be essential for leveraging gains from China's BRI. It implies that in order to make land connectivity initiative

under BRI effective, Bangladesh needs to increase military and strategic capability for creating strategic deterrent against its neighbours where as China needs to guarantee security of safe passage through Myanmar and India.

Chapter 10

Concluding Remarks

The paper develops a new analytical framework to explicate geostrategic compulsions arising out of the BRI and its implications for Bangladesh. With growing geostrategic importance of Indo-Pacific region and plethora of arrangements for cooperation in the Bay of Bengal region, often rivalling and overlapping with each other, prevailing geostrategic complications are taking sway over the opportunities for mutual development. South Asia, representing majority of world's population and facing crucial bottlenecks like underdevelopment and lack of investments and infrastructure, is poised to benefit much from China's mega initiative.

The paper advances an approach for explaining BRI that calls for an 'equiangular development diplomacy'. The paper argues that the strategic framework of a country is resultant of internal compulsions stemming from a specific political settlement within a country as well as unique economic and political challenges faced by it. As such, BRI is resultant of internal compulsions China is facing which also determine its external policy orientations. In fact, China's re-rise indicates to major configurations of international, regional and bilateral orders of relationships which greatly condition any possible approach to BRI.

Bangladesh is deeply committed to China's BRI initiative the mainly through BCIM and the 21st Century Maritime Silk Route which seek to connect the country with wider networks of economic corridors, ports and sea lanes. The country is, however, finding it challenging to accommodate diverse geopolitical concerns by its neighbours, while at the same time, to align its foreign policy to be complementary to its plan for economic development.

Explaining China's motivation for undertaking the BRI and potential response it received from major supporters and/or contenders, it is found that China's presence in South Asia raises security concerns from India which makes it delicate for other small countries to devise a balanced approach as regards taking part in the BRI. Besides, a number of geostrategic challenges makes the full realization of BRI difficult for Bangladesh. Since Bangladesh does not share borders with China, any connectivity initiative involves a third country, either Myanmar or India or both. Addressing this 'third-party conundrum' is, nonetheless, a formidable challenge.

The paper suggests the 'balancing mechanism' that Bangladesh needs to design its approach to China's BRI strategy taking into account the trajectory that involves other relevant countries. For example, despite geopolitical concerns, economic compulsions make a strong case why India is better off cooperating with China in areas of connectivity and trade under the BRI. In case of China and USA, avoiding the 'Thucydides' trap' or war, is of best interests to both the sides whereas

China has been strongly committed to maintain a stable relationship with the USA. To break out of continuing ‘creeping optimism’, the Indo-Bangladesh relationship needs major overhaul and Bangladesh needs to design its independent strategy prioritizing its potentials from cooperating with China taking a balanced diplomacy and interest of the people into account.

The paper asserts that China has a strong interest to maintain peace and stability in the region given its considerable economic and strategic interests. With regards to Myanmar, China needs to take initiatives to resolve the bilateral issues with Bangladesh to make cooperation with China’s land corridor effective. With a growing convergence of economic and security interests of India and China in Rakhine State, a pragmatic alignment between them, though seems less likely under present circumstances, can offer grounds for working together to address Rohingya crisis as well. Moreover, observing China’s growing involvement with other South Asian countries, Bangladesh can hedge in China to counterbalance India’s domineering attitude, while not overlooking the sustainability issues of the BRI projects with regards to debt repayment and promised economic returns.

Given the renewed focus on the Indo-Pacific region and its wider economic implications, leveraging gains from the BRI requires assumption of Bangladesh as a strategic hub in the region through land and sea-based connectivity. Bangladesh needs to create an investment-friendly environment and focus on building productive capacity and favourable political settlement conducive to improvement in people’s welfare and economic prosperity. Realizing full potentials would depend on prudent policy coordination and use of equiangular developmental diplomacy by devising a functional and comprehensive strategy rather than the existing case-by-case approach in building and maintaining strategic relations with major actors involved without explicitly siding with any particular block. This calls for identifying the common areas for mutual cooperation and development by reconciling existing differences and reconsidering complementarity among diverse initiatives.

Finally, the paper specifies the sufficient conditions or what would ensure the security and stability for smooth undertaking of the strategy. Favourable political settlement and legitimacy aspect would foster socially approved relations among countries at political and production levels while strategic capability and security aspect would guarantee cooperation among countries to be fruitful. At the end, BRI is more than just an issue of connectivity or concern for China’s dominance. Without ensuring the security aspects of BRI, it will not work out for any of the countries in South Asia. The paper stresses that BRI also involves a security agenda which needs to be further explored in future research.

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Mailing Address

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