

# **China's Belt and Road Initiative and its Implications for India**

A Dissertation submitted to the Panjab University, Chandigarh for the award of Master of Philosophy in Social Sciences, in Partial Fulfilment of the requirement for the Advanced Professional Programme in Public Administration (APPPA)

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**CERTIFICATE**

I have the pleasure to certify that **Brigadier Sandeep Narang** has pursued his research work and prepared the present dissertation titled "**China's Belt and Road Initiative and Its Implications for India**" under my guidance and supervision. The dissertation is the result of his own research and to the best of my knowledge, no part of it has earlier comprised any other monograph, dissertation or book. This is being submitted to the Panjab University, Chandigarh, for the purpose of Master of Philosophy in Social Sciences in Partial Fulfilment of the requirement for the Advanced Professional Programme in Public Administration of Indian Institute of Public Administration (IIPA), New Delhi.

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## **ABSTRACT**

1. In 2013, China first announced its vision to develop land and sea routes all across Asia and Europe, in a bid to develop connectivity between China and countries of these two continents. China called this the 'Belt and Road Initiative (BRI)', which aimed to rekindle the ancient Silk Roads thereby giving a boost to economies of both China and participant countries through increase in trade, apart from strengthening ties through cultural exchange, people-to-people contact, financial integration etc. China calls this a 'win-win' arrangement for all countries forming a part of the initiative. The six land corridors and one sea corridor being developed as a part of the BRI are being funded through loans being granted by China's 'State Owned Policy Banks' and 'State Owned Commercial Banks', apart from bond funding.

2. However, many experts see the BRI only as a means to boost Chinese trade and address China's security concerns, rather than the mutually beneficial relationship, it is being touted as. This becomes amply clear when an examination of the trade deficit, which is tilted heavily in favour of China with each and every nation that she has trade relations with, is carried out. Also BRI projects in most countries predominantly utilise Chinese labour, Chinese machinery and Chinese raw materials, sourced from Chinese companies, thereby contributing very little to the local economy. There is also growing concern regarding 'debt-traps', into which smaller economies are being led by China, the waiver of which is being granted only in exchange of strategic assets. Sri Lanka's 99 year lease of Hambantota Port and Tajikistan ceding 1422 sq kms of its territory to China are cases in point. Experts also point out that China is using the BRI to develop alternate routes for sourcing its energy supplies in order to address its 'Malacca Dilemma', which has also seen China develop its first overseas military base at Djibouti, apart from increased naval presence in the Indian Ocean Region (IOR).



3. **Problem.** India has so far resisted becoming a part of the BRI despite China's invitation as there are serious implications. Not only does the BRI disrespect India's territorial integrity, with a part of the 'China-Pakistan Economic Corridor (CPEC)' passing through 'Pakistan Occupied Kashmir (POK)', China is also developing a network of ports in the IOR, which will not only help her Navy to operate from a position of strength, but will also encircle India through the 'String of Pearls'. Aside from the IOR, the increasing Chinese influence in the South Asia are also a matter of grave concern for India. With the exception of Bhutan, all other nations of the region are members of the BRI and all have them have permitted a growing Chinese footprint in their respective country. The economic leverage which China stands to achieve, and to some extent already has, through huge investments in our immediate neighbourhood is certainly not good news. The BRI, therefore, has political, economic and military implications for India.

4. **Purpose.** This dissertation aims to understand the BRI in totality to include its sources of funding. All corridors forming a part of the BRI have been discussed in detail, along with implications of BRI corridors and projects for member nations and their benefits, especially for China. The overall Chinese strategy behind the BRI has also been examined and an attempt has been made to unravel the fact that the BRI, apart from economic benefits for China, provides it with a military edge and also helps her resolve her 'Malacca Dilemma' to a large extent. As far as India is concerned, the BRI has resulted in increased Chinese influence in her immediate neighbourhood and the IOR which are a matter of grave concern for her security, especially in the backdrop of Indo-China relations as they exist today. The BRI, therefore, or at least some corridors forming a part of it, have serious implications for India, which far outweigh the benefits of India becoming a part of it. Accordingly, India must come up

with a strategy to counter China's BRI, which have been discussed as a part of this dissertation.

5. **Method.** The methods used for data collection include study of books, research papers and articles published by eminent authors. Newspaper articles and articles uploaded on various websites have also been studied. These have been the primary source of Secondary Data. Primary Data will has been obtained through a questionnaire forwarded to senior defence officers and senior officers in various other government departments.

6. **Results / Conclusion.** The results of the research carried out point out to a greater Chinese design as against the 'win-win' model continuously propagated by the Chinese. Apart for assisting China in utilising its overcapacity in the field of infrastructure construction and production of raw materials, the BRI gives a fillip to the Chinese economy in a visibly disproportionate manner as compared to its 'partner' nation. The initiative, aside from granting it access to the lucrative European markets, also provides a great opportunity to China to develop her relatively backward West. In addition, the BRI is also of military benefit for China, wherein not only is China able to overcome her 'Malacca Dilemma' but is also able to achieve dominance in South and East China Seas and ensure security of her SLOCs through the Indian Ocean. In addition, China through the BRI will also be able to keep Indian influence in South Asia and the IOR under check, apart from using it as a means to realise her dream of achieving Super-Power status by 2049.

7. **Recommendations.** The BRI poses some serious problems for India, wherein not only is her influence in the South Asian Region diluted, but an enhanced military threat from China is not beyond the realms of possibility. India, therefore, needs to come up with a strategy to counter China's BRI. Though India, in an attempt to

counter the BRI has made efforts to engage its neighbours, the goodwill generated through announcement of projects / schemes has been lost on account of her inability to backup 'talk' with 'action'. India, therefore, need to change her ways if she is to overcome the imminent adverse impact of the BRI. Measure taken will have to include fast-tracking of her military modernisation as the very first step. Other measures will include energising Quadrilateral Security Dialogue (QUAD) to act as a permanent balancing instrument against China and engaging immediate neighbours through improved land connectivity, giving a boost to trade, providing lines of credit, fulfilment of past promises etc are the need of the hour. India also need to give a fillip to the Sagar Mala, Mausam & Asia-Africa Growth Corridor (AAGC) which would help her to strengthen ties with nations along the littoral of the Indian Ocean from East Africa, Arabian Peninsula, Iran, South Asia and Southeast Asia. Lastly, India would also do well by engaging China for improvement in bilateral relations. India is unlikely to join the BRI and as things stand, China too is unlikely to pursue India's participation in the same. However, there is definitely a need to reach a middle ground wherein China could progress the BRI while making sure that Indian interests are not sidelined.

**CHINA'S BELT AND ROAD INITIATIVE AND ITS  
IMPLICATIONS FOR INDIA**

**CHAPTER - 1**

**INTRODUCTION**

**Background**

1. The 'Belt and Road Initiative' (BRI), formerly known by the name of 'One Belt One Road' (OBOR), was first announced by the Chinese President Xi Jinping in September 2013 during a speech in Kazakhstan. This initiative, which lays down the framework for China's foreign policy objectives for the 21st century, envisages economic corridors, both over land and sea, in the form of 'Silk Road Economic Belt' and 'Maritime Silk Road' respectively. Once completed, BRI hopes to link more than 68 countries with a combined population of over 4 billion people, encompassing nearly 40% of global GDP<sup>1</sup>. The BRI is being billed as a network of regional infrastructure projects which includes highways, high speed railways and state of the art ports interlinked through fibre optic cables and modern telecommunication, which will connect China to the rest of the world. The Initiative hopes to revive the original 'silk road' on land, whereas by sea, the plan is to connect maximum ports along routes navigated by Admiral Zheng He during the 15<sup>th</sup> century<sup>2</sup>. The BRI also hopes to promote collaboration in trade, investment and people-to-people contact, both in scope and scale, all the way up to Western Europe.

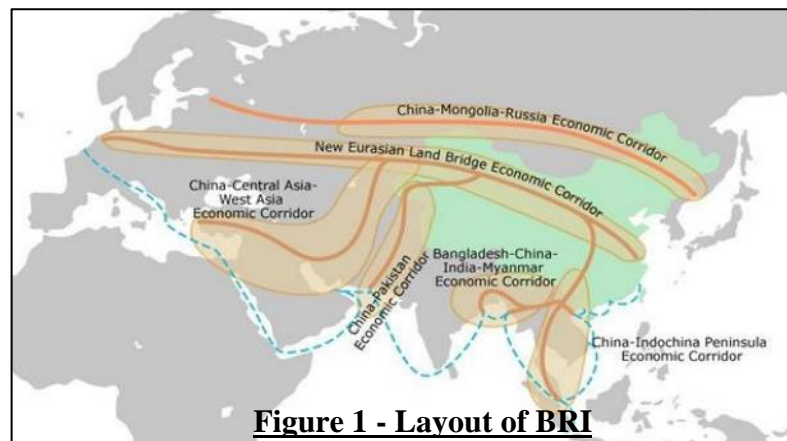
2. Centuries ago, the 'Silk Road' was successful because traders were assured of a secure movement along-with their goods, over hundreds of kilometres. After travelling this distance, they were also assured of secure markets in which they could trade their

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<sup>1</sup> [https://www.business-standard.com/article/international/bri-china-s-social-governance-of-the-world-119112001727\\_1.html](https://www.business-standard.com/article/international/bri-china-s-social-governance-of-the-world-119112001727_1.html) (Accessed on 01 Jan 2021)

<sup>2</sup> Chanda, N., 'The Silk Road: Old and New', Sep 2015

goods. From the 2<sup>nd</sup> century BC to nearly the end of 14<sup>th</sup> century AD, this great trade route originated from Chang'an (now Xi'an) in the East to the Mediterranean in the West and linked China to the Roman Empire. It was an arrangement that brought about mutual prosperity to all those who utilised the 'Silk Road'. The BRI hopes to replicate the same characteristics and provide the same opportunities to nations forming a part of it. However, things are not likely to be as simple as they were in the olden days. Free access, efficient customs, secure banking, cash exchange facilities, security and other amenities along BRI routes etc. are only some of the issues that would require addressing. However, if these problems are in fact surmounted after discussions with all stakeholders, the BRI has the potential for creating a win-win situation for all. The Chinese are proceeding ahead with the project only after involving a large number of Asian and European nations as it does not want the initiative to be seen as serving only Beijing's interests, but want the same to be a symbol of 'mutual prosperity'.



3. **Projects Under BRI.** The Belt and Road initiative is geographically structured along 6 corridors, and the Maritime Silk Road<sup>3</sup>. They are as under (refer Figure 1): -

- (a) **New Eurasian Land Bridge.** The New Eurasian Land Bridge, also called the Second or New Eurasian Continental Bridge, is the southern branch of the Eurasian Land Bridge rail links running through the People's Republic of

<sup>3</sup> Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'

China. The Eurasian Land Bridge is the overland rail link between East Asia and Europe.

(b) **China-Mongolia-Russia Economic Corridor**. This corridor was first proposed on 11 Sep 2014 during the first trilateral meeting of the three heads of state in Dushanbe, capital of Tajikistan, between by the Russian, Mongolian, and the Chinese President. It was formularized in Jun 2016 as part of BRI and was christened as China-Mongolia-Russia Economic Corridor (CMREC). The CMREC has two key traffic arteries. One artery extends from China's Beijing-Tianjin-Hebei region to Hohhot and on to Mongolia and Russia, while the other extends from China's Dalian-Shenyang-Changchun-Harbin-Manzhouli to Russia's Chita.

(c) **China-Central Asia-West Asia Economic Corridor**. The China-Central Asia-West Asia Economic Corridor (CCWAEC) links China and the Arabian Peninsula. The vast region it covers generally follows the alignment of the ancient Silk Road. The corridor starts from China's Xinjiang and traverses Central Asia before reaching the Persian Gulf, the Mediterranean Sea and the Arabian Peninsula. It crosses five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) and 17 countries and regions in West Asia (including Iran, Saudi Arab and Turkey).

(d) **China-Indo China Peninsular Corridor**. The proposed China-Indo China Peninsular Corridor will take advantage of China's 3,889-kilometer (2,416-mile) border with Myanmar, Laos and Vietnam, running overland through Malaysia to Singapore.

(e) **Bangladesh-China-India-Myanmar Economic Corridor.** This is proposed as a corridor between India and China which would be passing through Myanmar and Bangladesh. Advantages are envisaged to accrue from greater market access for goods, services and energy, elimination of non-tariff barriers, better trade facilitation and investment in infrastructure development. Benefits of joint exploration and development of mineral, water, and other natural resources, development of value and supply chains based on comparative advantages, and through closer people to people contact.

(f) **China-Pakistan Economic Corridor.** The China-Pakistan Economic Corridor (CPEC) is a collection of infrastructure projects that are currently under construction throughout Pakistan. Originally valued at \$46 billion, the value of CPEC projects is now worth \$62 billion. This is the flagship project of BRI and is most important for India as it will have far reaching implications.

(g) **Maritime Silk Road.** Maritime Silk Road or Maritime Silk Route refers to the maritime section of historic Silk Road that connects China to Southeast Asia, Indonesian archipelago, Indian subcontinent, Arabian peninsula, all the way to Egypt and finally Europe, that flourished between 2nd-century BCE and 15th-century CE. The trade route encompassed numbers of seas and oceans; including South China Sea, Strait of Malacca, Indian Ocean, Gulf of Bengal, Arabian Sea, Persian Gulf and the Red Sea. The maritime route overlaps with historic Southeast Asian maritime trade, Spice trade, Indian Ocean trade and after 8th century — the Arabian naval trade network. The network will also extend eastward to East China Sea and Yellow Sea to connect China with Korean Peninsula and Japanese archipelago.

4. **What the BRI Entails.** As per the Chinese, the BRI is structured along the principles of the UN Charter and also upholds the five principles of Panchsheel, which were jointly propagated by Pandit Jawaharlal Nehru and Zhou Enlai in 1954. These include<sup>4</sup>:-

- (a) **Policy Coordination.** Intergovernmental cooperation is supposed to be the bedrock of the BRI. All policies with respect to the BRI would be built on shared interests after due consensus has been established. Coordination of policies and plans would be the crucial first step before implementation
- (b) **Connectivity.** All infrastructure created as a part of the initiative will be required to be harmonized in terms of construction and technical standards. Cross-border optical cables and other communications trunk line networks will be created to facilitate seamless communication for a BRI Information Network.
- (c) **Unrestricted Free Trade Across Borders.** Unrestricted and free trade across borders is one of the most important ingredients of the BRI. It will, however, call for enhanced cooperation including mutual recognition of regulations, standards and assistance in law enforcement.
- (d) **Financial Integration.** In order to make BRI a success, financial cooperation through a stable currency system will be required for financial integration of member nations.
- (e) **People-to-People Contact.** Apart from the financial and infrastructural issues, the other major focus of the BRI is on people-to-people contact, wherein public interest activities related to education, health care, poverty reduction,

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<sup>4</sup> <https://www.ebrd.com/what-we-do/belt-and-road/overview.html> (Accessed on 01 Feb 2021)



bio-diversity, ecological protection etc.

5. The following is, however, not envisaged to be a part of the BRI :-

(a) **Treaty Based Free Trade Regime**. The BRI does not visualize a treaty-based fixed trade regime, though it may eventually emerge as such. What it visualizes for the present is creating seamless and low-cost possibilities of movement of peoples and goods.

(b) **Security Alliance**. The BRI is definitely not an alliance on the lines of NATO or even the SCO. Indeed, it is not a grouping linked through a formal treaty or a set of regulations. However, it does aim at providing a secure environment for promotion of commerce, that is free from terrorism and religious radicalism.

(c) **Formal Membership**. Even though bilateral agreements may be necessary for the operation of major trans-border infrastructure facilities, formal membership arrangements may not be required except for financial institutions.

(d) **Instrument of Chinese Hegemony**. Presently China's economic and strategic capability makes it a formidable power in the region. However, the Chinese have been keen to emphasize that the BRI is not be an arrangement to extend Chinese hegemony.

6. **Concerns Regarding BRI**. The BRI is massive in its scope and therefore, implementation of projects forming a part of the BRI is likely that these will take many years to complete. This is a challenge for all participating nations as the projects also carry with it a risk of failure. In a project of this scale and magnitude, many contentious issues are likely to arise that will challenge the collective determination of

member countries to make it work. It may also happen that some parts of the project may succeed while others fail or encounter severe implementation problems. Some concerns and criticisms have also been raised against the BRI from non-member states and nations from outside the region. In fact some non-member nations of the West are apprehensive that “this is an attempt to thoroughly reshape the geopolitical fundamentals of global power ... in favour of China. If China succeeds in linking its rising industries to the vast natural resources of the Eurasian heartland, then quite possibly ... the empire of the world would be in sight.”

7. As expected, China does not claim any strategic advantage from this project, nor does she consider it as a means to expand her influence in Eurasia and the Indian Ocean Region. All China does is has consistently speak about mutual economic advantage for all participating nations and yet at the face of it, there are many projects of the BRI that do not appear to be economically viable and have the potential to incur a loss for both the funding institutions and the companies involved. Should there be a number of such projects, the very viability of the BRI may be challenged.

8. China’s investment in BRI will, however, have many consequences. The physical networks developed would link other countries to mainland China. This need not, in principle impede the autonomous choices of participating nations, but what actually comes about in practice may be another matter. It is true that the maritime Silk Road, by linking ports and maritime facilities with China will allow it to overcome the so-called “Malacca Dilemma”, allowing China access to maritime facilities in the Indian Ocean area. In terms of harbour facilities, marine logistics, security of transportation at sea, access to marine resources and related issues, it will assure China access and control over the type of naval support facilities that it lacks today.

9. Further, even though the Chinese government sees and sells the BRI as “a bid to enhance regional connectivity and embrace a brighter future” apart from being a “win-win” situation for all involved parties, it is also seen as a plan for world domination by China, through a China-centric global trading network. While all countries must and do promote their national interests, with the Chinese being no exceptions, there are some aspects that should worry countries hosting BRI projects. Over the past 7 years since the initiative was announced, Chinese claims of the BRI being a mere economic project aimed at fulfilling a crucial development need for infrastructure in Asia, Africa and Europe and at increasing people-to-people contact, has taken a beating. Questions regarding high costs of projects, debt traps, lack of transparency, use of Chinese labour, use of old & polluting technologies etc, apart from the real Chinese intent behind BRI, are now being asked by many countries.

10. **Indian Concerns.** It does emerge that the full extent of Chinese intentions behind promoting the BRI are as yet unclear. A considerable percentage does believe that the BRI is more about political and strategic goals rather than economic development and India tends to favour this view. No doubt India is suspicious of China given the history between the two nations, however, the Chinese on their part have done little to allay these doubts. Take for example what the Chinese have done in Sri Lanka, where under the Mahinda Rajapaksa regime, the ‘Chinese Model’, involving unscrupulous practices of promoting projects that the Sri Lankans would subsequently find unsustainable, were followed. Resultantly, Rajapaksa’s successors had to give up the southern Sri Lankan port of Hambantota and thousands of acres of agricultural land around it, on a 99-year lease to the Chinese, in return for debt waivers, which was arguably unreasonable in the first place. For that matter, even Pakistan, China’s all weather friend seems to be having complaints against the CPEC which have been

projected through multiple sources to include political parties, provincial governments, economists, media, businessmen etc.

11. However, it cannot be denied that should India choose to form a part of the BRI, given her strategic location in South Asia astride the Indian Ocean, India will have a significant role to play in the overall success of the BRI. In the times gone by, the South Western routes of the Silk Road linked India to Sichuan and Yunnan. India is also connected to the Silk Road through its trade links to Tibet under its Treaty with China in 1954. Therefore, on account of these ancient linkages and commercial integration, India's participation is likely to be a key element to the success of BRI. Connectivity with the rest of Asia has been an important element of India's foreign policy in recent decades, and the BRI could help combine some of these proposals. However, so far India has expressed its strong reservation and opposition to the BRI despite its vast economic potential, primarily on account of the on-going boundary dispute with China, as the China-Pakistan Economic Corridor (CPEC), a flagship program of BRI, runs through Pakistan Occupied Kashmir (POK) which India considers as a part of its own territory, under wrongful occupation by Pakistan. India as, therefore, boycotted the BRI project stating that "No country can accept a project that ignores its core concerns on sovereignty and territorial integrity."

12. The question, therefore, arises as to what path must India pursue. One could be to join the BRI and reap the economic benefits that it may accrue, while learning from mistakes of other countries and preventing itself from falling into 'hidden traps' that may be laid by the Chinese. The other alternative could be to highlight the security and economic challenges of the BRI's mega-infrastructure projects to other countries and dissuade them from partnering with China. However, this will have little effect unless India can offer to them a direct counter or an alternative, which will only be possible if

India can develop the capacity or make necessary investments for competing directly with the Chinese.

### **Statement of the Problem**

13. Both the ‘**Silk Road Economic Belt**’ and ‘**Maritime Silk Road**’ have serious implications for India. China has already bypassed India’s concerns and has disregarded her contention on the CPEC which passes through POK. This has major security implication for India as it allows greater collaboration between our two major adversaries and has the potential to interfere with our energy security. Other projects forming a part of BRI also strengthen Chinese presence in our vicinity apart from challenging our influence in the Indian Ocean Region. India, therefore, needs to come up with ways and means to counter Chinese intentions and come up with a strategy that safeguards our interests.

### **Research Objectives**

14. Research objectives of this dissertation are as under :-

- (a) To carry out an in-depth study on all the projects forming a part of BRI, with special reference to China-Pakistan Economic Corridor, China-Myanmar-Bangladesh-India Corridor and Maritime Silk Road.
- (b) To discern the true intent of the Chinese behind the BRI.
- (c) To assess political, economic and military implications of the BRI on India.
- (d) To suggest the way forward, from an Indian perspective, to insulate itself from the adverse consequences of BRI.

### **Research Design**

15. This study will strive to provide an insight into China's intent behind the BRI and its implications for India. This would involve an in depth study of books written on the subject by eminent scholars and carrying out an analysis of the same. Papers and articles on the issue, published in various renowned journals, will also be analysed for better understanding of the subject. In addition to the above, a questionnaire to officers who are dealing with the subject or have dealt with it in the past will also be utilized to obtain relevant inputs. Therefore, the Research Design would be Quantitative (Descriptive & Causal) in nature.

### **Rationale / Justification**

16. Since its inception, China has employed its considerable propaganda machinery to claim that BRI projects are a 'win-win' situation for all parties involved. However, in the last few years since China actually started implementing projects in member countries, the image that she has been persistently trying to cultivate, of the BRI being a mere economic project aimed at fulfilling a crucial development need for infrastructure in Asia, Africa and Europe and at increasing people-to-people contact, has taken a beating. The issues involved revolve around the high costs of Chinese projects which have led many nations into debt traps, lack of transparency and alleged bribery of host government officials etc.

17. India has, from the very beginning, maintained that the BRI has been put in motion by China to achieve its larger political and strategic goals rather than economic development, which is only a façade to hide her actual motives. India's concerns are not only centred around the economic leverage that China will obtain by huge investments in her neighbourhood, but also around the use of BRI projects for military

purposes as China relentlessly pursues her dream to achieve the status of a global power by 2049.

18. Realising that the Indian opposition to the BRI remained vibrant, Chinese scholars and diplomats have often stressed that China sees an important role for India in the BRI across South Asia. The outcome of the study will provide policy makers a perspective on whether or not it would be in India's interest to join the initiative or continue with its present approach towards BRI and will also suggest a way forward.

### **Research Questions**

19. This research will attempt to find answers to the following questions :-

- (a) Is the BRI merely an initiative aimed at economic enhancement and cooperation between member nations or is there a deeper Chinese intent behind the BRI ?
- (b) What will be the impact of the BRI on the political and economic ecosystem of the region / subcontinent and will it affect India in any manner ?
- (c) Is it in India's interest to become a part of the BRI ?
- (d) Does the BRI have implications for India's security ?
- (e) How should India respond to China's designs veiled in the garb of BRI ?

### **Scope / Limitations / Delimitation**

20. The research will focus on various projects forming a part of BRI, with special reference to China-Pakistan Economic Corridor, China-Myanmar-Bangladesh-India Corridor and Maritime Silk Road.

21. **Research Gaps.** The following research gaps were observed :-

- (a) Max books on the subject are written by Chinese scholars who tend to present a one-sided view of the benefits of the BRI.
- (b) There still remains a doubt whether or not India should join the BRI.
- (c) There are security implications for India as far as the CPEC is concerned. However, security implications from other projects forming a part of the BRI are unclear.
- (d) A clear strategy to counter China's BRI has not emerged.

22. **Method of Data Collection.** The following methods will be used for data collection :-

- (a) Books published by eminent authors.
- (b) Research papers / articles published by various think-tanks.
- (c) News articles.
- (d) Websites carrying research papers / articles on the subject.
- (e) Questionnaire.

### **Methods to be Applied and Data Sources**

23. Secondary data will be collected from study of books and publications on the subject. In addition, papers published in prominent journals will also be studied apart from collection of data from the internet. Apart from the above, primary data will also be obtained through a questionnaire.



**Chapterisation Scheme**

24. The broad chapterisation scheme for this research report is as follows: -

- (a) **Chapter 1** - Introduction.
- (b) **Chapter 2** - Literature Review.
- (c) **Chapter 3** - The Silk Road - A Historical Perspective.
- (d) **Chapter 4** - Understanding the BRI to Include Sources of Financing.
- (e) **Chapter 5** - Impact of BRI on Member Nations & Benefits for China.
- (f) **Chapter 6** - India's Changing Relationship with China & its Effect on Geopolitics in the Indian Sub-Continent.
- (g) **Chapter 7** - Should India Embrace the BRI - Benefits, Pitfalls and the Way Forward.
- (h) References / Bibliography.

## **CHAPTER - 2**

### **LITERATURE REVIEW**

1. Details of literature reviewed is listed as under :-

(a) **Fang, C. and Nolan, P (2019). *Routledge Handbook of the Belt and Road***. This book edited by the above named authors is a collection of articles dealing with different aspects of the BRI. These articles, written by eminent Chinese scholars have been organised into 12 parts in the book and cover key aspects of the BRI to include China's reforms and opening-up to the world for formation of the BRI, its concept and framework, details of the five roads and six economic corridors forming a part of the BRI and other international action plans similar to the BRI. The book provides a good insight into the conceptualization and implementation of the BRI and in the end also briefly talks about progress made in various projects forming a part of the initiative. However, as the articles included in the book are all written by Chinese scholars, their view tends to be biased in favour of their nation.

(b) **Thaliyakkattil, S. (2019). *China's Achilles' Heel The Belt and Road Initiative and Its Indian Discontents***. After giving a brief introduction of the BRI, the author goes on to build a case regarding the actual intent of the Chinese behind the BRI, which is to aim at a dominant role for their nation in the world arena by creating new realities and worldviews of China. The author also talks about the initiative not going down so well with South Asian nations, including Pakistan now, and brings out that the BRI is certainly benefiting Chinese companies and advancing Chinese interests, without an equal benefit to countries that have accepted infrastructure projects, as has been propagated

by the Chinese. The book also talks about the full-scale support of the United States for India against the BRI, which has subsequently been termed the “Indo-Pacific” strategy. Though the main idea behind the BRI was to create a global narrative of China, shaped by China, the author also highlights that the initial criticism of the BRI came from India as it infringed upon its sovereignty and territorial integrity. In the end the author also talks about how India has been able to address her security concerns, at least for the time being, via a containment strategy through a collaborative partnership with the United States.

(c) **Sharma, B. and Kundu, N. (2016). *China’s One Belt One Road Initiative, Challenges and Prospects*.** The book is a result of a collaborative effort between United Service Institution of India, New Delhi and Sichuan University, Chengdu. Edited by the above named authors, the book comprises of articles written by both Chinese and Indian scholars, who attempt to provide a view of the BRI from the perspective of their respective countries. While the Chinese authors attempt to sell the initiative as a benign one, aimed at mutually benefitting all partners, the Indian counterparts argue that the views in India with respect to the initiative are mixed at best. While a section agrees with the Chinese perception, substantial differences exist in the other. The Indian authors conclude by saying that there is a need to first look into the diplomatic, economic and security realities on the ground before benefits of the BRI can be made into a successful regional initiative and that trust building between both nations will remain the key to cooperation.

(d) **Shang, H. (2019). *The Belt and Road Initiative: Key Concepts*.** In this book, the author, a Professor and Ph D Supervisor at the Nankai University,

Tianjin, has attempted to clear certain misconceptions about the BRI. The author realises that the world opinion is divided with respects to merits and demerits of the initiative and therefore, does all that he can, from pointing out differences between the BRI and the American Marshall Plan to suggesting ways of clearing misunderstandings surrounding the BRI, in order to project it in good light. The author points out how the world benefitted immensely from the erstwhile Silk Routes and would also do so from the BRI. He also talks about the viewpoints of various nations related to the BRI, however, only the favourable viewpoints have been included, including those from scholars in the United States. The Indian perspective is conspicuously missing.

(e) **Wolf, S. (2020). *The China-Pakistan Economic Corridor of the Belt and Road Initiative*.** The book published recently, talks about the motivation for both China and Pakistan to pursue the CPEC, which is one of the extremely important components of BRI. While the Chinese interests are centred around projecting itself as a setter of international standards, upgrading its own industry, exporting excess capacity to the most important aspect of ensuring energy security, the Pakistani motivation has been described as ranging from improving economic and social conditions, improving infrastructure and enhancing trade, enhancing capabilities for production and of course energy security. Though CPEC is the main reason for India being opposed to the BRI, one other issue related to CPEC discussed by the author, which has a direct bearing on India is the proposal of enlarging the scope of CPEC through inclusion of Afghanistan within its ambit. In the end the author concludes that CPEC has proved to be more beneficial for China rather than providing similar

growth to both nations and has in fact made Pakistan's economic development even more dependent on China.

(f) **Mayer, M. (2018). *Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations*.** This book edited by Maximilian Mayer is a collection of articles written by various distinguished authors on wide ranging aspects related to the BRI to include Chinese investments in Europe, inclusion of Africa in Maritime Silk Road, China's rise as a Eurasian power etc. Of special interest is an article on 'Connectivity and Regional Integration : Prospects for Sino-Indian Cooperation' by Darshana M. Baruah and C. Raja Mohan. Both these authors bring out the reasons behind India's trust deficit towards China. The authors bring out that there may be a case for India to collaborate with China in expanding her internal and trans-border connectivity and that India may have to adopt a balanced approach of competition and collaboration to secure its strategic interests while developing its infrastructure needs.

(g) **Kaey, J. (2008). *China: A History*.** This book covers the complete history of China taking everything into account, right from the earliest times to the present day China. The author has been able to provide a valuable insight into the development of China through the ages and provides a fair assessment of the Chinese mindset.

(h) **Anwar, A. (2019). 'Belt and Road Initiative: What's in it for China?'. *East-West Center, Nov 2019*.** As the title suggests, this article discusses the benefits that China hopes to accrue from the BRI. Apart from addressing the is inequality between its inland Western regions and the prosperous provinces on the Eastern seaboard, China also hopes to provide an

outlet for the excess capacity of Chinese companies in infrastructure construction. At the global stage, China tends to benefit from the BRI by solving its ‘Malacca dilemma’, as also extending the Chinese government’s political and economic influence in other countries. The author concludes by saying that the BRI has become synonymous with China’s image and therefore, failure to complete successful projects and to gain positive international recognition would be catastrophic for the party and its Chairman.

(j) **Rana, K. (2017). ‘China’s Belt and Road Initiative (BRI) : Implications, Prospects & Consequences : Impact on India & its China Diplomacy’.** *Institute of Chinese Studies, Sep 2017*. The article firstly examines BRI in terms of China’s direct economic, political and domestic interests, the funding arrangements for its projects, including aid and loans, and the potential gains for participating nations. The author also discusses the reaction of different countries over BRI, before examining India’s options, including Chabahar port project in Iran, Mausam, and Asian connectivity projects for our NE States. The essay recommends a flexible Indian posture on BRI, coupled with deeper strategic thinking on foreign policy issues, and re-examination of the BCIM sub-regional cooperation, even while we maintain a reserve for now towards possible Chinese investments in the NE region.

(k) **Chhibber, A. (2017). ‘China’s Belt and Road Initiative and India’s Options : Competitive Cooperation’.** *Journal of Infrastructure, Policy and Development (2017) Volume 1 Issue 2, 242-253*. The author in his article states that India and China have a competitive yet cooperative relationship. India is not a signatory to the BRI as it has concerns over some aspects of it - especially the CPEC. However, India has joined the Asian Infrastructure

Investment Bank (AIIB) (as its second largest shareholder after China) and most recently the Shanghai Cooperation Organisation (SCO). These new banks are a potential source of long-term infrastructure finance for India. China and India till very recently had growing, yet somewhat unbalanced, economic ties - with a large trade deficit in favour of China. This article explores how China and India can contain their contentious issues as they find ways to cooperate for mutual benefit.

(l) **Cooper, Z. (2018). ‘Security Implications of China’s Military Presence in the Indian Ocean’. *Center for Strategic and International Studies (CSIS), 2018.*** China’s increased military presence in the Indian Ocean should not come as a surprise to anyone as she is following in the traditional path of other rising powers wherein China is expanding its military operations to match its interests abroad. As per the author, security implications of China’s push into the Indian Ocean region are mixed. In peacetime, these efforts will certainly expand Chinese regional influence. In wartime, however, China’s Indian Ocean presence will likely create more vulnerabilities than opportunities especially if a contingency were to occur involving either India or the United States or potentially both at once. The author concludes by saying that Chinese engagement is changing regional security dynamics in the current peacetime environment. However, Chinese forces and facilities would be highly vulnerable if a major conflict were to break out.

(m) **Baruah, D. (2018). ‘India’s Answer to the Belt and Road : A Road Map for South Asia’. *Carnegie Endowment for International Peace, Aug 2018.*** As per the author, Beijing’s growing collaboration with India’s neighbours is creating a sense of unease in New Delhi. As China’s influence in

South Asia grows, India is faced with the challenge of maintaining its prominence in the region as the BRI underscores the growing Sino-Indian rivalry in the subcontinent and the Indian Ocean region. The fact that China has been able to garner an impressive response from India's neighbours exposes India's inability to offer substantial development assistance to its smaller neighbours apart from India's lack of strategic engagement with its neighbourhood. Agreed that India has limited resources and must address infrastructure and development needs at home, however, it also needs to provide an alternative to China's overtures to the region. As connectivity is key to development in the region, the author argues that countries like Australia, France, Germany, the UK, and the United States are keen to see India play a leading role in the region. India must, therefore, leverage help that each of these states have to offer and pursue its strategic connectivity goals.

(n) Other articles that have been referred include the following :-

- (i) Jeffrey Cimmino, J., Kroenig, M. and Pavel, B. (2020). 'Taking Stock: Where Are Geopolitics Headed in the COVID-19 Era?'. *Atlantic Council, June 2020*.
- (ii) Jabin, T. (2017). 'What does India think of China's 'Belt and Road' Initiative?'. Institute of Chinese Studies, Delhi, Dec 2017.
- (iii) Chakma, B. (2019). 'The BRI and India's Neighbourhood'. *Strategic Analysis (2019) Vol. 43, No. 3, 183-186*.
- (iv) Scissors, D. (2020). 'Global Investment Vanishes Under COVID-19'. *American Enterprise Institute, Jul 2020*.



- (v) Kliman, D and Grace, A. (2018). 'Addressing China's Belt and Road Power Play', Centre for a New American Security, 2018.
- (vi) Banerjee, D. (2016). 'China's One Belt One Road Initiative – An Indian Perspective', Yusof Ishak Institute, Mar 2016.
- (vii) Chhibber, A. (2017). 'China's Belt and Road Initiative and India's Options: Competitive Cooperation', Journal of Infrastructure, Policy and Development, 2017.
- (viii) Rana, K.S. (2017), 'China's Belt and Road Initiative (BRI): Implications, Prospects & Consequences: Impact on India & its China Diplomacy' Institute of Chinese Studies, Sep 2017.
- (ix) Umbach, F. (2019), 'China's belt and Road Initiative and its Energy-Security Dimensions', S. Rajaratnam School of International Studies Singapore, 2019.
- (x) Cooper, Z. (2018), 'Security Implications of China's Military Presence in the Indian Ocean', Center for Strategic and International Studies (CSIS), 2018.
- (xi) Russel, D.R. & Berger, B.H. (2020), 'Weaponizing the Belt and Road Initiative', Asia Society Policy Institute, Sep 2020.

### **CHAPTER - 3**

#### **THE SILK ROAD - A HISTORICAL PERSPECTIVE**

##### **General**

1. The Silk Road derives its name from the lucrative silk trade carried out during the reign of the Han Dynasty in China in the beginning of 2<sup>nd</sup> century BC. The Silk Road was nothing but a network of trade routes connecting the East with the West, primarily East and South-East Asia with South Asia, Persia, the Arabian Peninsula, East Africa and Southern Europe. The Silk Road was central to the economic, cultural, political, and religious interactions between these regions at that point in time. Besides silk, spices, precious metals, leather goods and above all paper, which had already been invented in China in the 2nd century BC, were many of the other commodities traded on these paths. The term ‘Silk Road’ was first coined by Baron Ferdinand von Richthofen in 1877<sup>5</sup>. This prominent German geographer, made seven expeditions to China between 1868 and 1872 to conduct geological, geographical, economic and cultural studies and later published his findings in a five-volume publication, 1877 onwards.

##### **Evolution of the Silk Road**

2. The Silk Road was first opened by Zhang Qian in the Western part of Han Dynasty. Routes along were later opened up throughout the Han Dynasty<sup>6</sup> and the Silk Road, which rapidly grew during the Han Dynasty also saw rapid development during the Tang Dynasty. It was, however, during the reign of the Yuan Dynasty, that it reached its most prosperous stage and also experienced its last flourishing period.

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<sup>5</sup> <http://scihi.org/ferdinand-freiherr-von-richthofen-silk-road/> (Accessed on 03 Feb 2021)

<sup>6</sup> <https://www.history.com/topics/ancient-middle-east/silk-road#:~:text=Established%20when%20the%20Han%20Dynasty,with%20China%20and%20closed%20them.> (Accessed on 03 Feb 2021)

Some details are as under<sup>7</sup> :-

- (a) **Han Dynasty (206 BC - 220 AD)**. This was a turbulent time wherein the Han Dynasty<sup>8</sup> lost its power to Wang Mang in the beginning of 9<sup>th</sup> century AD, which resulted in the establishment of the Xin Dynasty for a brief period from 9<sup>th</sup> to 23<sup>rd</sup> century AD. Later Liu Xiu re-established the Han Dynasty with the capital of Luoyang in the 25<sup>th</sup> century AD. During the reign of Han Dynasty, trade on the Silk Road was frequently disrupted on account of internal disorder and attacks by nomads. However, despite all disruptions, Silk Road flourished and emerged as an important trade route between China and the Mediterranean.
- (b) **Tang Dynasty (618 AD - 907AD)**. The Tang Dynasty was established in China in the early 7<sup>th</sup> century AD. The Silk Road during this period saw great prosperity and rose to its most flourishing period in history<sup>9</sup>. The reign of the Tang Dynasty saw the Silk Road expand towards the Qinghai-Tibet Plateau in the South, the Mongolian Plateau in the North apart from establishing a network of roads towards the West. The Silk Road thrived during the Tang Dynasty as the rulers took great interest in ensuring that the economy flourishes in addition, to paying special attention to the management of the vast Western regions. In addition, at that point in time there was stability in the Roman (Byzantine Empire), Persian and Arabian Empires and these nations were willing to build good relations with China. All these factors led to trade prosperity along the Silk Road and to frequent cultural exchange between the West and the East. However, the ‘Golden Age’ of its development took a

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<sup>7</sup> Egel, N., ‘China’s OBOR-Project and the History of the Silk Road’.

<sup>8</sup> <http://factsanddetails.com/china/cat2/sub90/entry-5440.html> (Accessed on 04 Feb 2021)

<sup>9</sup> *ibid*

nosedive after the Anshi Rebellion (755AD - 762 AD).

(c) **Yuan Dynasty (1271AD - 1368AD)**. After falling into a decline, the Silk Road once again regained its shine along with the establishment of Yuan Dynasty by the great Mongolian ruler, Kublai Khan, in 1271 AD<sup>10</sup>. The territory covered by this dynasty was the largest one in Chinese history, which stretched as far as Mongolia and Siberia in the north, South China Sea in the south, Tibet and Yunnan in the Southwest, Stanovoi Range and Okhotsk in the North-East, Xinjiang and Central Asia in the North-West. During this period, passing through the Silk route became more convenient, easier and safer than ever before and the Mongols welcomed travellers from the West with open arms. However, expansion in the field of navigation during this period assisted in the demise of the Silk route.

### **Silk Road Routes**

3. **Middle Silk Road**. The Middle Silk Road heart of the Silk Road extended from the town of Merw in East Iran to the Gobi desert and the town of Dunhuang in the East<sup>11</sup>. It also branched towards Kashmir and Peshawar in the South. The



**Figure 2 - Middle Silk Road**

Middle Silk Road thus linked three important Asian cultural centres i.e., Iran, India and China. From Merw the road crossed the Oxus (today Amudarja) and thereafter, via Bukhara to Ferghanatal (stretched between Uzbekistan, Tajikistan and Kyrgyzstan)

<sup>10</sup> <https://courses.lumenlearning.com/boundless-worldhistory/chapter/the-yuan-dynasty/#:~:text=Kublai%20Khan%20promoted%20commercial%2C%20scientific,the%20circulation%20of%20paper%20banknotes>. (Accessed on 04 Feb 2021)

<sup>11</sup> Egel, N., 'China's OBOR-Project and the History of the Silk Road'. (Accessed on 04 Feb 2021)

and then to Samarkand. From Samarkand, the Silk Road ran along the river Jaxartes to Andijon, stretched over the Tian Shan Mountains and then ended in Kaschgar in the Tarim Basin. The Taklamakan desert in the Tarim Basin had to be bypassed from the North or South. To the South, one travelled via Khotan, Qarqan and Qakilik until they reached Dunhuang. From the 5<sup>th</sup> century onwards, the Northern route was preferred, which involved moving from Kaschgar via Aksu, Karashar and Korla to Loulan, thus also reaching Dunhuang. The ‘Siebenstromland’ (between today's Kazakhstan, Kyrgyzstan and Xinjiang (China)) was also connected to the Silk Road by footpaths. In order to trade with India, one had to cross the Chaiber Pass (mountain pass between today's Pakistan and Afghanistan) and the Hindu Kush to access the North-Western Indian province of Gandhara.

4. **The Eastern Silk Road.** This branch of the Silk Road followed the Middle Silk Road to other important cities of China. From Dunhuang the road went on to connect Lanzhaou and Chang’an. From Chang’an, the road branched North-Eastward to Beijing and Eastward to Nanking<sup>12</sup>.



<sup>12</sup> Egel, N., ‘China’s OBOR-Project and the History of the Silk Road’. (Accessed on 04 Feb 2021)

5. **The Western Silk Road**. The Western Silk Road ran from the Middle Silk

Road in a westerly direction as far as the seaports on the Mediterranean Sea<sup>13</sup>. From Merw, the road went on to connect Tehran and Baghdad to Palmyra via Mashhad, from where one could go in the

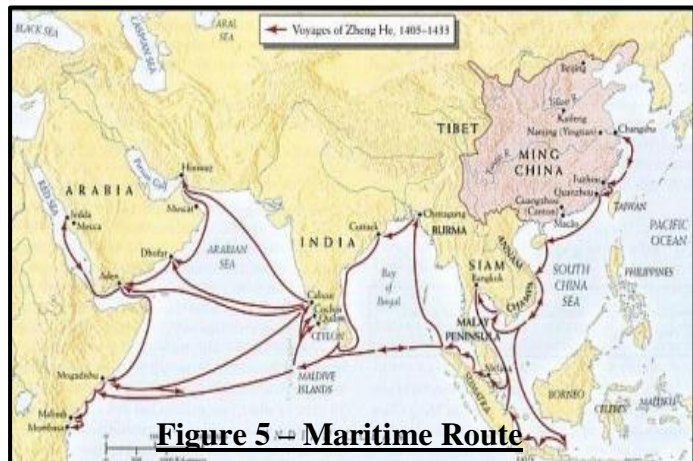


**Figure 4 – Western Silk Road**

North-Western direction via Aleppo, Antiochia and Tyros to Constantinople or in the South-Western direction via Damascus and Gaza to Cairo and Alexandria.

6. **The Maritime Route**<sup>14</sup>. The Maritime Silk Road, currently planned by the

Chinese as a part of the BRI, is also a part of China's history. Emperor Qin Shi Huang Di is said to have send several thousand boys and girls under Xu Shi to an expedition in 217



**Figure 5 – Maritime Route**

BC to search for the elixir of life on the legendary 'islands of the immortals'. There are many sources which have reported departure of the fleet from Shandong and its arrival in Japan. Further, China's trading activities in the Indian Ocean are also well recorded mainly during the Tang (618-907 AD) and the Sung Dynasty (960-1279 AD), reaching their peak during the Yüan Dynasty (1271-1368 AD). Later, Admiral Zheng He led very large fleets between 1405 and 1433 on seven journeys (on the first expedition 62 merchant ships and 27,800 men) to India and Africa in order to increase China's sphere

<sup>13</sup> Egel, N., 'China's OBOR-Project and the History of the Silk Road'. (Accessed on 04 Feb 2021)

<sup>14</sup> Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'

of influence and trade.

### **Historical Importance of the Old Silk Road**

7. The Silk Road has definitely played an important role in history in many aspects ranging from economic, cultural and even tourism. The Road was as an important material exchange channel, which gave impetus to the circulation of goods between the East and the West. Silk Road also played a positive role in promoting prosperity of the Han Dynasty and expanded Chinese trade to an extent that China started being noticed by the world. Apart from its importance to China, the Silk Road was equally significant to the West. Its historical importance can be gauged from the following :-

(a) **The Longest Land Trade Route.** From the times of the Shang Dynasty until the Renaissance, i.e. from 1600 BC to 1046 BC, the most powerful civilizations of the world were centred around the Mediterranean and the basins of the Yellow River and Yangtze River. The Silk Road enabled a connection between these great civilisations by facilitating trade and cultural exchange. The Silk Road stretched for about 7,000 kilometres (4,500 miles) from Chang'an and Xi'an to Athens and Constantinople and was the most important and longest land trade route in world history<sup>15</sup>.

(b) **Four Big Invasions that Changed the World.** The Silk Road played an important part in the following four campaigns that had a significant impact on the world history.

(i) **Greek.** Alexander the Great followed the Silk Road routes Westward to Tajikistan where he founded Alexandria Eschate in

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<sup>15</sup> <https://www.chinahighlights.com/silkroad/significance.htm> (Accessed on 05 Feb 2021)

329 BC. This was one of the most important cities along the Northern route of the Silk Road and had a significant impact on trade at that point in time<sup>16</sup>.

(ii) **Huns**. In the next major invasion in 370 AD, the Huns arrived at the Volga River and had conquered a vast portion of Europe by 430 AD. Subsequently by 451 AD, Attila the Hun conquered territories stretching from France to near the Black Sea. It is thought that this invasion contributed to the fall of the Roman Empire.

(iii) **Arabs**. The Arabs invaded the Fergana Valley area in Tajikistan, and then in 751 AD, they defeated a Tang Empire army at the Talas River due to which the Tang lost control of Xinjiang. As Arab control spread across Central Asia, the Silk Road assisted in the spread of Islam to China.

(iv) **Mongols**. The next big invasion involving the Silk Road was by the Mongols. Genghis Khan united the tribes in Xinjiang and by 1279 AD, Mongol armies had reached the borders of Germany. Mongols founded the Yuan Empire (1279–1368) and during their reign, the Silk Road trade reached its height.

(c) **Spread of Plagues and Diseases**. There is some consensus that bubonic plague from China spread to Europe and Africa along the Silk Road twice in history.

(i) **Bubonic Plague of the 6<sup>th</sup> Century**. It is believed that the Bubonic Plague of the 6<sup>th</sup> Century, which occurred during the reign of

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<sup>16</sup> <https://www.chinahighlights.com/silkroad/significance.htm> (Accessed on 05 Feb 2021)



the Byzantine emperor, Justinian, spread utilising the Silk Road. This resulted in the death of half the population of Europe which may have enabled the Arabs to take over Byzantine provinces in the Near East and Africa<sup>17</sup>.

(ii) **Bubonic Plague of the 14<sup>th</sup> Century.** In the 1330s, a number of natural disasters and plagues led to widespread famine in China. It is thought that the bubonic plague which occurred during the period first killed millions in the Yuan Empire before spreading to Europe in 1347 perhaps via the Mongol army or Silk Road traders. The plague ultimately killed an estimated 75 to 200 million people in Eurasia, and accounted for the death of 30 to 60% of the population in Europe.

(d) **Proliferation of World Changing Technologies.** From the Han era starting at about 139 BC to the end of the Yuan era in 1368 AD, world changing technologies, which originated in China, disseminated Westwards through the Silk Road.

(i) **Paper.** Paper is one of China's four great inventions. Developed during the Han era, paper technology reached Europe during the 11<sup>th</sup> century and revolutionized publishing and dissemination of information. Without paper, there would probably have been no Renaissance and no Industrial Revolution as well.

(ii) **Gunpowder.** Gunpowder was developed in around 900 AD during the reign of Tang Dynasty. The Mongol army helped in proliferation of the gunpowder technology when they invaded Europe.

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<sup>17</sup> <https://www.chinahighlights.com/silkroad/significance.htm> (Accessed on 05 Feb 2021)

(iii) Silk making and Porcelain making were the other crafts that travelled Westwards from China aided by the Silk Road. However, surprisingly there was movement of new technology or craft Eastwards towards China on the Silk Road.

(e) **Spread of Religion.** Whereas technology generally moved Westwards, from China to Europe, religions took an Easterly direction on the Silk Road. Buddhism affected China deeply from the Han era onwards, while the Mongols played an important role in spreading Islam by bringing in Muslims to live in their empire via the Silk Road routes. Taoist or Confucianism could not, however, make much headway into Europe through the Silk Road.

8. As has already been brought out, the Silk Road land routes fell into a state of disuse after the fall of the Yuan Dynasty and during the era of the Ming and Qing Dynasties (1368 AD - 1912AD) as ships started carrying goods much more quickly, relatively safely and also economically. The Silk Road was later opened after the Japanese invaded China in the 1930s and gaining control of the sea routes and ports. This forced the Chinese to use land routes by reopening of the Silk Road routes.

## **CHAPTER - 4**

### **UNDERSTANDING THE BRI TO INCLUDE SOURCES OF ITS FINANCING**

#### **General**

1. The BRI which is also known as One Belt, One Road (OBOR) is the most ambitious project conceptualised and implemented by the Chinese President Xi Jinping. Not only does it aim to strengthen Beijing's economic footprint through a series of infrastructure building programmes, it is also viewed by analysts as Beijing's attempt to gain political leverage over its neighbours. Some analysts also argue that one of the key drivers behind the BRI is also China's own pressing economic concerns. One of the overriding objectives of OBOR is to address China's deepening regional disparity as the country's economy modernises. Beijing hopes its transnational infrastructure building program will spur growth in China's underdeveloped hinterland and rustbelt. The initiative will have a heavy domestic focus. The Chinese Government also wants to use OBOR as a platform to address the country's chronic excess capacity. It is more about migrating surplus factories than dumping excess products. One of the least understood aspects of OBOR is Beijing's desire to use this initiative to export China's technological and engineering standards. Chinese policymakers see it as crucial to upgrading the country's industry.

#### **BRI Through China's Prism**

2. As per the Chinese, the world is witnessing complex and profound changes as world economies recover slowly from the impact of the earlier international financial crisis and now COVID-19. As per them, the world which was earlier bipolar had gravitated towards uni-polarity after breakdown of the USSR, with USA remaining the only super power. This needed to change and accordingly, their initiative to build the

Belt and Road, was in fact a step towards ensuring a multi-polar world. The Chinese maintain that their idea of jointly developing the Belt and Road is in the interest of world community and would assist in furtherance of global free trade with a spirit of mutual cooperation.

3. The Chinese also feel that in the post-World War economic development, the gap between developed and developing countries, or for that matter between many developing countries, has not really narrowed in the manner that it should have. Accordingly, many developing nations are still facing challenges. On the other hand, developed economies have also entered a stage of low-speed growth. In the scenario that has emerged, China hopes to provide a new model of development to countries around the world wherein all economies prosper together.

4. Ever since announcing the BRI, China has continuously emphasised that the initiative is not something which will bring prosperity to China alone, but will equally benefit all those nations who choose to be a part of it. To this effect President Xi Jinping's speech on the Belt and Road Initiative in Kazakhstan, wherein he said that the purpose of the initiative was to, "To forge closer economic ties, deepen cooperation and expand development space in the Eurasian region"<sup>18</sup> and that, "we should take an innovative approach and jointly build an 'economic belt along the Silk Road'", is relevant. Later in Indonesia, President Xi also said that, "Southeast Asia has since ancient times been an important hub along the ancient Maritime Silk Road. China will strengthen maritime cooperation with ASEAN countries ... in a joint effort to build the Maritime Silk Road of the 21st century. China is ready to expand its practical cooperation with ASEAN countries across the board, supplying each other's

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<sup>18</sup>[https://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpfwzysiesgjtfhshzzfh\\_665686/t1076334.shtml#:~:txt=Xi%20Jinping%20proposed%20that%20in,gradually%20form%20overall%20regional%20cooperation.](https://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml#:~:txt=Xi%20Jinping%20proposed%20that%20in,gradually%20form%20overall%20regional%20cooperation.) (Accessed on 06 Feb 2021)

needs and complementing each other's strength, with a view to jointly seizing opportunities and meeting challenges for the benefit of common development and prosperity".

5. China is also of the opinion that most developing countries, especially those in China's neighbourhood suffer from poor infrastructure and connectivity, which has a direct impact on their potential for development. Therefore, the economic development of these nations has lagged behind for a long time, resulting in development imbalance. China, accordingly proposes to strengthen policy coordination, road connectivity, monetary circulation and understanding between people of these countries for unimpeded trade in order to reap combined economic benefits and mutual prosperity. China has even released its 'Vision and Actions' statement with respect to the BRI in 2015 which states that, "The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries".

6. **BRI : An Initiative or Strategy - The Chinese View Point.**

(a) Though foreign media and think tanks tend to refer to the BRI as a Chinese strategy aimed at dominance, the Chinese continue to maintain that though BRI is indeed a strategic vision, it does not mean that China is pursuing BRI exclusively from the perspective of its own national interests and it is certainly not a strategy meant to target other countries.

(b) As a strategic vision, the BRI only talks about jointly focusing on cooperation between member nations. It relies upon existing multi-lateral

mechanism between China and relevant countries and is aimed at peaceful development and furtherance of economic ties and partnership with countries along the ancient Silk Road. The Chinese government holds that, the BRI matches the needs of these countries to pursue fast development and will create new of opportunities for them.

(c) Though the BRI will benefit all parties involved, internal benefits for China include its own all round development. Over the past 30 years or so, China has taken vast strides in opening up its economy, however, on account of geographic factors, its development has been skewed, wherein the inland Western China has been left behind as compared to coastal regions of Eastern China which have vastly prospered. Through the BRI, China hopes to correct this imbalance thereby putting its inland areas at the front of the development.

(d) China has appreciated that countries along the BRI are mostly emerging economies and developing countries. They have a total population of 4.4 billion which accounts for 63% of world population. Also the combined economies of these nations amount to a total of US\$ 21 trillion or 29% of world economy. China is offering to give these countries a higher status as its trading partners if they choose to form a part of the BRI. This will also give an economic boost to China's central and western regions.

(e) The Chinese government, therefore, maintains that cooperation with the countries along the Belt and Road will not only benefit China, but will also prove to be beneficial for these countries as well. The BRI is, therefore, a progressive and open strategy which will enhance economic and political cooperation between China and member nations. The reference to strategy alongside the BRI, as per the Chinese is, therefore, only in the context of

systematic planning to achieve mutual economic development and cooperation between member nations. It in no way refers to adoption of any hostile measures by the Chinese aimed at targeting someone.

7. **BRI - A Chinese Marshall Plan.**

(a) World War II had inflicted severe damage on European nations. The adverse consequences of the war were felt not only in terms of casualties, but the collapse of infrastructure as well. As national treasuries had been left drained by the war, European nations were in no position to rebuild destroyed infrastructure without external aid. The United States therefore, stepped in with what it called the 'Marshall Plan', the aim of which was not only to help Europe recover, but also to curb influence of the Soviet Union and Eastern Europe Group.

(b) Though several sections of the media have called the BRI as China's version of the Marshall Plan, the Chinese strongly refute this comparison and categorically deny any aggressive intent behind the BRI. They point out the following differences between the Marshall Plan and the BRI :-

(i) Unlike the US Marshall Plan, the BRI is aimed at creation of a multipolar world, economic cooperation and integration of markets, apart from cultural exchanges between nations.

(ii) As per the Chinese, under the Marshall Plan, the US provided economic aid to OECD (Organization for Economic Cooperation and Development) countries with the aim of perpetuating its political ideology through economic aid. On the other hand, the BRI advocates

multi-lateral trade and not development as it happened during the Cold War era.

(iii) Thirdly, as a part of the Marshall Plan the US lent gold to European nations, and requested them to purchase products from the US markets only. In this manner, the US, while helping them, also avoided economic recession after the World War II. The Chinese maintain that the BRI on the other hand aims to help all countries along the ‘Belt and Road’.

8. **BRI - As Described by China.** China maintains that its intentions with respect to development of the BRI, which involves active participation by member nations, are totally noble and include full transparency while aiming at cooperative development of all parties involved. The Chinese describe the BRI as the following<sup>19</sup> :-

(a) **The Road of Peace.**

(i) Peace is the fundamental principle on which the BRI revolves. The Chinese propagate that only in a peaceful environment can they fulfil their vision and bring about benefit to people of all countries. Historically also, the ancient Silk Road only prospered when there was peace and fell into disuse in times of war. Even today, some countries and regions alongside the ancient Silk Road are going through turbulence and instability on account of extremism, terrorism and war. This has pushed their economies on the brink of collapse, displaced their people apart from loss of life and destruction of property. These could all be attributed to the lack of peace.

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<sup>19</sup> Fang, C. and Nolan, P. (2019), ‘Routledge Handbook of the Belt and Road’.



(ii) Therefore, peace is a precondition to the pursuit of the BRI. The Chinese stress that pioneers of the ancient silk routes won their place in history not as conquerors with warships, guns or swords, rather, they were friendly emissaries who built bridges of cooperation between the East and the West.

(iii) Through the BRI, China hopes to foster new type of relationship which features mutual respect, fairness, justice and win-win cooperation between partners. This would be achieved through :-

(aa) Extensive consultation and collaboration, joint contribution and shared benefits.

(ab) Foster a vision of common, comprehensive, cooperative and sustainable security and create a security environment built and shared by all.

(ac) Commitment to peaceful development.

(ad) Help BRI countries achieve peace and stability by work to resolve issues through political means, and promote mediation in the spirit of justice.

(iv) The Chinese believe that building the Road of Peace together will make significant contribution to the peace and stability in the world, thereby contributing significantly to global security.

(v) As imbalanced development leads to inequality in income distribution across the world, it becomes the root cause of chaos and turbulence. The BRI will focus on resolving this imbalance and promote common development.

(b) **The Road of Prosperity.**

- (i) In pursuing the BRI, the Chinese hope to focus on the fundamental issue of development, release the growth potential of various countries and achieve economic integration and deliver benefits to all through connectivity of policy, infrastructure, trade and finance.
- (ii) The BRI is an economic cooperation initiative and its core function is to achieve common development of China and other BRI nations.
- (iii) China hopes to ensure significant development of BRI countries in areas of technology, infrastructure, industrialization, external trade, foreign investment and social development.
- (iv) China proposes to achieve the above by :-
  - (aa) Strengthening industrial cooperation so that industrial development plans of countries can complement and reinforce each other.
  - (ab) Creating new models of investment and financing, encouraging greater cooperation between government and private capital and improving financial services networks.
  - (ac) Promoting connectivity on land, sea, air and cyberspace by creating networks of highways, railways and sea ports.
  - (ad) Improving trans-regional logistics networks.
  - (ae) Ensuring connectivity of policies, rules and standards so as to provide institutional guarantee for enhancing connectivity.

- (v) To this effect, China has already taken the following steps :-
- (aa) In 2016, China invested US\$ 14.5 billion in BRI countries, which translates into 8.5% of its total investment abroad.
- (ab) It has signed new overseas engineering contracts worth US\$ 126 billion, up 36% year on year.
- (ac) By the end of 2016, China had signed bilateral investment treaties with 53 Belt and Road countries.
- (ad) Having invested about more than US\$ 18.5 billion, Chinese enterprises are working to set up 56 economic and trade cooperation zones in 20 Belt and Road countries<sup>20</sup>.
- (ae) Since the Initiative was proposed, the China Development Bank has issued loans of US\$ 30 billion for 100 projects in BRI countries. The Export Import Bank of China, on the other hand, has given loans worth US\$ 80 billion for 1100 projects.

(c) **The Road of Openness.**

- (i) The Chinese describe the BRI as an open platform for economic cooperation, with its principle as seeking shared benefits through consultation and collaboration.
- (ii) It embraces the spirit of openness and works on the principle of equality and inclusiveness of all its members.
- (iii) The BRI is also open to all countries, regardless of whether they

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<sup>20</sup> <http://www.silkroadassociations.org/one-belt-one-road-bri> (Accessed on 08 Feb 2021)

are located along the Belt and Road or not and can enjoy opportunities brought about by the initiative.

(iv) China says that the ‘Road of Openness’ is all about establishment of a fair, equitable and transparent system of international trade and investment leading to full market integration.

(d) **The Road of Innovation.**

(i) The Chinese President Mr Xi Jinping has stressed that “innovation is an important force powering development” and that “the Belt and Road Initiative is new by nature and we need to encourage innovation in pursuing this initiative”.

(ii) The BRI as per the Chinese has been a ground-breaking effort and a testament to the spirit of innovation wherein new ways to strengthen financing mechanism have been introduced.

(iii) Besides existing financial institutions, China has set up the Silk Road Fund and made full use of some newly established platforms such as the Asian Infrastructure Investment Bank and the BRICS New Development Bank etc to support projects forming a part of the BRI.

(iv) China has also supported BRI countries by training their young scientists in China and helped them pursue scientific research. In addition, the Chinese government has also signed 46 intergovernmental agreements on scientific and technological cooperation with BRI nations.

(v) China also proposes to build a number of research laboratories, research centres, technology transfer centres etc to promote

interconnectivity and sharing of scientific research data and resources in the fields of smart grid, ICT etc with BRI nations.

(e) **The Road Connecting Different Civilisations.**

(i) China is of the opinion that when it comes to different civilisations, the BRI will replace estrangement with exchange, mutual learning will replace clashes and coexistence shall replace a sense of superiority. This will boost mutual trust, understanding and respect amongst different nations.

(ii) People-to-people bond is an important part of the BRI which will foster an environment where citizens of BRI countries can appreciate, understand and respect each other apart from laying the foundation for cultural exchange.

(iii) The Chinese also maintain that BRI will assist in upholding cultural and religious tolerance and will resultantly prevent extremism from creating gaps among civilisations.

(iv) Cooperation and exchange in the fields of education, tourism, science & technology, healthcare, disaster relief, poverty reduction etc will form an important facet of the BRI.

9. **Emphasis of the BRI.** Having described in paragraphs above, the spirit behind the proposal of creating the Belt and Road, the initiative lays emphasis on the following aspects in order to make it a success<sup>21</sup>.

(a) **Development of Infrastructure.**

(i) The Chinese emphasize that stagnant infrastructure is one of the

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<sup>21</sup> Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'.

major reasons of slow economic growth in many developing countries and, therefore, needs to be corrected. Accordingly improvement in infrastructure, to include transportation, telecommunication, power supply, environmental protection, public services etc, plays an extremely important role in maintaining an upward trend in growth.

(ii) The ‘Vision and Actions’ document on the BRI issued by China proposes that, “on the basis of respecting each other’s sovereignty and security concerns, countries along the Belt and Road should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step”.

(iii) In pursuit of this Initiative, the Chinese accordingly wish to give priority to linking unconnected nations through land and/or sea routes and removing transport bottlenecks to improve connectivity between Asia, Africa and Europe.

(iv) While building required infrastructure, they wish to lay emphasis on green and low-carbon planning and utilization of clean energies like hydropower, wind power, solar energy etc.

(b) **Uninterrupted Trade.**

(i) The major reason behind the BRI is certainly economic and therefore, uninterrupted trade forms a major component of the BRI. The ‘Vision and Actions’ document on the BRI talks about removing

“investment and trade barriers for the creation of a sound business environment within the region and in all related countries”.

(ii) The BRI forum, therefore, aims at building an open economy and ensuring free trade amongst all BRI nations in a rules-based, non-discriminatory manner.

(iii) This envisages promotion of bilateral and multilateral free trade agreements, implementation of trade and investment promotion projects, establishment of economic and trade cooperation zones jointly with BRI countries, promotion of international manufacturing cooperation through establishment of industrial parks etc.

(c) **Financial Integration.**

(i) Financial integration is one of the key factors in implementation of BRI. This envisages strengthening of financial cooperation between BRI nations to include opening and interconnecting their financial markets.

(ii) It envisaged the establishment of Asian Infrastructure Investment Bank, BRICS New Development Bank, setting up and put into operation the Silk Road Fund as early as possible, strengthening cooperation between China-ASEAN Interbank Association and the SCO Interbank Association, etc.

(iii) The Chinese also hope to encourage equity investment funds and private funds to participate in construction of key projects in countries along the Belt and Road.

(iv) In the long term they also hope that financial institutions will set up branches BRI countries and support their governments in execution of infrastructure projects, apart from signing MOUs for establishment of an efficient financial regulation and coordination mechanism in the complete region, to include a cooperation mechanism for addressing cross-border risks and crisis.

(v) The above stated financial integration would not only be limited to financial support for large-scale infrastructure projects but would also serve financial needs of other sectors and provide affordable and effective financial services to small and micro enterprises, residents, farmers, etc.

(vi) The Chinese also hope to build upon existing bilateral and multilateral cooperation mechanisms and platforms like the Shanghai Cooperation Organization (SCO), ASEAN Plus China (10+1), Asia-Pacific Economic Cooperation (APEC), China-Gulf Cooperation Council Strategic Dialogue, Greater Mekong Sub-region (GMS) Economic Cooperation, and Central Asia Regional Economic Cooperation (CAREC) etc to attract more countries and regions into the folds of the BRI.

(d) **Cultural Exchange.**

(i) The Chinese also hope to use the BRI vehicle to undertake cultural and academic exchange between member nations. This will be achieved through student exchange programs, providing scholarships to students from BRI countries, jointly running schools etc.



(ii) In addition, cultural programs, art festivals, film festivals, book fairs etc are also envisaged to in each other's countries in addition to cooperation in areas of film production, TV and radio programs etc.

(iii) Impetus to tourism has also been emphasized by the Chinese as an important facet through joint creation of international tourist routes and making it easier for citizens to apply for tourist visas for tourism in BRI countries.

(iv) Apart from people to people contact, China also hopes to encourage exchanges between political parties, think tanks, non-governmental exchanges and media in order to foster harmonious and friendly relations between nations and their people.

(e) **Cooperation in the Field of Academics.**

(i) Cooperation in the area of medicine and disease control has also been another area which has been stressed upon by China. Collaboration with BRI countries, especially those neighboring China, on sharing of information on epidemics, prevention and treatment technologies and training of medical professionals, improving capability to jointly address public health emergencies etc would form a part of the package.

(ii) In addition, provision of medical assistance, emergency medical services, cooperation in the field of maternal and child health, disability rehabilitation and treatment of infectious diseases, establishment of joint research centres, will also be included, apart from cooperation in the area of traditional medicine.

(iii) Apart from medicine, entrepreneurship training, vocational skill development, public administration, management etc are other areas which have been identified for cooperation.

### **Details of Corridors Forming a Part of BRI**

10. The primary aim of the BRI is to build two trade and transport routes with the purpose of giving an economic boost to participating nations. It includes six land corridors which will link key cities along its route and will serve to bolster economic ties. The BRI also includes a maritime route which will focus on building a smooth, secure and efficient transport route by connecting major sea ports. The details of these land and sea corridors are discussed in the under mentioned paragraphs.

#### 11. **The Land Routes.**

##### (a) **New Eurasian Land Bridge (NELB).**



(i) The NELB is one of the most ambitious OBOR projects which involves the development of a rail transportation network between China and Europe through Kazakhstan, Russia and Belarus. The objective of this corridor is to increase economic activity with Europe through rail and increase its competitiveness vis-à-vis maritime transportation. Spanning across Eurasia, the NELB connects Central

and Eastern Europe (CEE) through North-Western China, Central Asia and Russia and focuses primarily on development of China's relatively neglected Western region by linking it to Europe<sup>22</sup>.

(ii) This route originates in Eastern China and cuts through its interior before passing through Kazakhstan, Russia, Belarus, Poland and Germany with some trains continuing on to France and Spain. The 8,000-mile route, from the city of Yiwu in Zhejiang province to Madrid, is the longest continuous train route ever. It branches from Urumqi in a North-Westerly direction towards Astana in Kazakhstan, and then links up with the Russian rail network at Yekaterinburg.

(iii) Shipping accounts for over 80% of global freight volumes and nearly 95% of freight volume between China and Europe. The remaining 5% primarily consists of rail freight (Winterbottom, 2012). With 40 million 20-foot containers crossing the Suez Canal each year (Rastogi and Arvis, 2014), rail freight from China to Europe is still a sizeable market, which underscores the relevance of the NELB.

(iv) China-Europe Railways has made significant progress in development of the corridor wherein it already connects 59 cities in 18 European nations. Further, as per China, trade volume between China and CEE nations has increased to US\$ 68.042 billion in 2017, which represents a year-on-year growth of 15.5% as compared to China's total foreign trade growth over the same period of 4.3%.

(v) Developments along this corridor have resulted in reduction of transit time from around 22 days to 17 days. With approx. 17 trains

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<sup>22</sup> Mayer, M., 'China's Belt and Road Initiative and Emerging Eurasian Relations'

running along the corridor on a daily basis, impressive figures of US\$ 33 Billion worth of trade have been achieved by the Chinese.

(b) **China-Mongolia-Russia Economic Corridor (CMREC).**



(i) The initial memorandum of understanding (MOU) for establishing this corridor was signed on 09 Jul 2015. Subsequently, the heads of state of China, Mongolia and Russia, on 23 Jun 2016, jointly signed the outline plan for creation on the CMREC in Tashkent. The CMREC has two key traffic arteries: one extends from China's Tianjin-Hebei region to Ulan Bator in Inner Mongolia and on to Ulan-Ude in Russia; the other extends from China's Honqiraf and Urumqi onto Khovd in Mongolia and Russia's Novosibirsk<sup>23</sup>.

(ii) Mongolia, as we all know is a landlocked country, which shares borders with only two nations, i.e. China and Russia. The country primarily exports minerals and raw materials and its landlocked status makes it difficult to execute trade with countries other than China and

<sup>23</sup><https://jamestown.org/program/mongolia-and-the-belt-and-road-initiative-the-prospects-for-the-china-mongolia-russia-economic-corridor/#:~:text=China's%20Belt%20and%20Road%20Initiative,and%20sea%20ports%20in%20Asia> (Accessed on 08 Feb 2021)

Russia. The CMREC becomes all the more attractive for Mongolia as it will facilitate trade with other nations as well by granting access to overland routes to the European Union and to sea ports in Asia. Therefore, Mongolia has been an active participant in the BRI from its very onset as it promises to accelerate its economic development by providing access to the rest of the world by land and sea.

(iii) China, Russia and Mongolia have signed multiple agreements for improving railways and highways through Mongolia, offering better connectivity with both China and Russia. Mongolia also hopes to integrate development through the BRI with its own domestic development plans. Mongolia is pursuing its own Steppe Road Plan, a reported \$50 billion infrastructure development program announced in 2014 and China has touted the BRI as being “highly consistent with Mongolia’s Steppe Road program”.

(iv) Mongolia is faced with the challenging reality of being a landlocked nation and recognises that rail and road infrastructure are the key its economy’s sustained growth and development. If implemented well, CMREC could be a game changer for Mongolia and hence is being pressed with vigour. At the same time, Mongolia is also wary of over-reliance on China and the asymmetric implications that may come with CMREC. CMREC requires large investments and will lead to a further increase in Mongolia’s external debt which already stands at 221% of nominal GDP (CEIC Data, 2020). In addition, around 80% of Mongolia’s export volume goes to China (primarily copper, coal and gold). Assistance by China to complete CMREC carries with it the

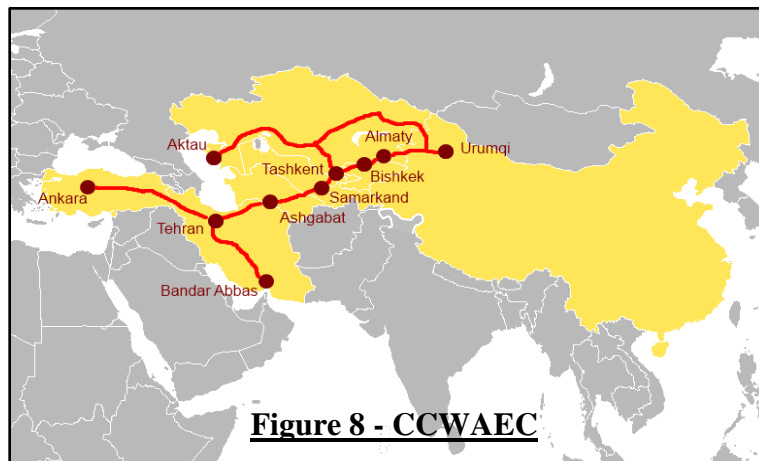
possibility of Mongolia falling into a BRI-related ‘debt trap’ of the sort faced by countries such as Sri Lanka (China Brief, January 5, 2019; China Brief, April 13).

(v) This explains why Mongolia is seeking additional international investment partners and political allies and despite Chinese interest, the Mongolian government continues to lease the ‘backbone’ of the Mongolian mining industry, the South Gobi Oyu Tolgoi mine, to Canadian Ivanhoe Mines and multinational Rio Tinto.

(vi) Notwithstanding the above, Mongolia’s economic engagement with China remains positive as the CMREC brings to Mongolia hopes for sustainable development.

(vii) The corridor is being touted as a success, wherein as per some reports, the number of trains have been increased nearly 3 times from 169 to over 550 and the cargo volume has increased from 10,000 TEUs (twenty-foot equivalent unit) in 2016 to 60,000 TEUs in 2017 with a 7% decrease in transit time and a cost saving of approximately 30%.

(c) **China - Central Asia - West Asia Economic Corridor (CCWAEC).**



**Figure 8 - CCWAEC**

(i) The CCWAEC is an important link that connects China to the Arabian Peninsula. The corridor generally follows the alignment of the ancient Silk Road wherein, starting from China's Xinjiang, it traverses Central Asia, West Asia, before reaching the Persian Gulf, the Mediterranean Sea and the Arabian Peninsula. The CCWAEC traverses five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) and 17 countries & regions in West Asia (including Iran, Saudi Arab and Turkey)<sup>24</sup>.

(ii) Close cooperation between these countries actually began with the Shanghai Cooperation Organisation (SCO) which was founded in 2001. Since then Chinese companies have made several infrastructure-related investments along this corridor. From investment in oil production in Kazakhstan, to gas exports from Turkmenistan and gas and uranium deals worth US\$ 15 Billion with Uzbekistan, huge steps have been initiated by China in this region. China has also part-funded a new freight railway line from Xinjiang to Almaty in Kazakhstan in order to boost trade.

(iii) Cooperation in the field of energy is an important part of the CCWAEC. During the past decade, Europe and America have taken steps to diversify their sources of supply as a result of which, the Middle East has gradually lost its status as the largest supplier of oil to them. China, therefore, hopes to plug this gap as its rapid growth in the past few decades has correspondingly increased its demand for energy. The CCWAEC, therefore provides an opportunity to both China, Central

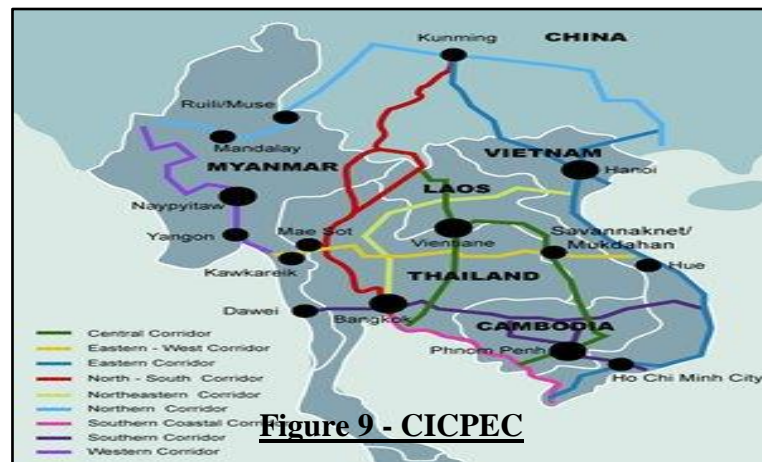
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<sup>24</sup>Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'

Asia and Middle Eastern Gulf countries to solve the security problems of oil and gas exports.

(iv) In addition, Turkey is also a priority country along this corridor for the Chinese because of its fast growing pipeline projects, especially the Lake Tuz Expansion Project. Once completed, this facility will increase Turkey's underground gas storage facility from 1.2 to 5.4 billion cubic meters. This will thereafter become the world's largest gas storage facility and it is expected to be completed in 2023.

(d) **China - IndoChina Peninsular Corridor (CICPEC).**



**Figure 9 - CICPEC**

(i) The CICPEC, which was earlier known as the Nanning-Singapore Economic Corridor, was initiated in 2010 and was later incorporated into the BRI. This economic corridor connects several cities in Southern China with the major cities of Southeast Asia to include Hanoi (Vietnam), Vientiane (Laos), Phnom Penh (Cambodia), Bangkok (Thailand), Kuala Lumpur (Malaysia) and Singapore. This connectivity has been provided through both road and rail<sup>25</sup>.

<sup>25</sup>Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'

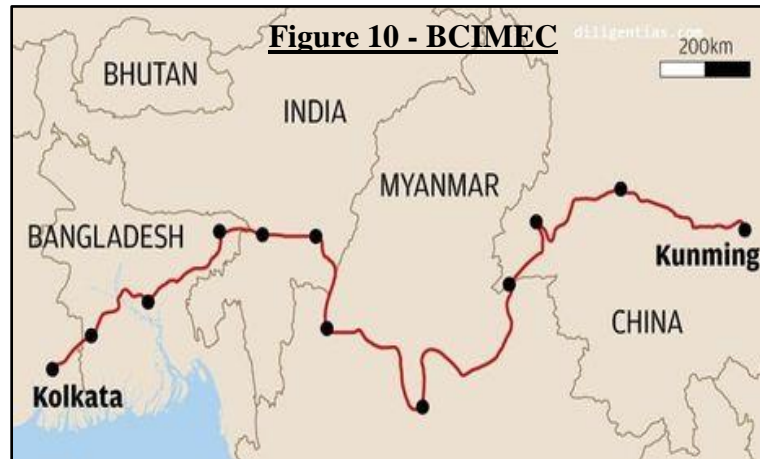


(ii) The corridor is important not only for expansion of cooperation between China and ASEAN nations, but is also an important transnational economic corridor connecting China and South East Asia through both land and sea. Launched in Mar 2015, CICPEC is envisaged as an international economic cooperation corridor with Guangxi and Yunnan in China as the main gateway, passing through above mentioned South Asian cities.

(iii) China already enjoys higher trade integration and greater foreign direct investment (FDI) with Indo-China Peninsula countries, as compared to nations along other corridors. Through the CICPEC, China hopes to give an impetus to trade and investment in countries connected through this corridor.

(iv) With connectivity and infrastructure creation being priority areas, it is envisaged that CICPEC has the potential to increase the cumulative GDP of ASEAN countries by 42.08% and that of East Asian countries by 5.87% between 2021 and 2030.

(v) Projects forming a part of this corridor include China -Thailand Railway, China - Laos Railway, Malaysia - Singapore High Speed Rail and the Southern Malaysia Railway. All these projects have been started in 2016 and 2017 and are expected to be completed by the end of 2021. It has been projected that the successful completion of above stated connectivity projects, apart from improvement in infrastructure, will also bring about new opportunities for the sustainable economic growth of China and Indo-China Peninsula countries.

(e) **Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC).**

(i) The BCIMEC would start from Kunming in China through Myanmar, Bangladesh and into India and the Indian Ocean. The corridor will connect the three regions of East Asia, South Asia and South East Asia and link up the Pacific and Indian oceans<sup>26</sup>.

(ii) Expected to cost approximately US\$ 22 billion to complete, the proposed BCIMEC has been projected as a major booster to economies of the four countries apart from assisting in maintaining peace and security in the region.

(iii) The proposed corridor will cover approximately 1.65 million square kilometres, and will be linked through a combination of road, rail, water and air routes, apart from telecommunication networks and energy pipelines. It is expected to give the much needed boost to the intra-regional trade which has remained below its US\$ 132 billion potential for quite some time. The revival of trade along this corridor,

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<sup>26</sup> Fang, C. and Nolan, P. (2019), 'Routledge Handbook of the Belt and Road'

which was a part of the ancient silk routes, is expected to significantly reduce costs of transportation, hereby enhancing profits significantly.

(iv) India, however, has strong reservations with respect to the BRI, primarily on account of the China-Pakistan Economic Corridor (CPEC), as it passes through Pakistan occupied Kashmir (PoK). India, accordingly did not attend the first and the second Belt & Road Forum (BRF) held in China in 2017 and 2019 respectively. Resultantly, BCIMEC is now conspicuously missing from the list of list of 35 corridors promulgated by China at the end of the 2<sup>nd</sup> BRF.

(v) China has, however, denied having dropped BCIMEC from the BRI in view of little progress having been made on account of its differences with India. and China over the China-Pakistan Economic Corridor (CPEC). The fate of the corridor, therefore, remains unclear as of now.

(f) **China - Pakistan Economic Corridor (CPEC).**



(i) CPEC consists of a number of infrastructure projects that are being constructed by the Chinese throughout Pakistan. Initially valued at US\$ 47 Billion, the value of CPEC projects as of 2020 has been

pegged at US\$ 62 Billion. The projects include infrastructure, modern transportation networks, numerous energy projects and establishment of special economic zones<sup>27</sup>.

(ii) The project was first announced in 2013 with a limited initial aim of connecting China with the Pakistani port of Gwadar through highway, rail and pipeline infrastructure. However, this plan was later amalgamated into the so-called CPEC, which was officially launched in Apr 2015 during the visit of the Chinese President Xi Jinping to Pakistan.

(iii) Apart from connectivity, the CPEC will also lay focus on power generation in Pakistan. The timelines for completion of projects has now been extended to 2030 and as per some Pakistani officials, the total cost of projects may even exceed the currently anticipated cost of US\$ 62 billion.

(iv) The planning is to construct a vast network of highways and railways across the length and breadth of Pakistan, thereby negating the inefficiencies of Pakistan's mostly dilapidated transportation network which, as per some estimates, causes a loss of approximately 3.55% of the country's annual GDP.

(v) The transportation network that is to be built as a part of CPEC s built under CPEC will link the seaports of Gwadar and Karachi with northern Pakistan, Western China and Central Asia. It also envisages construction of a highway of approximately 1,100 kms length which

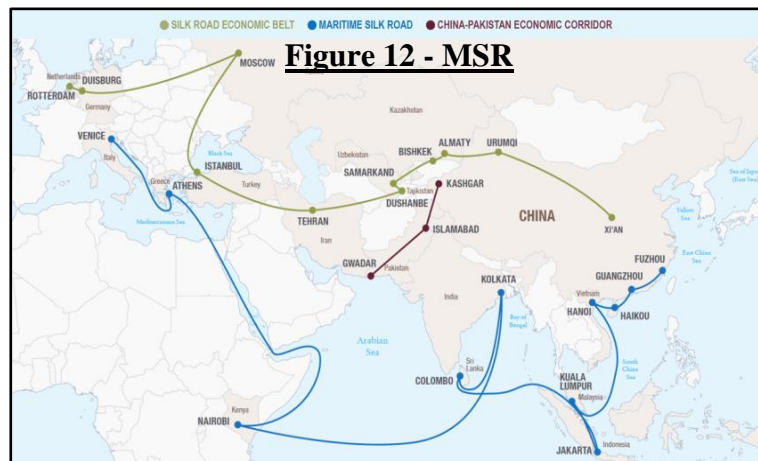
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<sup>27</sup> Wolf, S.O., (2019), The ChinaPakistan Economic Corridor of the Belt and Road Initiative'

(vi) will connect the cities of Karachi and Lahore, in addition to completely modernizing the Karakoram Highway from Hasan Abdal upto China. CPEC also involves upgradation of sections of Pakistan's railway network to allow high speed train movement. This railway network too will be eventually extended to link up with China's Southern Xinjiang Railway in Kashgar.

(vii) As far as energy and power generation infrastructure is concerned, CPEC envisages an investment of approximately US\$ 33 billion to help alleviate Pakistan's perpetual energy shortage. In addition, pipelines for transportation of liquefied natural gas and oil are also planned to be laid. This includes a \$2.5 billion pipeline from Gwadar and Nawabshah which will eventually transport gas from Iran.

## 12. The Sea Route - Maritime Silk Road.



(a) The '21st Century Maritime Silk Road', which is also known as Maritime Silk Road (MSR) in short, is the modern version of the ancient Maritime Silk Road that connected China to West Asia and Africa. Part of the

BRI, the MSR is a strategic initiative by China to further its economic agenda through collaboration with member nations<sup>28</sup>.

(a) MSR originates from the Eastern coast of China and runs down to Hanoi, then to Jakarta, Singapore and Kuala Lumpur through the Strait of Malacca. Thereafter, MSR touches Sri Lanka, the Southern tip of India via Malé and then on to the East African port of Mombasa, before connecting to Djibouti and then through the Red Sea via the Suez Canal to the Mediterranean. The MSR then moves on via Haifa to, Istanbul and Athens to the Upper Adriatic region to the northern Italian hub of Trieste with its international free port and its rail connections to Central Europe and the North Sea.

(b) In order to reinvigorate this ancient sea route, China has invested in many ports over the past few years and has even taken some of them on a long term lease. Some of these ports are as under :-

- (i) Gwadar, Pakistan (Lease 40 years).
- (ii) Kyaukpyu, Myanmar (Lease 50 years).
- (iii) Kuantan, Malaysia (Lease 60 years).
- (iv) Obock, Djibouti (Lease 50 years).
- (v) Malacca Gateway (Lease 99 years).
- (vi) Hambantota, Sri Lanka (Lease 99 years).
- (vii) Muara, Brunei (Lease 60 years).
- (viii) Feydhoo Finolhu, Maldives (Lease 50 years)<sup>29</sup>.

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<sup>28</sup><https://usiofindia.org/publication/usi-journal/one-belt-one-road-a-strategic-challenge/>  
(Accessed on 08 Feb 2021)

<sup>29</sup>Ghiasy, R., Su, F. and Saalman I, 'The 21st Century Maritime Silk Road', SIPRI, 2018

(d) MSR is seen as an extremely important component in China's overall strategy to establish itself as a maritime power. The MSR will also assist China in expansion of its \$1.2 trillion maritime-based economy, advance food and energy security and improve sea-based communications. This MSR will also assist China's in realizing its dream of possessing a blue water Navy.

(e) Currently, 80% of China's oil imports, 50% of natural gas and 42.6% of goods pass through MSR. It is obvious that with the implementation of this plan will contribute significantly to China's economic security by connecting terrestrial and maritime infrastructure apart from contributing to the security of its existing supply chains in the South China Sea and Indian Ocean Region,

### **Sources of Funding**

13. Though various sources quote different figures, it is believed that after the BRI was first announced in 2013, 131 countries and 56 international organisations across Asia, Middle East, Europe, Africa and South America have signed agreements with China and have become a part of the initiative. The BRI has attracted tremendous interest and attention since its inception. Chinese capital-dominated investments in a large number of infrastructure projects in the above stated regions have brought about economic growth and job opportunities in recipient nations, but have at the same time attracted a lot of criticism for being potential 'debt traps' apart from being perceived as the new form of 'colonialism'.

14. **China's Investment Priorities for the BRI.** China has laid down five priorities for the BRI, namely, policy coordination, connectivity,

	Sector	Value (US\$ billion)
1	Energy	225.48
2	Transport	156.44
3	Real estate	59.76
4	Metals	37.72
5	Others	19.45
6	Utilities	15.24
7	Agriculture	13.5
8	Logistics	12.92
9	Technology	11.18
10	Chemical	10.06
11	Finance	8.55
12	Entertainment	8.49
13	Tourism	7.34
14	Health	2.72
<b>All sectors</b>		<b>588.85</b>

**Table 1**

unimpeded trade, financial integration and people-to-people bonds. Based on these priorities, infrastructure, with particular focus on transport (rail, highway, port, shipping) and energy (hydro, oil and gas, coal), seem to be the focus areas for the Chinese. This can also be seen from Table 1<sup>30</sup> which displays China's investment and construction contracts in BRI countries up to 2019. From the figures displayed therein, it will be observed that maximum investment has been made in the field of energy and transport infrastructure. Further, the top 10 countries wherein major investments have been made by China include Pakistan, Malaysia, Singapore, Indonesia, Bangladesh, Laos, Israel, the United Arab Emirates (UAE), Egypt and Nigeria. It is also to be noted that the maximum investment and construction contracts that have been made by China are in Pakistan, which underscores the importance of that country to the Chinese.

15. **BRI Funding**. It has been anticipated that incase projects forming a part of the BRI are to be implemented, massive funding to the tune of US\$ 26 trillion<sup>31</sup> will be required up to 2030. So a question does arise with respect to China's ability to provide funding for the numerous projects of the BRI. The funding of the BRI can be classified into four as per under mentioned details<sup>32</sup> :-

- (a) **State Owned Banks**. State-Owned Policy Banks and State Owned Commercial Banks of China are the major sources of funding of the BRI. These establishments are providing nearly 81% of the total fund requirement

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<sup>30</sup>He, A., 'The Belt and Road Initiative: Motivations, Financing, Expansion and Challenges of Xi's Ever-Expanding Strategy' (Accessed on 10 Feb 2021)

<sup>31</sup><https://www.beltandroad.news/business/finance/financing-and-funding-for-the-belt-road-initiative/#:~:text=The%20funding%20of%20the%20BRI,funds%20and%20international%20financing%20institutions.> (Accessed on 10 Feb 2021).

<sup>32</sup>Centre for International Governance Innovation (CIGI) Papers No. 225, Sep 2019

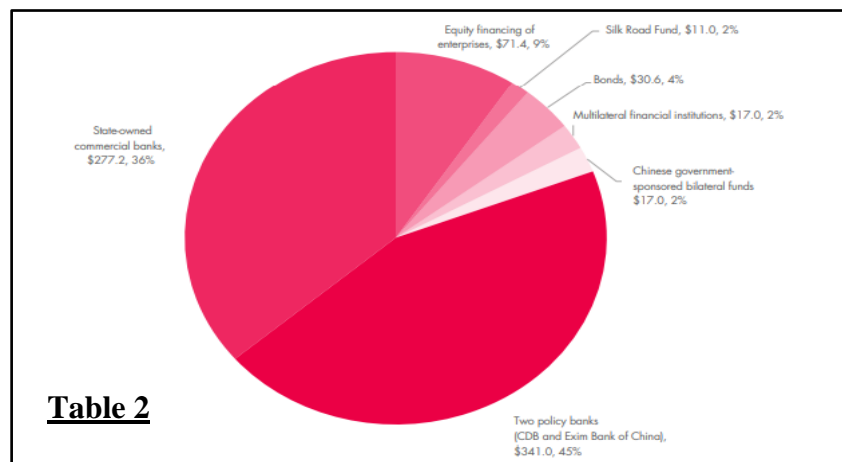


for BRI projects.

(i) **State-Owned Policy Banks.**

(aa) The two major State-Owned Policy Banks involved in BRI financing are the China Development Bank (CDB) and the Exim Bank of China. These two banks themselves account for approximately 45% the total funding.

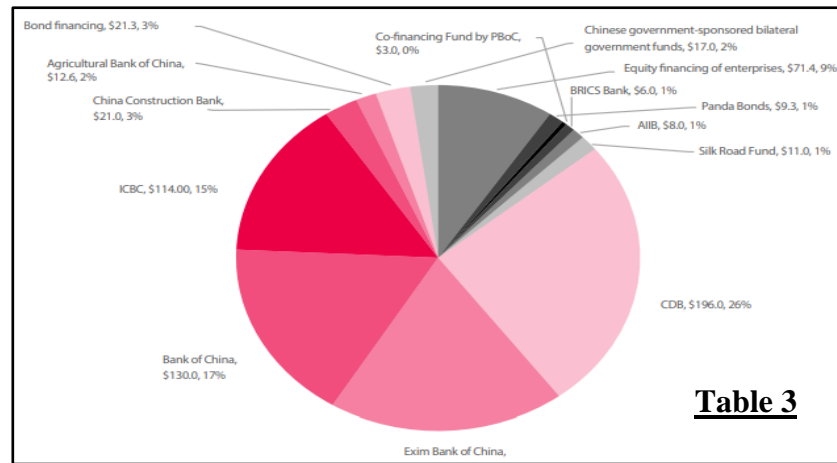
(ab) CDB has up till 2019, provided about US\$ 196 billion in loans, accounting for approximately 26% of the funds provided for BRI, whereas the Exim Bank of China has been responsible for provision of approximately US\$ 145 billion for 1,800 projects during the same period, representing around 19% of BRI financing (refer Table 2)<sup>33</sup>.



(ii) **State-Owned Commercial Banks.** The Industrial and Commercial Bank of China (ICBC), Bank of China, the China Construction Bank (CCB) and the Agricultural Bank of China are the four state owned commercial banks that constitute a significant source

<sup>33</sup>He, A., 'The Belt and Road Initiative: Motivations, Financing, Expansion and Challenges of Xi's Ever-Expanding Strategy'

of BRI financing providing nearly US\$ 277.2 billion for various projects (refer Table 3)<sup>34</sup>.



(b) **Government-Owned Investment Fund.**

(i) The primary government owned investment fund being utilised for financing the BRI is the Silk Road Fund (SRF) which was set up by the Chinese government in 2014. The total assets of SRF amount to US\$ 40 billion, 65% of which was provided by re-appropriating China's foreign exchange reserves. China Investment Corporation (CIC) owns 15% of SRF, while Exim Bank of China and the CDB own another 15% and 5% of SRF respectively. Another US\$ 14.7 billion were provided to the SRF by the Chinese government in May 2017. Up till 2019, the SRF has provided US\$ 11 billion for 30 projects under the BRI.

(ii) In addition to the above, some bilateral and multilateral funds have been set up by the Chinese government and other governments for the BRI. However, the joint funding is in name only, and China's state-owned banks have generally been the sponsors behind these funds. Data

<sup>34</sup>He, A., 'The Belt and Road Initiative: Motivations, Financing, Expansion and Challenges of Xi's Ever-Expanding Strategy' bid

pertaining to the exact amount being made available through these funds is difficult to obtain, however, as per rough estimates, another US\$ 16-17 billion have been invested on BRI projects through these funds.

(iii) Major funds of this type include the China-ASEAN [Association of Southeast Asian Nations] Investment Cooperation Fund (CAF), the China-Central and Eastern Europe Investment Cooperation Fund (China-CEE Fund), the China Central and Eastern Europe Fund (Sino-CEEF), the China-Eurasian Economic Cooperation Fund (CEF), the Russia-China Investment Fund (RCIF), the CAFIC, the China-Africa Development Fund (CADF), the China-LAC Cooperation Fund (CLCF), the China-LAC Fund for Industrial Cooperation (CLFIC), the China-United Arab Emirates Joint Investment Fund (CUJIF) and China-Qatar Joint Investment Fund (CQJIF) etc.

(c) **Financing from Multilateral Financial Institutions.**

(i) The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank formed with 56 members, with China as its largest shareholder followed by India and Russia. The AIIB has been working conjointly with the World Bank and the Asian Development Bank (ADB). The other multilateral institution is the New Development Bank (NDB) (established by BRICS nations i.e. Brazil, Russia, India, China and South Africa) which aims to facilitate investment among BRICS nations.

(ii) BRI funding was not the aim behind establishment of both these financial institutions, however, most of the projects they provide loans for are in countries and regions along the belt and road. Thus by default these establishments are assisting BRI funding.

(iii) The AIIB has provided loans totaling close to US\$ 7.5 billion as of the end of 2018<sup>35</sup>, with majority of the lending being committed to countries along the belt and road. Similarly, the NDB's total lending by the end of 2018 was approximately US\$ 8 billion<sup>36</sup>.

(iv) Apart from the above, the People's Bank of China (PBoC) in collaboration with the African Development Bank, the Inter-American Development Bank and the International Finance Corporation has made available funds to the tune of US\$ 7 billion for 200 projects under the BRI<sup>37</sup>.

(d) **Bond Financing**. The fourth major source of BRI funding is the issue

of bonds by some of China's financial institutions. The total amount of the capital via bond financing is nowhere near the loans provided by Chinese financial institutions,

Issuer	Size	Exclusive BRI Bonds	Green Bonds	Issued Overseas	Time of Issue
Bank of China	15	Y	N/A	Y	2015-2018
CDB	16.4	N	N/A	Y	2015-2018
CDB	1.67	Y	Y	Y	2017
China Exim Bank	11.6	N	N	Y	2015-2018
China Exim Bank	0.3*	Y	Y	N	2017
CCB	0.16**	Y	N	Y	2015
CCB	0.45***	Y	N	Y	2016-2018
ICBC	3.73	Y	Y	Y	2017-2018
Agriculture Bank of China	1	N	Y	Y	2015
<b>Total</b>	<b>50.31</b>	<b>21.31</b>			

**Table 4**

however, the same is still significant. Bank of China has been the top player in bond financing, having issued bonds worth close to US\$ 15 billion. A total of

<sup>35</sup> AIIB 2019

<sup>36</sup> NDB 2018

<sup>37</sup> PBoC 2019

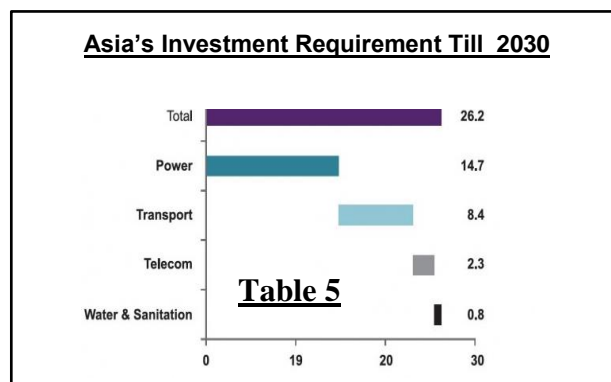
US\$ 50.31 billion (refer table 4) have been mobilised by the Chinese financial institutions through this route.

16. **Concerns with respect to BRI Funding.**

(a) The types of investments that are required for projects of the BRI are characterized by large upfront payments with long gestation periods before returns on investments can be seen. Further, the unstable political situation in some of the BRI countries attaches additional risk to these investments. Such a scenario is not very attractive for private investors.

(b) As per estimates made by the Asian Development Bank (ADB), approximately US\$ 26 trillion would be needed (refer Table 5) over the next 15

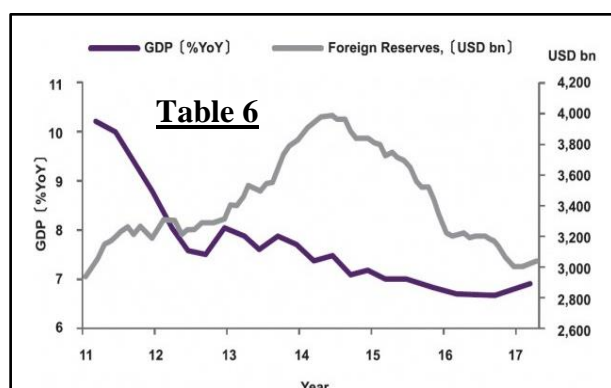
years in order to address infrastructure requirement of the region. Though China's BRI aims to address this very infrastructure requirement, it



will be hard to find the funding required for the same.

(c) Obviously China cannot find the quantum of funds required for the BRI on her own. Around the time when Belt and Road Initiative was

announced by China, it was flooded with capital inflows, with her reserves at nearly US\$ 4 trillion and it could to afford to pledge considerable



sums towards the initiative. China's situation today is quite different (refer

Table 6). While her economy has slowed down, her reserves are down and the balance sheets of her banks, who are amongst the lenders to BRI projects, are saddled with doubtful loans<sup>38</sup>.

(d) China's foreign reserves are down by nearly US\$ 1 trillion on account of massive capital outflows. Though the present US\$ 3 trillion of forex reserves still look ample, the Chinese authorities seem to have set that level as a floor under which reserves should not fall, which does not leave much leeway for further cash infusion into BRI projects.

(e) Against this background, European banks, who are the largest cross-border lenders in the world, could step in and further enhance their already large financing to BRI nations. Europe's proximity to some of these countries would make some of these projects more appealing to Europe, as it too would benefit from the same. Thus, it can be expected that European co-financing of BRI projects will increase over the next few years.

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<sup>38</sup><https://www.bruegel.org/2017/05/china-cannot-finance-the-belt-and-road-alone/>  
(Accessed on 10 Feb 2021).

## **CHAPTER - 5**

### **IMPACT OF BRI ON MEMBER NATIONS & BENEFITS FOR CHINA**

#### **General**

1. As has already been brought out, the mission of the BRI, as stated by the Chinese is to develop links with other countries on the basis of "mutual trust, equality and mutual benefits, inclusiveness and mutual learning, and win-win cooperation"<sup>39</sup> and is aimed at aligning the Chinese dream, with that of the world. China is selling the BRI as a vehicle for growth for Eurasia, Central Asia, West Asia, South East Asia, South Asia and Europe in addition to development of its own western region and ultimately making China a world power by 2049, in order to coincide with the centennial of China's Communist revolution.

2. During the period from 2001-2014, China had already been making considerable investments around the world in order to secure her strategic interests, the major recipients being Iran (US\$ 143 billion), Pakistan (US\$ 135 billion), Venezuela (US\$ 126 billion, Nigeria (US\$ 110 billion), Brazil (US\$ 80 billion) and Indonesia (US\$ 61 billion). Most of these investments mainly concentrated on infrastructure related to extraction and transportation of natural resources. China's BRI now focuses on connectivity through construction of roads, railway lines, ports, pipelines, fibre optic networks etc.

3. All BRI projects are being projected as a "win-win" situation for both China and the recipient countries, however, there are also reports regarding things not being what they seem to be. There is little doubt that China has a strong geopolitical and economic intent behind the BRI. As far as geopolitics is concerned, China intends to

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<sup>39</sup>Yu, X., Rizzi, C., Tettamanti, M., Ziccardi, F. & Guo, L., 'China's Belt And Road: The Initiative And Its Financial Focus'

come out as a major power by the year 2049 and be the hub of Asia with Europe to its West and the US to its East. On the economic front, the Chinese having been on an infrastructure development spree within their country, during the decade preceding announcement of the BRI, have developed a very high overcapacity for infrastructure development. By undertaking infrastructure projects in BRI nations, China hopes that its State Owned Enterprises (SOE) will be able to deploy their excess capacities, while the providing the much required infrastructure to the recipient nation. Therefore, China, by ‘selling’ the BRI to the world hopes to reap multiple benefits. In fact it can be argued that the BRI benefits China more than any other participating nation.

4. A large number of countries who have signed up to become a part of the BRI, especially those with limited economic means, view the initiative as an opportunity to build their infrastructure and give a fillip to their economic growth. However, it must be realised that Chinese investments in their infrastructure and industry, will come at a cost and will mean economic inter-dependence on China in varying measure. The same is discussed in the succeeding paragraphs.

### **Europe**

5. Europe is one of the largest economies of the world which accounts for approximately 16.05% of the world GDP, which is comparable to the GDP of US (15.93% of world GDP) and slightly behind China (17.39% of world GDP), taking into account figures of 2019<sup>40</sup>. Over the years, trade between the EU countries and China has been on the rise and China has become EU's number two trading partner, with trade totalling approximately US\$ 560 billion, just behind the US with trade

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<sup>40</sup><https://www.statista.com/statistics/253512/share-of-the-eu-in-the-inflation-adjusted-global-gross-domestic-product/> (Accessed on 09 Feb 2019).



amounting to nearly US\$ 616 billion in 2019<sup>41</sup>. However, unlike in the case of US, EU's trade deficit is tilted in favour of China with imports to the EU being dominated by Chinese industrial and consumer goods. Conversely, after the US, China is the second largest destination for EU exports. The strong trade relationship has probably been the reason for European support to the BRI with countries like UK, France, Germany and other European nations ignoring the US to sign up with the AIIB.

6. The EU and China are separated by the Eurasian landmass with almost 4,500 kilometres between them. 90% of the above stated trade between China and the EU is carried out by sea and most of the remainder by air. This leaves a negligible flow of trade over land, which is a historical anomaly given the backdrop of the ancient Silk Routes. This is so because even though movement of goods by sea via the Suez Canal and the straits of Hormuz and Malacca may take up to a month to reach destinations in Europe, the low cost of transportation makes it extremely attractive. However, post collapse of the Soviet Union, both the China and EU have tried to correct this anomaly by giving impetus to development of land routes.

7. To this effect, the EU in 1992 launched an initiative called TRACECA, i.e. Transport Corridor Europe-Caucasus-Asia, for development of a continental trade corridor to East Asia. On the other hand, China too by the mid-1990s started developing its trade corridors to the West, investing simultaneously in a trade corridor linking China to Russia and onwards to Europe and the other linking Western China with Central Asia. China later launched the BRI which integrated all its earlier initiatives in this direction<sup>42</sup>.

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<sup>41</sup>[https://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_international_trade_in_goods_statistics) (Accessed on 09 Feb 2019).

<sup>42</sup>Cornell. SE, Swanström. N, 'Compatible Interests? The EU and China's Belt and Road Initiative', Swedish Institute for European Policy Studies, Report No. 1, Jan 2020.

8. **Rail Routes**. Heavy investments have also been made by China in development of rail infrastructure in the region. As per available data from China Railway, as many as 10,180 freight trains ran from China to Europe, travelling along 73 routes and passing through 92 cities in 21 European countries<sup>43</sup>. Apart from



investments in rail routes already mentioned in Chapter – 4, China also entered into an agreement in 2014 to build a rail link connecting Budapest, Belgrade, Skopje, Athens and the Greek port of Piraeus (refer Figure 13), to be financed by Chinese companies. This 350 kms of railway track is one of the most important Chinese project in Europe. Of these 350 kms, Serbia would refurbish 184 km and Hungary will address the remaining 166 km. The Budapest-Belgrade railway will be mainly used for cargo transportation. The project's is likely to cost US\$ 3 billion, to be financed by Export-Import Bank of China through a 20-year loan of US\$ 1.8 billion to Hungary and US\$ 1.3 billion to Serbia. According to estimates, Hungary would need 2,500 years to pay back the loans, while Serbia would take even longer<sup>44</sup>.

9. **Shipping**. The Budapest-Belgrade- Skopje rail link mentioned above is also to be extended up to the Greek port of Piraeus, again to be financed by Chinese companies. The Chinese state owned shipping giant COSCO (China Ocean Shipping Company), has already acquired operating licenses for Pier II of the port for a period of 35 years at a cost of approximately US\$ 532 million which includes permission to

<sup>43</sup><https://www.globaltimes.cn/content/1209213.shtml> (10 Feb 2021).

<sup>44</sup><https://thediplomat.com/2020/04/china-and-the-budapest-belgrade-railway-saga/> (Accessed on 10 Feb 2021).

build another pier, i.e. Pier III. China has already transformed its part of the port into a successful business in contrast to the Greek managed pier, which is controlled by labour unions and is plagued by inefficiency. Recently, COSCO, has also bought a 67% stake in Pier I, after which it is virtually in full control of the port. China also has her eyes set on other on other ports in Europe, such as the Kumport terminal in the Turkish port of Ambarli, where together with the Port of Piraeus, COSCO can create a Chinese shipment hub in the Mediterranean Sea. If this is, combined with the stakes owned by COSCO in the Suez Canal Container Terminal and the Port of Antwerp (Belgium), the company will be in a position to will create a network of shipment routes that would cover all of European shores.

10. **Technology Companies.** China has also shown keen interest in acquisition of high-tech companies in Europe wherein in 2016 alone, they bought 24 German, 15 French, 15 British, 11 Swiss, 8 Spanish, 8 Italian, 5 Czech, 4 Belgian and 3 Finnish companies. Earlier, China's largest home appliance, i.e. Midea Group had also acquired Kuka, a German company specialising in making robots for automobile plants. The company helps build fuselages for the US F-35 fighter aircraft. Subsequently, Aixtron, an another German company which makes advanced tools required for manufacture of sophisticated semiconductors was also on the verge of being purchased by the Chinese and only a last minute intervention prevented its acquisition. Earlier the Chinese had acquired a company called Spreadtrum Communications which designs chips for IBM's<sup>45</sup>. The major objection to these acquisitions is that while European companies are being allowed to be acquired by China, the Chinese themselves use a variety of means to block reverse acquisitions and even disallow the functioning of western companies in their country.

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<sup>45</sup>Joshi. M, 'The Belt and Road Initiative aka One Belt One Road Scheme'.

11. **Implications.**

(a) EU continues to regard China as a promising export market and investment destination, but the image of China has taken a beating in recent times where in it is being regarded as an unfair competitor. It is no surprise then that growing numbers in the European business community have stated objecting to China's trade barriers, industrial policies and ineffective enforcement of intellectual property rights. Calls are, accordingly, being made for more assertive trade policies by all members of the EU.

(b) Europe's initial enthusiasm for the Belt and Road Initiative (BRI) has certainly subsided. BRI is now being seen as an instrument which is not only undermining EU's cohesion, but it is also forcing them to compete with a tough China for trade, investment and access to markets across the world. China's partial or complete acquisition in some ports of Belgium, Netherlands, Spain, Italy, and most notably Greece has generated a feeling that China is buying up strategic infrastructure in Europe, while at the same time it is restricting European firms from doing the same in China<sup>46</sup>. EU is also quickly coming to the realisation that the BRI is not only impacting European markets but has a major effect on Asia as well, which are important export destinations for Europe and are vital to EU's economic security. Realising what China is doing, EU has now adopted a more alert attitude toward China. While EU realises that China is a partner in many areas, it is also a strong rival in rival in most others.

(c) The relationship between China and the EU is, therefore, likely to remain mixed in the foreseeable future, consisting of elements of both

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<sup>46</sup>Geeraerts. G, 'Europe and China's Belt and Road Initiative:: Growing Concerns, More Strategy', Security Policy Brief, Egmont Institute, Nov 2019.

cooperation and competition. The equilibrium of this relationship will reside somewhere along a spectrum extending from pure cooperation at one end to unrestrained competitiveness on the other.

### **Central Asia**

12. Central Asia, enjoys an advantageous position in the Asian and Eurasian landmass wherein it physically connects South, West, East and North Asia. The Ancient Silk Road, which was in a major way responsible for prosperity of ancient cities of the region, like Samarkand, Bukhara and Merv, also passed through this region. The Central Asian region may not have enjoyed any importance while under Soviet rule, it suddenly gained relevance once the USSR disintegrated and the countries in this region gained independence in 1991. Multiple connectivity projects in this part of the world were announced and these included the International North South Transit Corridor (INSTC) by India, the US led Turkmenistan-Afghanistan- Pakistan-India (TAPI) pipeline project, Central Asia-Iran-Oman Corridor, Central Asia-South Asia power project (CASA-1000), etc.

13. However, independence for countries in this region did not come without its share of problems. The newly acquired freedom by Central Asian Republics (CAR) was accompanied with dilemma when after being part of a super-power, they were suddenly reduced to small, landlocked nations without adequate economic means. They also had to go through the transformation from state-controlled economies to free market ones. One of the reasons CAR nations joined many of the above stated projects mainly to overcome problems related to being 'land-locked' and also to integrate into the global economic system.

14. **Chinese Interest in CAR.** CAR nations hold relevance for China on account of the following reasons :-

- (a) Three of the five CAR nations, namely Kazakhstan, Kyrgyzstan and Tajikistan, share borders with China.



- (b) There are ethnic, linguistic and cultural links between people on either side of the borders.
- (c) Central Asia is China's gateway to the West, as all overland routes from China into Europe, West Asia or South Asia pass through the CARs.
- (d) Three out of the five CAR nations are rich in hydrocarbons, which is a lifeline for Chinese economy.
- (e) CAR countries are a source of raw material and energy for China and market for consumption of manufactured goods from China.
- (f) Connectivity and trade with the CAR countries is helping China to give impetus to development 'Xinjiang Uyghur Autonomous Region'.

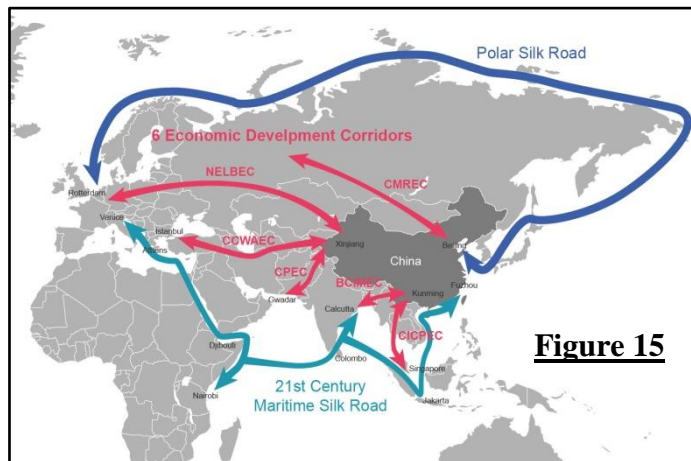
15. **Importance of China for CAR.** CAR nations do hold relevance for China if it has to further its plans with respect to the belt and road. However, the reverse is also true. CAR countries are also keen on development of relations with China for the following reasons :-

- (a) CAR nations need China to avoid overdependence on Russia.

(b) China has emerged as the largest source of investments in CAR nations. The country has made substantial investments in in the transport, infrastructure and energy sectors of CAR nations.

(c) China is a market for energy exports from CAR nations. Nearly a quarter of Kazakhstan’s oil production and almost half of Turkmenistan’s gas exports are sourced to China. Recently China has also signed a US\$ 15 billion deal with Uzbekistan for supply of gas and uranium<sup>47</sup>.

(d) China’s total trade with the five CARs combined has increased from US\$ 18 billion in 2007 to over US\$ 40 billion in 2018, while their second trading partner Russia, has almost stagnated with figures of US\$ 20 billion in 2007 to US\$ 25 billion in 2018<sup>48</sup>.



**Figure 15**

16. Two of the six economic corridors forming a part of the BRI pass through CAR countries, i.e. the New Eurasian Land Bridge that connects China and Europe via Central Asia, and the China-Central Asia-West Asia Corridor. Kazakhstan is especially important as the newly developed high speed railway from China to Europe passes through its territory. Similar activity is being undertaken by China in other CAR countries too. For example, the 19.2 km long Kamchiq Tunnel that which connects the

<sup>47</sup>Wilson, William T., “China’s Huge One Belt One Road Initiative, The Heritage Foundation, published on 21 Nov 2016, (URL: <http://www.heritage.org/asia/commentary/chinas-huge-one-belt-one-road-initiative-sweeping-central-asia>).

<sup>48</sup><https://eurasianet.org/the-eus-new-central-asia-strategy-what-does-it-mean-for-trade> (Accessed on 12 Feb 2021)

Fergana Valley region of Uzbekistan to its capital Tashkent, which will ultimately form a part of the China-Kyrgyzstan-Uzbekistan railway line, to be later extended up to Iran and West Asia.

17. China's initiative in the region started in the early 1990s, soon after the disintegration of USSR, much before the BRI was even conceived. CAR countries displayed an enthusiastic and active support for the BRI once it was announced as they saw it as an opportunity for economic advancement through connectivity with the rest of the world, overcoming the handicap of their geography which has left them landlocked. China's economic engagement related to trade, infrastructure and connectivity, in CAR countries has increased considerably in last few years. During the BRF 2017, several agreements were signed between China and CAR nations, as under :-

- (a) **Uzbekistan.**
  - (i) Agreement on International Transportation and Strategy Coordination.
  - (ii) Economic and Trade Cooperation Agreements.
  - (iii) Tourism Cooperation Agreement.
- (b) **Tajikistan.** Economic and Trade Cooperation Agreements.
- (c) **Kyrgyzstan.**
  - (i) Cooperation Plan on promoting Small and Medium Enterprises.
  - (ii) Industrial Capacity and Investment Cooperation.
- (d) **Kazakhstan.**
  - (i) Customs Cooperation.



- (ii) Chinese Participation in “Digital Kazakhstan 2020”.
- (iii) Educational Cooperation.

18. From the above it can be seen that there are different levels of engagement between China and CAR countries within the BRI framework. While Kazakhstan and Uzbekistan are enthusiastically engaging with China, Turkmenistan has hardly shown any interest in the initiative. There is also a difference in the way different CAR nations are approaching the BRI. The resource rich and economically prosperous Kazakhstan is participating in BRI almost as an equal with China, while the relatively under-developed Kyrgyzstan and Tajikistan are playing roles of the receivers.

19. **Implications.**

(a) Central Asia, owing to its importance to the Chinese for progressing the BRI, has been one of the first regions to receive huge sums of investment in the form of loans, economic support, construction of infrastructure etc. CAR nations were in dire need of improvement to their railways, bridges, roads, basic infrastructure etc at the time of their independence from erstwhile USSR. Chinese investments in projects in the energy sector, industry and agriculture of CAR nations has definitely given a positive push to their overall economic development and BRI projects now are playing an important role in connecting them to the rest of the world, both physically and economically. China has also emerged as a market for Central Asian energy, apart from providing assistance in oil and gas exploration and extraction, thereby giving a further boost to their economy. In addition to the above, the initiative will also help to create jobs and BRI projects are likely to have a multiplier effect when CAR countries would be in a position to attract foreign investments from countries other than

China.

(b) Therefore, at the face of it the relationship between China and CAR nations does appear to be a ‘win-win’ one, however, there certainly are concerns about the BRI and Chinese engagement in CAR. There are fears that the loans being offered to these countries by China may push them into a debt trap. This is especially true for the not so prosperous nations like Tajikistan and Kyrgyzstan where Chinese investments are proving to be a double-edged weapon. Although these investments are felt necessary by the countries concerned, gains from them have been be offset by ballooning sovereign debt. As per 2015 figures<sup>49</sup> , 42% of Tajikistan’s US\$ 2.1 billion external debt is owed to China. Similarly, Kyrgyzstan’s outstanding loans from China total over US\$ 1 billion, which is approximately a third of her total dues. It will also be seen that in 2011, Tajikistan and China signed a border demarcation agreement, where in approximately 1422 sq kms of Tajik territory was ceded to China<sup>50</sup>. Some observers have described this transfer as an unofficial ‘debt writing off agreement’ between the two nations.

(c) Another area of apprehension Central Asian governments and people relates to the influx of Chinese labour in projects being executed by the Chinese. This has forced Turkmenistan and Uzbekistan to put in place laws that make it mandatory to employ local labour in such projects. However, the same are still to be enacted by Kyrgyzstan and Tajikistan. In these two nations, therefore, there is more visible Chinese workforce, which has left the local population somewhat resentful at the perceived loss of jobs.

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<sup>49</sup>Rickleton. C, ‘ Are Chinese Investors Ditching Kyrgyzstan for Tajikistan?’, 20 Jan 2015  
(<https://eurasianet.org/are-chinese-investors-ditching-kyrgyzstan-for-tajikistan>)

<sup>50</sup><https://eurasianimes.com/after-ladakh-nepal-bhutan-china-now-claims-territory-in-tajikistan/>  
(Accessed on 12 Feb 2021).

(d) Historically, Russia has always played a dominant role in the region and still maintains an active presence in CAR. However, off late China has overtaken Russia, and not to mention the US and EU as well in terms of economic engagement. There is growing concern, therefore, that in order to protect her investments and assets in the region, China may now assume the role of a security provider too. Apart from this, China is also now engaged in supply of arms and ammunitions to some of the CAR nations<sup>51</sup>, apart from conduct of joint military operations<sup>52</sup>. These developments have to a great extent made CAR nations, as well as Russia uncomfortable. In order to somewhat counterbalance this, Russia has established the Eurasian Economic Union (EEU) in 2015 which comprises of Belarus, Kazakhstan, Kyrgyzstan, and Armenia. Certainly, Central Asia stands to benefit from the BRI, however, these benefits cannot be obtained at the cost of one's sovereignty. Each nation must, therefore, first assess the long term impact of accepting assistance in the name of the BRI and have a clear strategy on how to deal with the implications of the BRI. They will, therefore, have to maintain a balancing act in order to derive the maximum out of the BRI while continuing to ensure their economic independence.

### **South East Asia**

20. South East Asia is important region for China in terms of economic exchange which has grown substantially over the past few years. South East Asia comprises of a group of countries with varying economic means. While Brunei and Singapore are considered the high-income countries of the region, Philippines, Thailand, Malaysia

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<sup>51</sup><https://thediplomat.com/2019/09/what-drives-chinese-arms-sales-in-central-asia/>  
(Accessed on 12 Feb 2021).

<sup>52</sup>[http://eng.chinamil.com.cn/view/2019-09/18/content\\_9627820.htm](http://eng.chinamil.com.cn/view/2019-09/18/content_9627820.htm)  
(Accessed on 12 Feb 2021).

and Indonesia are the middle income group of nations. The other four countries forming a part of the region, i.e. Vietnam, Cambodia, Laos, and Myanmar are the developing economies. These nations have grouped themselves into an organisation called the Association for South East Asian Nations (ASEAN), which promotes inter-governmental cooperation and also facilitates economic, political, security, military, educational, and socio-cultural integration among members countries and with other countries of Asia.

21. China was able to make inroads into the ASEAN during the Asian Financial Crisis of 1997-98 which later led to the establishment of an ASEAN-China Free Trade Area (ACFTA) in 2010. China and ASEAN have accordingly enjoyed extensive economic cooperation during the past few decades and China's through its BRI hopes to take this relationship even further. Recently ASEAN overtook the US to become China's 2<sup>nd</sup> largest trading partner with a trade valued at US\$ 644 billion in 2019. Though US-China trade wars may have been partially responsible for the same, it may also be noted that during the 1<sup>st</sup> quarter of 2020, Sino-ASEAN trade recorded a 2% increase to US\$ 297.8 billion, which translates into 14.7% of China's total trade during this period. With this growth ASEAN became China's largest trading partner, surpassing even the EU, which has maintained this position for over a decade<sup>53</sup>. ASEAN may or may not be able to maintain this position in the future, however, these figures do indicate how much the region is important for China.

22. ASEAN is an important pawn in China's future strategy given the region's geographic proximity, infrastructure needs and markets. Through the BRI, China has pledged to transform the region, primarily by enhancing interconnectivity. Chinese firms are accordingly building railways, roads and ports all across the region.

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<sup>53</sup>: ASEAN benefits from trade war as China's new top trade partner', <https://www.asiafundmanagers.com/int/asean-china-trade-partner/> (Accessed on 13 Feb 2021)

Recently, however, BRI projects have also provoked some amount of controversy and there have been growing concerns over rising Chinese influence and potential debt burden that has accompanied her investments. However, these concerns vary from nation to nation within the ASEAN. These are discussed as under.

23. **Laos, Cambodia and Myanmar.**

(a) Laos, Cambodia and Myanmar are ASEAN's not so developed economies and are, therefore, more attracted towards BRI projects. Benefits for China are also greater from these nations as she is able to negotiate from a position of strength and enforcing deployment of Chinese labour and equipment for project implementation.

(b) There are also growing concerns regarding the quantum of loans being provided by China to these nations in the name of BRI as there is a question mark regarding their ability to pay back. Take for example the case of Laos, wherein the nation's debt is now over 60% of its GDP. The country's share of the US\$ 6 billion rail line, being built between Kunming (Southern China) and the Laotian capital of Vientiane is 20%, which is equal to half the country's GDP.

(c) As far as Myanmar is concerned, 24 projects worth approximately US\$ 2 billion have been given the go-ahead for the China Myanmar Economic Corridor Agreement. These projects will connect Kunming to Yangon and Mandalay, Myanmar's two major commercial cities. In addition, a Special Economic Zone in Kyaukphyu is also planned which too will be linked to the corridor.

(d) Despite her willingness to accept Chinese investments, Myanmar too has in the past has retracted from some BRI projects like US\$ 3.6 billion Myitsone Dam project on account of protests against planned displacement of thousands as well as the project's potentially harmful impact on agriculture and fishing. Recently in Aug 2018, Kyauk Pyu Deepwater Port was also scaled down, as the initial US\$ 7.3 billion cost created debt fears. The deal has since been renegotiated by China International Trust and Investment Corporation (CITIC), wherein the port has been taken on lease for a period of 50 years<sup>54</sup>.

#### 24. Vietnam, Thailand or Singapore.

(a) These countries have taken a more assertive stance while negotiating terms and conditions of BRI projects, even though the same may be for different reasons. Vietnam's assertiveness, for example, is on account of the political and strategic considerations primarily related to the South China Sea dispute.

(b) Thailand, too has been involved in re-negotiating the terms of the 873km high-speed rail line through which Thailand's east coast is to be connected to Kunming through Laos. Negotiations have



delayed the probable date of completion of the line from Mar 2018 to 2023.

(c) As for Singapore is concerned, the country has embraced the BRI as a means of improving her relationship with China after which dipped to an all-

<sup>54</sup>[http://www.xinhuanet.com/english/2020-01/18/c\\_138716099.htm](http://www.xinhuanet.com/english/2020-01/18/c_138716099.htm) (Accessed on 14 Feb 2021)

time low in 2016-2017, due to her stance on the South China Sea. Though Singapore has managed to re-emerge as a valuable partner for China, the nation remains cautious of China.

25. **Malaysia and Indonesia.**

(a) Of all the ASEAN nations, Malaysia, Philippines and Indonesia, have been the more cautious countries towards the BRI. Malaysia, who initially was a strong supporter of BRI, Malaysia is now opposing BRI investments with equal force. The Mahathir Mohamad administration has deferred two gas pipeline projects worth US\$ 2.3 billion and the US\$ 20 billion East Coast Rail Line, concerned that China was leading Malaysia into a debt trap in order to seize strategically important assets.

(b) Despite it being ASEAN's largest economy, Indonesia has not benefitted much from China's BRI. The major project under construction is the Jakarta-Bandung high-speed railway project which was announced in 2015, with China being preferred over Japan, after China offered to build the it without requiring an official loan guarantee nor funding from Indonesia.

26. **Implications.**

(a) The BRI promises both opportunities and challenges for Southeast Asia. As can be seen from above, most of these countries are in urgent need for investments in infrastructure. However, most of them, despite this urgency are cautious of China, which is far superior to these nations both in economic and military might. Their major concerns relate to China trapping these nations in debt after providing them with large loans which they may be unable to return. Further, through investments in and execution of BRI projects in various South

East Asian countries, China would be in a position to acquire in-depth knowledge of their critical national infrastructure and be able to gauge their vulnerabilities.

(b) ASEAN countries will, therefore, have to remain cautious of the Chinese using commerce as a tool to expand to its influence in the region apart from becoming overly dependent on the country. The dilemma which the ASEAN countries continue to face is that whether the BRI will be a vehicle that will help foster a mutually beneficial relationship or whether China will use the initiative to further its geostrategic objectives by projecting economic and maritime power.

(c) The way out of this predicament is for ASEAN nations to present a united front while negotiating with China on aspects related to the BRI<sup>55</sup>. They will need to ensure that disputes related to the China Sea are linked to implementation of the Maritime Silk Road projects and future economic exchange with China. The answer may also lie in the ASEAN nations setting up a regional body which could monitor various aspects of future infrastructure development to address quality, sustainability and security. It will have to be ensured that Chinese plans do not go beyond building of roads, laying of railways, upgrading ports etc., and are not in fact a vehicle to establish Chinese domination in the region.

## **Africa**

27. China's engagement with Africa has been on a steady rise for the past many years. Africa is a dynamic and growing market for Chinese goods and services, in

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<sup>55</sup><https://theasiadialogue.com/2017/09/15/bri-implications-for-southeast-asia/#:~:text=Since%20the%20region%20constitutes%20significant,would%20play%20a%20major%20role> (Accessed on 14 Feb 2021).



addition to being a reliable source of raw materials. Both these aspects are important for China's economic growth. Africa on the other hand also tends to benefit from China through her financial and technological assistance, especially in infrastructure. China has been involved in infrastructure development in the African continent since the early 1960s and trade with countries of the continent has also surged from US\$ 1 billion in 1980 to US\$ 192 billion in 2019<sup>56</sup>. Over the years, China has also been providing loans to African nations which have amounted to nearly US\$ 143 billion from 2000 to 2020, with half this amount having been sanctioned in the last four years itself. This has made China the largest creditor of Africa who has provided these loans at zero or very low interest rates coupled with a generous schedule of return. It has also invested significantly in large infrastructure and connectivity projects, which meet critical requirements of countries all across Africa.

28. **BRI in Africa.**

(a) A lot of relevance has been given by China to BRI projects in Africa. China has already invested in 52 of the 54 African nations and is likely to make inroads into the 53<sup>rd</sup> nation, i.e., Sao Tome and Principe, the island nation on Africa's West coast. 49 of these 54 countries of Africa, i.e. over 90%, have already signed MoUs with China for various projects. 22 of these 49 nations are located in West Africa, 12 in East Africa, 9 in North Africa and the balance 6 in Southern Africa.

(b) Only five African countries, namely Eritrea, Benin, Mali, Sao Tome, and Principe and Eswatini have not expressed support for BRI projects so far, however, China continues to push for gaining footholds in these countries too.

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<sup>56</sup><http://www.sais-cari.org/data-china-africa-trade> (Accessed on 14 Feb 2021).

It has already started investing in Eritrea's Koka gold mine and has signed agreements worth US\$ 11 billion with Mali, to finance two cross-country railway projects. Sao Tome and Principe, after accepting the 'one-China policy' on 1<sup>st</sup> Apr 2019, reached an agreement with China for fast-tracking execution of projects to be funded by China. Eswatini is the only African country that has resisted China's advance and has disallowed any kind of Chinese investments and continues to remain the only ally of Taiwan in Africa.

29. **Essence of China's BRI Projects in Africa.** Taking into consideration, China's engagement with almost all nations of the African continent, it can be safely assumed that China's interests in Africa are long term and significant and the hallmark of her activities in the continent is as under :-

(a) **Investments in Ports.** China is investing in ports all along the coastline of Africa. Of the 49 countries who have signed MoUs with China, 34 of 70% are located along Africa's coastline. With 16 of these ports located in the West, 8 each in North and East, and the remaining 2 in the South, it can be seen that China has been able to circumvent nearly all of Africa. PLA Navy has also built its first overseas military base in Djibouti in 2017 and, therefore, China is well poised to serve her strategic interests by using these ports for both economic and military activities<sup>57</sup>.

(b) **Connectivity.** 20% of all connectivity projects in which China has invested all around the world, lie in Africa. This is being done with a view to link its industrial and energy projects in Africa's hinterland to the infrastructure projects along the African coastline. To cite a few examples, an oil refinery in

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<sup>57</sup>Venkateswaran. L, 'China's belt and road initiative : Implications in Africa', Aug 2020

the north of Sudan is located close to the railway line connecting Port Sudan and Dakar Port (Senegal). An industrial park in Ethiopia is located near the Addis Ababa-Adama Highway, which connects with the Addis-Djibouti railway line connected to the Djibouti port. All this helps China to use shipping for transportation of minerals like copper, cobalt, gold, iron ore, bauxite, coal, lithium etc., back to mainland China and export finished goods and Chinese labour to Africa<sup>58</sup>.

(c) **Utilising China's Overcapacity**. As per estimates made by African Development Bank (ADB), Africa will require an investment in infrastructure to the tune of approximately US\$ 93 billion annually until 2021<sup>59</sup>. China's involvement in infrastructure projects in Africa is also beneficial for Chinese companies which now have considerable overcapacity in key sectors such as steel, iron and cement.

(d) **Lack of Clarity in Bidding**. It has been generally seen that though these projects are being executed in consultation with the local governments, the bidding process for these projects has been opaque and there have been reports of bribes exchanging hands between the Chinese and local officials. Also the local population does not benefit from the construction as only Chinese labour and equipment is utilised and it is only after the projects are completed that benefits reach the locals.

(e) **Transnational Projects**. Transnational projects in Africa have been or are being executed by China only in those nations where the leadership is relatively weak. Therefore, while significant progress has been made on the

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<sup>58</sup><https://www.odi.org/blogs/10797-making-belt-and-road-initiative-work-africa> (Accessed on 14 Feb 2021).

<sup>59</sup>The African Development Bank Group, Economic Brief Volume 1, Sep 2010

Mali-Guinea cross-country railway project, Chad-Cameroon oil pipeline, Sudan (Port Sudan)–Chad–Niger–Mali–Senegal (Dakar Port) railway line etc, China has not been able to make inroads into nations which are backed by strong leadership.

30. **African Concerns on China's BRI.**

(a) The manner in which BRI projects are being implemented by China in Africa have been a source of concern for Africans both at the governmental and at the people's level. Implementation of many of these projects has been marred by protests and pushbacks including incidents of kidnapping and harassment of Chinese workers.

(b) These protests have been on the rise in the recent years on account of various Chinese practices that are perceived as being unfair. To cite a few examples, protests erupted in Nigeria in Apr 2017 over the lack of compensation for buildings demolished for the construction of the Lagos–Ibadan Railway Line. Protests also arose in Tanzania when over 2,000 people were forced to relocate, for construction of the Bagamoyo Port and an attached industrial zone in Jul 2016, which lead to suspension of its construction. There have also been reports of Kenyan workers are being discriminated against and mistreated by the Chinese in their own country, which led to an investigation being launched by Kenyan Railways. Ghana is also investigating claims that 90% of its fishing fleet is now owned by Chinese entities, who operate using Ghanaian entities as fronts to get around a local law that forbids foreign companies from operating in Ghana's fishing industry<sup>60</sup>.

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<sup>60</sup><https://www.orfonline.org/research/chinas-belt-and-road-initiative-implications-in-africa/> (Accessed on 14 Feb 2021).

(c) There are also widespread fears regarding rising debt traps. China today owns 72% of Kenya's external debt of US\$50 billion. The country's Auditor General, in a recent report has also warned that Kenya risks losing control of Mombasa port if it defaults on loans from China Exim Bank, the port being a collateral for the US\$2.3 billion loan given to Kenya Railways Corporation.

(d) Similarly, China has provided Ethiopia with nearly 30% of its public external debt over the past five years and 90% of bilateral debt. China has also provided nearly US\$1.4 billion to Djibouti for major projects which is equivalent to 75% of its GDP. Likewise, the US\$ 21.5 billion debt in respect of Angola is equal to half of its external debt, and one can cite many more examples of such nature wherein African nations have been granted loans which they may not be able to repay.

(e) The tactics adopted by the Chinese are now becoming clearer to the Africans who are now cancelling or renegotiating the original terms and conditions of BRI projects. For example, in Feb 2018, Zambia revoked a Chinese company's licence to operate coal mines over poor safety and environmental compliance. Gabon has also withdrawn the permit for an oil field to from a Chinese company citing environmental missteps and irregularities in paperwork. Similarly the Ugandan government has postponed construction on the Kampala–Entebbe Expressway after concerns over rising debt trap.

31. **Implications.**

(a) There is little doubt that economic factors significantly outweigh any other factor in China's decision-making regarding overseas investments. China

is one country that is primarily driven by its need for continuously identifying new markets for its industrial overcapacity amidst a slowing domestic economy<sup>61</sup>. Though BRI is being projected as a vehicle to achieve this aim, while creating a ‘win-win’ environment for all parties involved, there is growing concern amongst African nations that China is also using the BRI further its geopolitical and geostrategic ambitions. Their investments in ports all along the African coastline as well as setting up of its first overseas military base in Djibouti have given a fillip to this thought process.

(b) There is no doubt that African nations require a huge influx of capital for the much needed improvement of their infrastructure and connectivity. China is willing to fill in this void and meet this requirement, however, the manner in which this is being done is being objected to by governments and citizens alike.

(c) African nations, therefore, need to seize opportunities being created by China’s BRI by mitigating some of its inherent risks. To start with, accountability and transparency will be the key and the opaque nature of many BRI negotiations, which prevent public and private sector scrutiny, will have to be replaced honest actions and intent. Parliaments, public protectors, and other oversight bodies must accordingly actively monitor such projects right from inception till completion apart from creating safeguards and keeping the public informed. The lessons of Hambantota and Gwadar suggest that unfavourable agreements and subsequent defaults are a result of lack of accountability alone. This will have to be guarded against by Africa in order to reap the maximum benefits from the BRI and ensure a ‘win-win’ end state as China claims it to be.

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<sup>61</sup><https://africacenter.org/spotlight/implications-for-africa-china-one-belt-one-road-strategy/>  
(Accessed on 14 Feb 2021).

## **Middle East**

32. Recent years have witnessed an upswing in China's engagement with many countries in the Middle East regardless of their regional or religious divides. China is accordingly on its way to becoming a major trading of countries such as Israel, Saudi Arabia, Qatar, and Iran. The BRI is central to China's plans in the region who is looking to



enhance both, her trade and influence in the region, through better connectivity. The Middle East is especially important for China's BRI owing to her dependence on seaborne energy imports from the region. The BRI has been projected as a plan which promises to transform the region, however, the present Chinese engagement seems to be with only those nations that are important to China's energy and shipping.

33. The Maritime Silk Road (MSR), the maritime element of the BRI, has been conceived to run from South China Sea, Indian Ocean, through the Gulf of Aden and the Suez Canal, up to Port Piraeus in Greece. The route is extremely important to China for its sea-borne access to the Middle East, on whom she is hugely dependent for her energy security. The Middle East is central to the success of MSR for many reasons, some of which are as under :-

- (a) Since 2013, China is the largest importer of crude oil, almost half of which is sourced through the Middle East, along with a 10-20% of her natural gas imports.

(b) Ships transporting goods from Europe and oil from the Middle East to China, pass through several choke points, mainly the Strait of Hormuz and Bab el-Mandeb Strait, which makes China's imports, of both oil and goods, vulnerable to piracy, regional tensions and conflict. Therefore, security of its shipping, as also establishing alternative routes to avoid maritime chokepoints, are China's primary concerns.

(c) Accordingly, China's is focussed on strengthening relations with countries in the region for energy cooperation and infrastructure development, including the construction of seaports and transportation infrastructure critical for maintaining an uninterrupted flow of goods and energy, bypassing known choke points.

34. For the present, the countries of the Middle East, that are of significance to China are Saudi Arabia, UAE, Iran, Egypt and Israel, with each one of whom, Beijing has entered into strategic partnerships. Saudi Arabia and UAE are important for China as China imports the majority of its crude oil from Saudi Arabia and the UAE is located along the Strait of Hormuz, through which the majority of China's oil imports are transported. China is also engaging with Iran in order to develop an alternate source of energy, reducing its dependence on Saudi Arabia. Beijing is also taking steps to develop pipelines to enable overland transportation of Iranian oil to China, in order to reduce dependence on shipping. As far as Egypt goes, the country is important for shipping of Chinese goods into European markets. Although Egypt's strategic location makes the nation extremely important for MSR, China looking at alternative ways to access the Mediterranean, i.e. through Israel making it an important country in the Chinese game-plan.



35. Apart from the above mentioned nations, other lesser wealthy nations have also expressed interest in the BRI / MSR as the same is seen as a source of infrastructure development and financing of important projects. Increase in trade with China as a result of the BRI is also seen as an opportunity for job creations and economic enhancement by these countries.

36. **Saudi Arabia**. Despite the optimism of the Gulf countries, the major beneficiaries of the BRI / MSR up till now have been the wealthy Gulf nations only, particularly Saudi Arabia and the UAE. Saudi Arabia has become China's most important trading partner in the Middle East and vice versa. Saudi is also the recipient of major infrastructure related investments by China in the region. As of now most of these investments are in the petrochemical facilities, construction of nuclear power plants etc, which is helping Saudi Arabia develop alternate sources for their growing domestic energy consumption and depleting oil reserves.

37. **UAE**. The emirate is China's second largest trading partner in the region. Oil and natural gas exports to China are evenly matched by import of textiles, industrial products, and machinery from China. The UAE and China have also signed agreements worth US\$ 3.4 billion approximately, to develop Dubai's as a logistics hub for Chinese goods to include the development of Port Jebel Ali.

38. **Egypt**. Egypt has also been one of the beneficiaries of Chinese investment through the BRI. This includes construction of a new administrative capital partly financed through a US\$ 3 billion Chinese loan, investment in the redevelopment of Suez Canal and Port Said, development of industrial zones in the country etc. However, all this has come at a cost as the public debt of Egypt is now approximately 80% of its GDP per cent of GDP.

39. **Israel**. In addition to the three above stated nations, China has also stepped engagement with Israel and is attempting to create a route from the Red Sea to the Mediterranean. This will provide them with an alternate route into the Mediterranean Sea, bypassing the Suez Canal. This is being done by building a high-speed railway line from Eilat (Gulf of Aqaba) to Ashdod Port on the Mediterranean. In addition, Israel's Haifa Port is also being upgraded for better connectivity with Port Piraeus in Greece that is already being operated by the China Ocean Shipping Company.

40. **Iran**. Though it was thought that Iran would be an important player for the BRI in the Middle East / West Asia, the re-imposition of sanctions has slowed down this plan. Despite recent confrontations over trade tariffs, the US continues to remain an extremely important trading partner for China. The Chinese have, therefore, more or less complied with US, resulting in decreased oil imports from Iran. Chinese companies have also suspended many of their business activities in the country.

41. **Implications**.

(a) The mutually beneficial outcomes of the BRI and the potential 'win-win' situation, being propagated by the Chinese time and again, are seen to apply to only the wealthy nations of the Middle East, who are key to China's energy security and trade. These include Saudi Arabia, the UAE, and Israel.

(b) Poorer countries of the Middle Eastern region, who are not so important for energy and navigation security, may not see large Chinese investments benefits as a part of the BRI.

(c) China has so far shown reluctance in contributing towards security and stability in the region. However, in times to come she may be forced to do so in order to protect her own assets in the Middle East. As of now, China has shown

involvement only in geo-economics, and has opted to leave security matters to the US. However, as her interests in the region grow, coupled with increase in numbers of Chinese nationals living and working here, China could inevitably be drawn deeper into regional security affairs. This may be accelerated as the US seeks to scale down her commitments in regional security, forcing Beijing to engage in security-related activities, despite her reluctance to do so.

### **South Asia**

42. South Asia is of special importance for the BRI as it is the intersection point, where the continental ‘belt’ meets the maritime ‘road’. The region connects the three continents of Europe, Africa, and Asia by land and by sea (i.e. through the Indian Ocean). Establishing a foothold in South Asia will help China in a big way wherein it will be able to reduce its dependence on the vulnerable Malacca Strait, through alternative overland routes providing it the required alternate access to the Indian Ocean for its energy security and trade. However, India poses a problem in furtherance of the BRI in South Asia as it has come out openly against the BRI and its scepticism has resulted in little or no progress on the BCIM corridor. The Indian view point has been put across aptly by the Foreign Secretary, Shri S Jaishankar he declared that, "The key issue is whether we will build our connectivity through consultative processes or more unilateral decisions ... we cannot be impervious to the reality that others may see connectivity as an exercise in hard-wiring that influences choices".<sup>62</sup> India has a strong reservations with respect to the China Pakistan Economic Corridor (CPEC), primarily because it is passes through disputed territory, under illegal occupation of Pakistan. India believes “that connectivity initiatives must be based on

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<sup>62</sup>Speech by Foreign Secretary at Raisina Dialogue in New Delhi (02 Mar 2015).  
<http://www.mea.gov.in/incoming-visit-detail.htm?26433/Speech+by+Foreign+Secretary+at+Raisina+Dialogue+in+New+Delhi+March+2+2015> (Accessed on 15 Feb 2021)

universally recognized international norms, good governance, rule of law, openness, transparency and equality” and that they “must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities”. India also maintains that, “no country can accept a project that ignores its core concerns on sovereignty and territorial integrity.”<sup>63</sup>

43. **Importance of South Asia for BRI.**

(a) South Asia comprises of 8 countries, namely Afghanistan, India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives. All South Asian nations, less India and Bhutan have extended support to the BRI. China shares borders with all overland South Asian nations except Bangladesh (Sri Lanka and Maldives being island states located in the Indian Ocean).

(b) South Asia is home to one-fourth of the world’s population. With 2.5 billion residents, the region is lucrative for investment and engagement. South Asia has also sustained an average annual growth rate of 6% over the last two decades and owing to their youthful populations, countries forming a part of this region have considerable potential for economic growth.

(c) At the moment, China is hugely dependent upon Malacca Strait as nearly 80% of her oil has to pass through this narrow stretch of water between the Indonesian island of Sumatra and the Malay Peninsula. South Asia allows China an alternate access to Indian Ocean for its energy security.

(d) Economic corridors through South Asia will also assist China in connecting her landlocked Western provinces to The Middle East and West Asia.

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<sup>63</sup><http://mea.gov.in/media-briengs.htm?dtl/28463/Official+Spokesperson+response+to+a+quary+on+participation+of+India+in+OBORBRI+Forum> (Accessed on 15 Feb 2021)

(e) A stake in South Asian ports will enable China to project power beyond its borders. Occupation of strategic positions will assist China in controlling the flow of resources along international trade routes and such an engagement is being projected as beneficial for all parties involved.

44. **China's Approach to South Asia.** All countries of South Asia are important for China's BRI and, therefore, China has tried to engage all nations of the region to progress the same.

(a) **Pakistan.** China's historical friendly relations with Pakistan have helped China immensely in achieving its strategic objectives in South Asia to a large extent. The CPEC, which lies at the heart of the Silk Economic Belt and Maritime Silk Road connects both the routes (land and sea) through the Gwadar Port in Pakistan's Baluchistan province, utilising a 3,000-kilometer network of roads, railways, and pipelines originating in Kashgar of China's Xinjiang Uighur Autonomous Region. As China embarks upon various projects to develop alternative routes and avoid the vulnerability of singular reliance on Malacca Strait, the CPEC provides a crucial gateway for transportation of goods from China's western provinces to the Arabian Sea and also for ensuring China's energy supply from the Middle East.

(b) **Bangladesh.** Bangladesh has also conveyed its formal support for the BRI, which was conveyed during the visit of President Xi Jinping to Dhaka in 2016, when the two sides signed MOUs for projects worth \$24.25 billion which includes the Padma Bridge Rail Link, Marine Drive Expressway, expanding power grid and a power plant at Pyra. China is also providing assistance to Bangladesh in areas of ICT, river management, land reclamation

and maritime cooperation. China also happens to be Bangladesh's largest military supplier.

(c) **Nepal**. The Nepalese government is also in support of the BRI and hopes to enhance connectivity and trade through the initiative. Accordingly, the development of the Kerung-Kathmandu-Pokhara-Lumbini railway has been proposed as part of BRI though the proposal is yet to see the light of the day. However, the Tibetan railroad has been extended from Lhasa to Xigatse to Kerung, which is only about 25 kms from the Nepalese border, whereby China will be able to provide Nepal with a new avenue to access transnational markets through freight trains which have begun departing from China on a weekly basis with goods destined for Nepal<sup>64</sup>.

(c) **Sri Lanka**. China and Sri Lanka have historically enjoyed strong ties and these relations have been especially close during the tenures of Sri Lanka Freedom Party governments. The two nations have also enjoyed good bilateral trade which has grown considerably over the years from US\$ 1.07 billion in 2009 to US\$ 4.04 billion in 2019, though the same is skewed heavily in favour of China (Sri Lanka exported goods worth only US\$ 229 million during the said period). Sri Lanka is also an important to China for furtherance of the Maritime Silk Road, which is a vital component of her Belt & Road initiative. Accordingly, huge investments have been made by China in Sri Lanka between 2006 and Jul 2019, the cumulative value of which is approximately US\$ 12.1 billion<sup>65</sup>. These include construction of Katunayake Expressway and the Southern Expressway, Hambantota Port, an international

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<sup>64</sup><https://www.nepalitimes.com/latest/new-china-nepal-rail-corridor/> (Accessed on 16 Feb 2021)

<sup>65</sup><https://www.chathamhouse.org/2020/03/chinese-investment-and-bri-sri-lanka-0/1-introduction> (Accessed on 16 Feb 2021)

airport at Mattala, located approximately 18 kms from Hambantota and the Colombo Port City Project. Sri Lanka was, however, forced to hand over the Hambantota Port and 15000 acres of surrounding land for development of an industrial zone, to China on a 99 year lease in 2017, after it was unable to repay the US\$ 1.3 billion loan taken for development of the Port. This has set alarm bell ringing amongst other beneficiaries of the BRI who have started viewing China's investment as potential 'debt traps'.

(e) **Maldives**. Maldives is an island nation comprising of 1,192 islands. It has a population of only 340,000 people is located on major East-West shipping lanes in the Indian Ocean. Maldives is an extremely important nation for furtherance of China MSR owing to its strategic location along key sea-lanes from the Persian Gulf to the Malacca Strait. China has accordingly provided huge sums in loan for construction of various infrastructure projects, including the 2.1km (1.3-mile) long, four-lane Sinamale (China-Maldives) Friendship Bridge US \$200 million. As per current figures, these loans stand at approximately US\$ 3.1 billion, which is more than half of the country's US\$ 4.9 billion GDP and the government may struggle to repay the same 2022-23<sup>66</sup>. The present government also believes that cost of projects has been inflated by the Chinese and the actual money owed by Maldives to China is only around \$1.1bn, although he hasn't released documents to back up his sums. There are worries that the country could face the same fate as Sri Lanka.

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<sup>66</sup>Anbarasan. E, 'China Debt Dogs Maldives' Bridge to Prosperity', <https://www.bbc.com/news/world-asia-52743072> (Accessed on 16 Feb 2021).

(f) **Afghanistan.** Afghanistan possesses the world's largest unexploited reserves of copper, coal, iron, gas, cobalt, mercury, gold, lithium and thorium, valued at over USD 1 trillion. These are being eyed by China as she needs these resources to sustain her own growth. China has, therefore, intensified her efforts to engage with Afghanistan in recent times. In 2014 alone, China assisted Afghanistan with US\$ 80 million in aid and with another US\$ 90 million in 2017. China also now intends to extend the BRI to Afghanistan for which an MoU was signed in 2016, with China allocating the initial US\$ 100 million for the project. Under the aegis of the BRI, the first rail freight link has also been established between the Chinese province of Jiansu and the Afghan city of Hairatan in 2016. China has also been able to connect 25 provinces in Afghanistan by optic fiber as a result of another agreement in 2017. Extending BRI to Afghanistan through the CPEC is likely to have positive effects not only for China but also for Afghanistan to whom it would bring immense economic benefits, however, Afghanistan has to solve its initial internal issues first before thi can become a reality. Till that happens, the planning to extend the CPEC into Afghanistan, may only remain on paper.

(g) **India & Bhutan.** India and Bhutan are the only two nations of South Asia who are opposed to the BRI. The reasons for the Indian objections have already been discussed above. As far as Bhutan is concerned, it has chosen not to join the BRI on account of its strong friendly relations with India.

45. **Implications.**

(a) All nations forming a part of South Asia are emerging economies with limited resources. They also lack in terms of infrastructure and connectivity as



compared to other parts of the world. Also, of the 8 nations forming a part of this region, 5 nations share borders with China, of which 3 are completely landlocked.

(b) The region is extremely important to China for the furtherance of both the land route and the sea route of her BRI. As far as land routes are concerned, the region is key to connectivity between the three continents of Europe, Africa and Asia and the MSR also is heavily dependent upon the Indian Ocean Region.

(c) Apart from enhancing trade and furthering its economic might, one of the primary aims of the BRI is also to help China overcome its Malacca dilemma, wherein it will be able to develop numerous overland and sea routes to ensure her energy security despite any situation that may arise in the South China Sea and or Malacca Strait.

(d) South Asia is key to China's above stated ambitions. The fact that the nations of this region are not so well to do and are in perpetual need of capital infusion, has only made China's task that much easier.

(e) Sri Lanka has already come to realise that China's loans and assistance has come at a price and that its inability to pay back Chinese loans have already resulted in the 'loss' of Hambantota Port. Pakistan and Maldives, having taken enormous Chinese loans have also put themselves in precarious situations.

(f) Chinese growing influence in South Asia is of special concern to India. China is slowly but surely making inroads into territories of all its neighbours and increasing their reliance on China through provision of loans, technology, defence equipment, infrastructure etc, and if it comes to making a choice

between India or China, most of these nations will find it difficult to side with the former and may be under an obligation to go with the latter.

### **Benefits for China**

46. Having studied in detail the impact that the BRI is likely to have on member nations, it can safely be said, that though the initiative is being touted as a ‘win-win’ arrangement for all parties involved, the Chinese intent behind the BRI runs deeper and is not as benign as it seems. Observers all around the world have been quick to point out that China tends to benefit more than any other member of the project<sup>67</sup>. Even if that is not entirely true, China does benefit in the following manner from the BRI :-

- (a) **Utilisation of Over Capacity**. Through infrastructure development in the form of ports, railways, pipelines etc in recipient nations China will be able to gainfully utilise the excess capacity developed by it in the field of infrastructure construction.
- (b) **Fillip to its own Economy**. As China insists that raw materials being utilised for BRI projects be sourced from China, it will be able to generate demand for the same for factories within China, especially for cement and steel, where she has huge production capacities. This demand, coupled with favourable procurement prices is likely to boost Chinese economy more than any other nation.
- (c) **Energy Security & Malacca Dilemma**. China’s major imports of energy are being transported across the Indian Ocean through the Malacca Strait, leaving it vulnerable to intervention in case of a conflict. By developing

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<sup>67</sup> <https://chinapower.csis.org/china-belt-and-road-initiative/> (Accessed on 16 Feb 2021).

land routes for sourcing energy into China, it will be able to ensure an uninterrupted flow in times of conflict, even if it is at a higher cost than transportation through the seas. This will also address China's Malacca Dilemma to a large extent.

(d) **Development in Western China.** Though the eastern part of the country is relatively affluent, Western China lags behind in development. By enhancing connectivity through the BRI to Eurasia, CAR and the Middle East, China hopes to give a boost to development in its Western part as well.

(e) **Access to European Markets.** Though control over ports in the Mediterranean and along the African coastline, China hopes to gain access into the cash rich European markets, in order to give a further push to its trade.

(f) **Dependence of Smaller Neighbours on China.** By extending loans on terms and conditions that appear to be attractive, and by executing BRI projects which the recipient nations cannot afford, China has been able to put many nations on the back-foot through debt-traps. A situation like this will enable China to extract favourable decisions from China at opportune times.

(g) **Employment for Chinese Nationals.** Another aspect of BRI projects executed by China is their insistence on utilising Chinese manpower for their construction. Such a precondition provides employment to the Chinese which may or may not be available back home.

(h) **Chinese Influence.** BRI projects have also helped enhance Chinese influence in the South China Sea and Indian Ocean thereby assisting it to achieve its dream of being a super power by 2049.

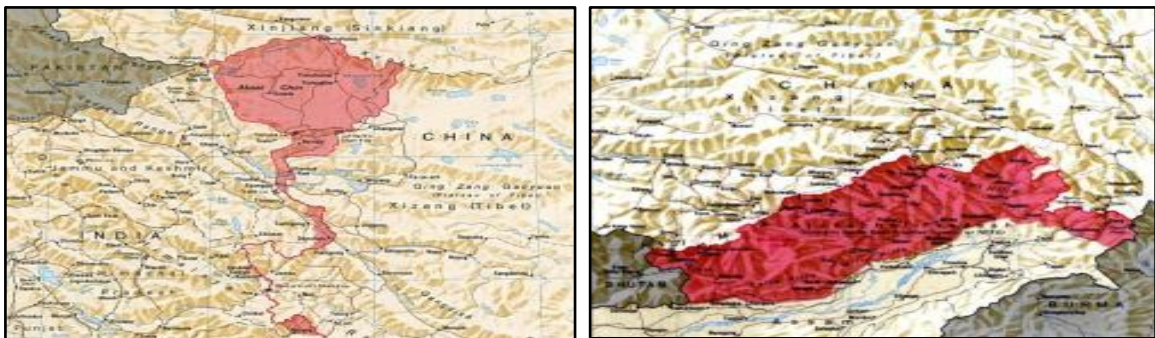
(j) Promote Chinese financial institutions like the AIIB and the NDB.

## CHAPTER - 6

### INDIA'S CHANGING RELATIONSHIP WITH CHINA & ITS EFFECT ON GEOPOLITICS IN THE INDIAN SUB-CONTINENT

#### General

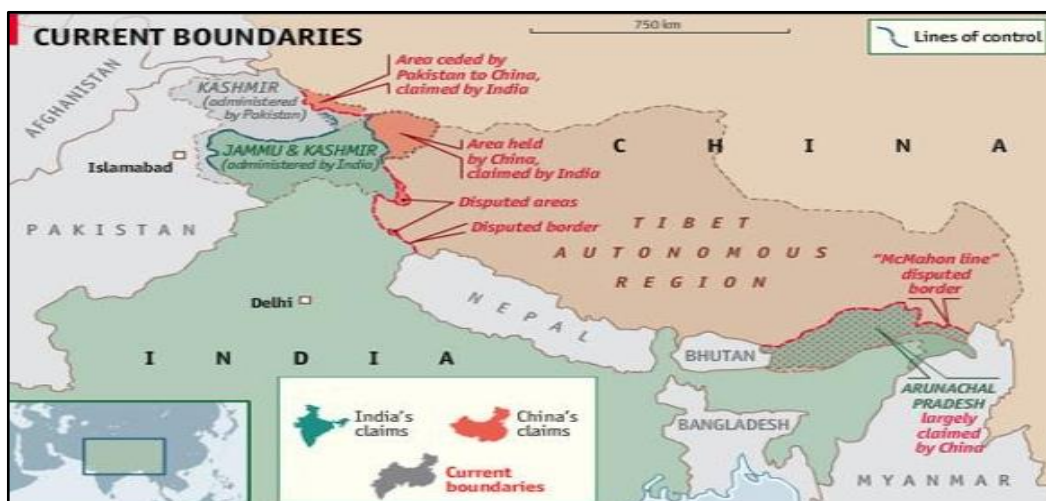
1. India and China are two Asian giants with a number of similarities. Both nations are amongst the oldest civilizations of the world, are also the most populous countries of the world and share a similar heritage of colonization. India's first Prime Minister, Pandit Jawaharlal Nehru, had right from the beginning extended a hand of friendship to China and had hoped that Indo-China relations would be the foundation for Asian prosperity and would first and foremost follow the principles of peaceful coexistence. This optimism was, however, short-lived and in fact turned into a dispute after China's occupation of Tibet in 1950 followed by the Indo-China war of 1962. The territorial dispute, which remains unresolved till date, remains the major irritant between the two nations, and apart from threatening India's territorial integrity also hinders progress in other areas. The territorial dispute between India and China is a legacy of the Britain and revolves around occupation of 40,000 sq kms of territory in Western Himalayas, called Aksai Chin and 92,000 sq kms of territory in the Indian state of Arunachal Pradesh, which China lays claims to.



**Figure 18 &19 - Aksai Chin and Arunachal Pradesh**

## **Background of Indo-China Border Dispute**

2. The 4,000 km long India-China boundary is divided into the Western, Middle and Eastern sectors<sup>68</sup>. It stretches from the tri junction of India, China and Afghanistan in the West to the tri junction of the borders of India, China and Myanmar in the East<sup>69</sup>. As per India, the border is disputed at multiple locations along the approximately 4,057 km long Line of Actual Control, while China on the other hand, asserts that the dispute is limited to only an area of about 2,000 sq kms in Arunachal Pradesh, which it refers to as Southern Tibet<sup>70</sup>. China, in essence, takes Aksai Chin to be an integral part of its own territory.



**Figure 20 Disputed Territories - India and China**

3. **The Contentions.** The contentions of both nations are as under :-

- (a) **India.** China is in illegal occupation of :-
- (i) North East Ladakh : 38,000 sq kms.
  - (ii) Middle Sector : 2100 sq km (Kaurik, Shipkila, Pulam, Jadhang, Barahoti).

<sup>68</sup>Addis JM, 'The India China Border Question', 1963.

<sup>69</sup>Guruswamy.M and Zorawar. DS, 'India China Relations - The Border Issue and Beyond'.

<sup>70</sup><http://news.oneindia.in/feature/brics-india-china-pledge-resolve-border-1483781.html#infinite-scroll-1> (Accessed on 20 Feb 2021).

(iii) Illegally ceded by Pakistan to China : 5180 sq km.

(b) **China**. India is in ‘illegal’ occupation of 90,000 sq kms of Chinese territory in Arunachal Pradesh<sup>71</sup>.

#### 4. **The Great Game.**

(a) The origin of the Sino-Indian border dispute can be related back to the ‘Great Game’ between British Colonialism and Russian expansionism in Asia for colonies and power. This expression was first used in the papers of Arthur Connolly, a British artillery officer whose, ‘*Narrative of An Overland Journey to the North of India*’ chronicled his travels in the region in service of the British Empire.

(b) As the Russian empire began her Eastward expansion towards Asia, which many felt was to ultimately culminate in the conquest of India, there seemed a shadow fighting between the British and Russian empires for political ascendancy often referred to as The Great Game.

(c) As the British considered India as ‘the strategic centre of the defensive position of the empire’, they came up with the idea of a dual concentric ‘ring fence’ around it. The ‘inner ring’, comprising of areas immediately adjacent to the Indian sub-continent, to include the North-Western and North-Eastern borderlands, the Himalayan states of Nepal, Bhutan and Sikkim, the tribal areas around Assam, Baluchistan, the North West Frontier Tribes, Gilgit and Leh and contiguous Indian Oceanic waters, were actively controlled.

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<sup>71</sup>Verma.VS, ‘Sino-Indian Border Dispute at Aksai Chin-A Middle Path For Resolution’.

<http://chinaindiaborderdispute.wordpress.com> (Accessed on 20 Feb 2021)

(d) The 'outer ring', consisting of states such as Afghanistan in the West, Xinjiang in the North, and Tibet in North and North East, was effectively neutered into a gigantic buffer zone by a system of extensive alliances through which major external powers were prevented from intruding upon the subcontinent<sup>72</sup>.

(e) Since British naval superiority was unchallenged for most of the later colonial era, the seaward approaches to the 'ring fence' were deemed secure and both British imperial and British Indian administrators focused largely on a continental stratagem, labelled 'The Great Game'.

#### 5. **The Western Sector.**

(a) The 'Western Sector' between Xinjiang and TAR regions of China and Jammu and Kashmir, which is the crux of the dispute with China, was never formally delineated nor successfully resolved by British India. One of the earliest treaties regarding the boundaries in the Western sector was issued in 1842. The Sikhs had annexed Ladakh and Jammu in 1834 and later in 1841 invaded Tibet during which Sikh army was defeated by Chinese, resulting in a treaty of Sep 1842, which stated that there will be no transgression or interference in the other country's frontiers.

(b) The British later defeated the Sikhs in 1846 which resulted in transfer of sovereignty over Ladakh to the British. The British commissioners now attempted to meet with Chinese officials to discuss and demarcate the border they now shared. However, both sides were, at that time, satisfied that a traditional border has been recognized and has been defined by natural

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<sup>72</sup>Ashley J. Tellis, 'Securing the Barrack: The Logic, Structure and Objectivities of India's Naval Expansion', *Naval War College Review*, Summer 1990, pp. 79-83.

elements, and thus the border was not demarcated<sup>73</sup>. The boundaries at the two extremities, Pangong Lake and Karakoram Pass, were reasonably well-defined, but the Aksai Chin area in between, lay largely undefined.

(c) **The Johnson Line.** W H Johnson, a civil sub-assistant with the Survey of India proposed the 'Johnson Line' in 1865, which put Aksai Chin in Jammu and Kashmir. During this time, China did not control Xinjiang, hence, this line was never presented to China. Johnson's work was, however, severely criticized for gross inaccuracies. In 1878 the Chinese had reconquered Xinjiang, and by 1892, had erected boundary markers at Karakoram Pass<sup>74</sup>. In 1897 a British military officer, Sir John Ardagh, proposed a boundary line along the crest of the Kun-Lun Mountains north of the Yarkand River<sup>75</sup>. At that time British were seriously concerned at the danger of Russia expanding southwards as China weakened, and Ardagh argued that his line was more defensible. The Ardagh line was largely a modification of the Johnson line, and was called the '**Johnson-Ardagh Line**'.



(d) **The Macartney-Macdonald Line.** In 1893, Hung Ta-chen, a senior Chinese official at Kashgar, handed over a map of the boundary proposed by

<sup>73</sup>The Sino-Indian Border Disputes, by Alfred P. Rubin, The International and Comparative Law Quarterly, Vol. 9, No. 1. (Jan. 1960), pp. 96–125.

<sup>74</sup>Calvin, James Barnard (April 1984). "The China-India Border War". Marine Corps Command and Staff College.

<sup>75</sup>Woodman, Dorothy (1969). Himalayan Frontiers. Barrie & Rockcliff. pp. 101.



China to George Macartney, the British Consul-General at Kashgar<sup>76</sup>. This boundary established that the Aksai Chin, which is north of Lakhsang Range falls in China and the Lingzi Tang plains, which are south of Lakhsang Range are a part of India. This proposed border, along the Karakoram Mountains, was supported by British officials for a number of reasons. The Karakoram Mountains formed a natural boundary, which would set the British borders up to the Indus River watershed and leaving the Tarim River watershed in Chinese control, which would present a further obstacle to Russian advance in Central Asia<sup>77</sup>. The British presented this line, known as the ‘**Macartney-MacDonald Line**’, to the Chinese in 1899 in a note by Sir Claude MacDonald. The Qing government, at that time did not respond to the note, and the British took that as Chinese acquiescence. Although no official boundary had ever been negotiated, China believed that this had been the accepted boundary.

(e) **1899 to 1947.** Both the ‘Johnson-Ardagh Line’ and the ‘Macartney-MacDonald Line’ were used on British maps of India. Until 1908, the British took the Macdonald Line to be the boundary, but in 1911, the Xinhai Revolution resulted in the collapse of central power in China, and by the end of World War I, the British officially started using the Johnson Line. However, no steps were taken on ground to establish outposts with a view to assert actual control on the ground. In 1927, the line was further adjusted the British Indian government abandoned the ‘Johnson Line’ and favoured a line along the Karakoram Range which was further down South. However, the maps were not

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<sup>76</sup>Woodman, Dorothy (1969). Himalayan Frontiers. Barrie & Rockcliff. pp. 101.

<sup>77</sup>Noorani, A.G. (30 Aug - 12 Sep 2003), ‘Fact of History’, Frontline (Madras: The Hindu group).

updated and still showed the Johnson Line as the boundary<sup>78</sup>.

(f) **Since 1947.** India, post-independence in 1947, adopted the Johnson Line as the official boundary in the West which includes Aksai Chin. During the 1950s, the People's Republic of China built a 1,200 km connecting Xinjiang and Western Tibet, of which 179 kms ran south of the Johnson Line through the Aksai Chin region claimed by India<sup>79</sup>. The Indians did not learn of the existence of the road until 1957, which was confirmed when the road was shown in Chinese maps published in 1958. The Indian position, as stated by Prime Minister Jawaharlal Nehru, was that the Aksai Chin was "part of the Ladakh region of India for centuries" and that this northern border was a "firm and definite one which was not open to discussion with anybody". The Chinese minister, Zhou Enlai argued that the western border had never been delimited, that the Macartney-MacDonald Line, which left the Aksai Chin within Chinese borders, was the only line ever proposed to a Chinese government, and that the Aksai Chin was already under Chinese jurisdiction, and that negotiations should take into account the status quo<sup>80</sup>.

## 6. **The Middle Sector.**

(a) The problem in the Middle Sector is simpler. The frontier here has never been subject of any treaty or agreement between British India, India, Tibet or China. Despite the absence of any treaty, the Indian and Chinese governments agreed that the frontier in the Middle Sector runs generally along the crest of the Himalayas. The dispute here is on four small areas where

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<sup>78</sup>Calvin, James Barnard (April 1984). "The China-India Border War". Marine Corps Command and Staff College

<sup>79</sup>Maxwell, Neville, *India's China War*, New York, Pantheon, 1970, pp 83

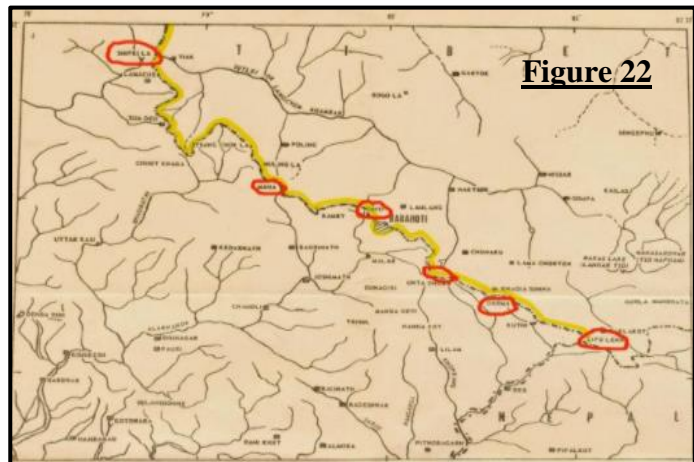
<sup>80</sup>Ibid, pp 97

Chinese claim that Tibetan administration has traditionally operated over the watershed. These areas are<sup>81</sup> :-

- (i) The Spiti area, as India calls it or Chiva and Chuje as China calls it.
- (ii) The area West of Shipki Pass.
- (iii) The Nilang-Jadhang area (China calls it Sang and Tsungsha).
- (iv) Barahoti (China calls it Wuje) with adjacent villages of Sangchamalla and Lapthal.

(b) The dispute relating to the third and fourth of these areas have been inherited by Independent India and China from their predecessors. British had

occupied Nilang-Jadhang from 1920 which was disputed by Tibet. From 1926 to 1935 there was an active correspondence between



the two during which an offer was made to cede a part of it to Tibet but Tibet refused to compromise for less than whole of its claim. Over Barahoti, continuous correspondence took place between India and Tibet from 1894 to 1954.

## 7. The Eastern Sector.

### (a) The Mc Mahon Line.

- (i) British India and China gained a common border in 1826, with

<sup>81</sup>Addis J M, 'The India China Border Question', 1963.

British annexation of Assam in the Treaty of Yandabo at the conclusion of the First Anglo-Burmese War (1824-1826). Subsequent annexations in further Anglo-Burmese Wars expanded China's borders with British India Eastwards, to include the border with what is now Myanmar.

(ii) In 1913-14, representatives of Britain, China, and Tibet attended a conference in Simla, wherein an agreement concerning Tibet's status and borders was drawn. The McMahon Line, a proposed boundary between Tibet and India for the Eastern sector, was drawn by British negotiator Henry McMahon on a map attached to the agreement. The representatives of all three countries signed the agreement.

(iii) However, Beijing subsequently objected to the Sino-Tibet boundary proposed under the agreement and repudiated the agreement. She also refused to sign the final and a more detailed map. The British and Tibet then approved a note which stated that China could not enjoy rights under the agreement unless she ratified it, and then signed the Simla Convention and a more detailed map as a bilateral accord. Neville Maxwell states that McMahon had been instructed not to sign bilaterally with Tibetans if China refused, but he did so without the Chinese representative present and then kept the declaration secret<sup>82</sup>.

(b) The basis of these boundaries, accepted by British India and Tibet, was that the historical boundaries of India were the Himalayas and the areas South

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<sup>82</sup>Maxwell, Neville, *India's China War*, New York, Pantheon, 1970.

of the Himalayas were traditionally Indian and associated with India<sup>83</sup>. The high watershed of the Himalayas was proposed as the border between India and its Northern neighbours. Subsequently the Indian government also held a similar view.

(c) Chinese boundary markers, including one set up by the newly created Chinese Republic, stood near Walong until January 1914, when T. O'Callaghan, an Assistant Administrator of North East Frontier Agency (NEFA)'s Eastern Sector, relocated them North to locations closer to the McMahon Line (albeit still South of the Line)<sup>84</sup>.

(d) By signing the Simla Agreement with Tibet, the British had violated the Anglo-Russian Convention of 1907, in which both parties were not to negotiate with Tibet, "except through the intermediary of the Chinese Government", as well as the Anglo-Chinese Convention of 1906, which bound the British government "not to annex Tibetan territory." Because of doubts upon the legal status of the accord, the British did not put McMahon Line on their maps until 1937, nor did they publish the Simla Convention in the treaty record until 1938.

(e) China rejected the 1913 declaration of Tibet's independence, it contested the legality of Simla Convention and McMahon Line and also the legitimacy of Tibetan government which, as per China, was only a local government without any treaty-making powers.

(f) In 1947, Tibet requested India to recognise Tibetan authority in the trading town of Tawang, South of the McMahon Line. Tibet did not object to

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<sup>83</sup>Gupta, K., 'The McMahon Line 1911–45: The British Legacy', *The China Quarterly*, No. 47. (Jul. – Sep. 1971), pp. 521–545.

<sup>84</sup>Calvin, J.B., (1984), 'The China-India Border War'.

any other portion of the McMahon line. In its reply, India asked Tibet to continue the relationship on the basis of the previous British Government. Tibetan officials continued to administer Tawang and refused to concede territory during negotiations in 1938. The then governor of Assam also clarified that Tawang was "undoubtedly British" but also brought to fore the fact that it was "controlled by Tibet, and all its inhabitants consider themselves Tibetan." During World War II, while India's East was threatened by Japanese troops on one hand and by Chinese expansionism on the other hand, British troops secured Tawang for an extra layer of defence<sup>85</sup>.

(g) China's claims on areas south of the McMahon Line, encompassed in the NEFA, were based on the traditional boundaries. India believes that the boundaries China proposed in Ladakh and Arunachal Pradesh have no written basis and no documentation of acceptance by anyone apart from China. Indians argue that China claims the territory on the basis that it was under Chinese imperial control in the past, while Chinese argue that India claims the territory on the basis that it was under British imperial control in the past.

## 8. **Sikkim and Arunachal Pradesh.**

(a) Sikkim became a part of India in 1975, which led to extensive protests from the Chinese who viewed this as an Indian attempt to disrespect their territorial integrity. There was a period of hope when the then Chinese Premier, Deng Xiaoping announced his intent for peaceful development which was also followed by a visit to China by then-Indian Foreign Minister Shri Atal Bihari Vajpayee in 1979. However, China's war against Vietnam during the same year

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<sup>85</sup>Calvin, J.B., (1984), 'The China-India Border War'.

overshadowed any prospects of improving relations<sup>86</sup>.

(b) In 1986, statehood was granted to Arunachal Pradesh by India. This then sparked a fresh round of hostilities. In somewhat of a retaliation, China mobilized a large number of troops in Tibet opposite Sumdurong Chu Valley, which lies at the trijunction of India, China, and Bhutan<sup>87</sup>. This was done to assert its claim over the entire Eastern sector.

(c) India also responded with a military exercise named Chequerboard, which resulted in an eyeball-to-eyeball contact between the two sides. Though this confrontation was de-escalated, volatility on the borders between India and China remained<sup>88</sup>.

(d) The impasse was broken by then-Indian Prime Minister Rajeev Gandhi's visit to China in 1988, which was the first by a Prime Minister after nearly 25 yrs. The interaction reduced tensions and paved the way for future negotiations, wherein it was accepted that the settlement of the border dispute would no longer be a condition for the improvement of bilateral ties. India also acknowledged that some Tibetan refugees in India were involved in anti-China activities, which was a major concession and was an indicator of the importance which China attached to Tibet with respect to resolution of Indo-China territorial dispute.

## 9. **Events Post Termination of Cold War.**

(a) Post termination of the Cold War, two important agreements were signed between India and China, i.e., the 1993 agreement for peace and

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<sup>86</sup>Ganguly, *India and China: Border Issues, Domestic Integration, and International Security*, 121.

<sup>87</sup>Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 122–124; Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 105.

<sup>88</sup>Waheguru Pal Singh Sidhu and Jing-dong Yuan, "Resolving the Sino-Indian Border Dispute: Building Confidence through Cooperative Monitoring," *Asian Survey* 41, no. 2 (2001), 353.

tranquility along the Line of Actual Control (LAC), and the 1996 agreement for CBMs related to military affairs. Both these agreements contained provisions for conduct of regular flag meetings, troop reductions, notification regarding military exercises involving more than one division, prohibition of combat aircraft flying within 10 km of LAC, and self-restraint in situations of face-to-face confrontation<sup>89</sup>.

(b) However, despite all these agreements and provisions, there continued to be a general disagreement on the precise alignment of the LAC<sup>90</sup>. Regardless of the same, the two sides still agreed to work towards a mutually acceptable resolution of the border dispute. The limited gains in this direction were lost after India's nuclear tests of 1998, and the mention by the then Indian Defence Minister, only days before these tests, that China was India's biggest threat.

(c) The situation took a further downturn after it came to be known through leaks by Washington that a private letter had been written by the then Prime Minister Vajpayee to President Clinton, stating that the primary reasons for India undertaking the nuclear tests was the unresolved border dispute and the atmosphere of distrust with China<sup>91</sup>.

(d) However, the Chinese remaining neutral during the 1999 Kargil War with Pakistan, helped overcome reverses of the previous year.

## 10. **Subsequent Events.**

(a) Prime Minister Vajpayee visited China and as in response, Premier Wen Jia Bao's also visited India in 2005. These two visits were very significant

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<sup>89</sup>Sidhu and Yuan, Resolving the Sino-Indian Border Dispute: Building Confidence through Cooperative Monitoring, pp361.

<sup>90</sup>Ganguly, India and China: Border Issues, Domestic Integration, and International Security, pp124.

<sup>91</sup>Mansingh, Rising China and Emergent India in the 21st Century: Friends Or Rivals? pp128.



to Sino-India relations wherein India reasserted that it recognized the Tibet Autonomous Region (TAR) as part of the People's Republic of China and China to accepted Sikkim to be an integral part of India<sup>92</sup>, and as a consequence, cross-border trade at Nathu La in Sikkim was established, reviving yet again, the hopes of resolving the border dispute.

(b) However, the euphoria was short-lived when on the eve of President Hu Jintao's state visit to India in 2006, China again reasserted its claims to the entire state of Arunachal Pradesh, describing it yet again as - Southern Tibet.

(c) In the same year, i.e. 2006, China also commissioned the Lhasa railway line, underling the furious pace at which it was undertaking infrastructure development in TAR. The Chinese action had serious implications for India's security as it allowed for a faster and larger military build-up in TAR. Amidst this rhetoric related to the 'China threat', India hastened augmentation of its own road and airfield infrastructure in the North East, to include forward deployment of Sukhoi 30s.

(d) The year 2008 was marked by Chinese 'protests' the visit of Prime Minister and President to Arunachal Pradesh. During this period, China also prevented the Asian Development Bank (ADB) from funding a hydro-project in the state.

(e) The period from 2007 to 2009 saw a sharp increase in patrol violations in all sectors of the disputed border in addition to force projections opposite the Chumbi Valley near Bhutan. Later in 2009, the Dalai Lama visited Tawang which is home to the second most revered Tibetan monastery in the world. This

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<sup>92</sup>Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?*, pp130.

led to heightening of tensions between the two countries yet again and revived some of China's fears with respect to Tibetan refugees in India<sup>93</sup>. The gains made the previous year, i.e. in 2008, when India took great pains to ensure that Tibetan protesters did not cause any embarrassment to China during the passage of the Olympic torch through New Delhi, were accordingly lost.

11. **The 2010s**. This decade too had its share of ups and downs as far as Indo-China relations is concerned. Major events that highlighted the 2010s are as under :-

(a) The period from 2010 was marked by a slight upswing in Indo-China relations, when the Chinese Premier Wen Jiabao visited India in Dec 2010 at the invitation of Prime Minister Manmohan Singh, accompanied by 400 business leaders, who had expressed a desire to sign business deals with Indian companies. Premier Wen Jiabao had said "India and China are two very populous countries with ancient civilisations, friendship between the two countries has a time-honoured history, which can be dated back 2,000 years"<sup>94</sup>.

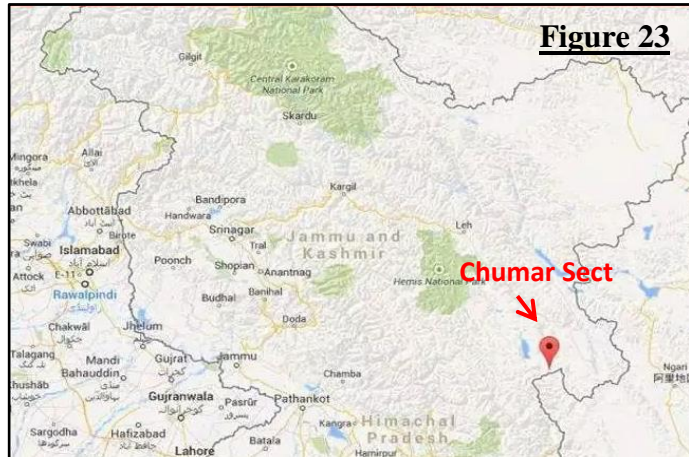
(b) The bonhomie continued when in Apr 2011, during the BRICS Summit in Hainan, China, the two countries agreed to restore defence co-operation and China reversed its policy of administering stapled visas to residents of Jammu and Kashmir. In the March 2012 BRICS Summit in New Delhi, that Chinese President Hu Jintao again said that "it is China's unswerving policy to develop Sino-Indian friendship, deepen strategic cooperation and seek common development".

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<sup>93</sup>Malone and Mukherjee, *India and China: Conflict and Cooperation*, 146.

<sup>94</sup>"The Tribune, Chandigarh, India – Main News". *The Tribune. Archived* from the original on 2 November 2012. (Accessed on 18 Feb 2021)

(c) **Depsang Incident - Apr 2013**. On 15 Apr 2013, 30-40 Chinese troops crossed 15 kms inside Indian side of LAC and pitched four tents in Raki Nala close to Burtse. The same was detected by Indian armed forces and a face



off took place for 20 days in that area. Both sides exercised restraint and did not escalate the situation. On 05 May the Chinese vacated the area and the face off was called off just days before the Indian Foreign Minister Salman Khurshid was to visit China. In exchange of the Chinese withdrawal, India too agreed to demolish several live-in bunkers 250 km to the south in the disputed Chumar sector<sup>95</sup>.

(d) In Sep 2014 the relationship again took a downturn as PLA entered 2 kms inside the LAC in Chumar sector<sup>96</sup>. This 16 day standoff ended after the Chinese Premier Xi Jinping returned to China after his state visit to India. This withdrawal was reached after a quid pro quo to disengage 1,500 Indian soldiers in the sector, as against 750 Chinese troops, was reached.

(e) Disruptions rose again with India objecting to construction of the CPEC through POK and India's subsequent refusal to join the BRI, which probably prompted the Chinese incursion in Doklam, a territory which is claimed by both China as well as India's ally Bhutan. On 18 Jun 2017, Chinese troops

<sup>95</sup><http://defencenews.in/defence-news-internal.asp?get=new&id=1554> (Accessed on 20 Feb 2021).

<sup>96</sup><https://web.archive.org/web/20200512042352/https://www.thetimes.co.uk/article/chinese-and-indian-troops-injured-in-border-brawl-3gsfw37r-the-rise/> (Accessed on 20 Feb 2021).

constructing a road in Doklam were stopped by Indian soldiers, with India accusing China of trying to change status quo. Ultimately after multiple rounds of talks, the stand-off in Doklam ended on 28 Aug 2017.

12. **The 2020s So Far.**

(a) The first Indo-China clash of this decade took place on 10 May 2020, when both sides clashed at Nathu La, Sikkim leaving 11 soldiers injured<sup>97</sup>.

(b) This was followed by troop build up by the Chinese at multiple locations in Ladakh. The clash between the two sides on the night of 15/16 Jun 2021 resulted in 20 Indian soldiers dead. Unconfirmed reports estimate Chinese deaths in the range of around 40 to 45. The current agreements between India and China disallow the use of weapons along the LAC, however, the skirmishes in Ladakh saw the first shots, warning shots, being fired in decades. AS per some reports, this standoff has be a consequence of India's abrogation of Article 370<sup>98</sup> in Aug 2019.

(c) Many talks held after the skirmishes failed to reach a consensus leading to both India and China digging in deeper into their positions over the winter. breakthrough was only reached recently, which is seeing disengagement of both the forces in Ladakh<sup>99</sup>.

13. **East-West Swap.**

(a) China, first in 1960 and then again in the 1980s, had guardedly suggested that the border dispute could possibly be resolved through an East-

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<sup>97</sup><https://web.archive.org/web/20200512042352/https://www.thetimes.co.uk/article/chinese-and-indian-troops-injured-in-border-brawl-3gsfwp37r> (Accessed on 20 Feb 2021)

<sup>98</sup><https://www.theweek.in/news/world/2020/06/13/article-370-abrogation-led-to-ladakh-standoff-chinese-report-causes-stir.html> (Accessed on 20 Feb 2021)

<sup>99</sup><https://www.ndtv.com/india-news/indian-chinese-troops-disengagement-at-both-banks-of-pangong-lake-completed-sources-2373898>

West Swap. No formal proposals were, however, presented and India too has shown equal unwavering with respect to its claims of the disputed territories. There is also a Parliamentary resolution that disallows any swap of what is regarded as India's territory. An analogy from a legal expert on the border issue is relevant when he says that, "if a thief breaks into your house and steals your coat and your wallet, you don't say to him that he can have the coat if he returns the wallet. You expect him to return all that he has stolen from you"<sup>100</sup>.

(b) Further, 'proposal' for this swap had also come with a caveat which said that Tawang, which is the birthplace of the sixth Dalai Lama and home to the second most important Tibetan monastery, was to be excluded from the exchange, something which the Indians could never accept. China on the other hand remains unrelenting on this issue owing to its sensitivity to the Tibetan connection with Tawang. The unyielding Indian stance has now forced China to renew its official claim over the entire Arunachal Pradesh.

### **Analysis of Sino-India Territorial Dispute**

14. Though China's hegemonic aspirations can be seen as the driving force behind the border dispute between India and China, some might suggest that the PRC is extremely sensitive about its experiences given its prior century of humiliation. She, therefore, views India's claims to the borders drawn by the British as an affront to China's honour and identity. China fears that her internal cohesion and regime legitimacy can be undermined by an India assisted secessionism by Tibet.

15. On India's part, the annexation of Tibet by China in 1950 and subsequent construction of a road in Aksai Chin, that came to light only in 1958, played directly into the fears of security planners in India, prompting the adoption of a 'Forward

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<sup>100</sup>Garver, 'Protracted Contest: Sino-Indian Rivalry in the Twentieth Century', pp103.

Policy' by the Indians. Its consequent deployment on the borders with China, though purely defensive in nature, threatened China's sense of security, which the Sino-India war of 1962. Further, the refuge which India is providing to the Dalai Lama and thousands of exiled Tibetans continues to cause much anxiety in Beijing. It remains apprehensive that India will provide tacit support to a Tibetan para-military force at a future date in support of a Tibetan rebellion and undermine Chinese sovereignty in collusion with the United States.

16. Therefore, India's grant of statehood to Arunachal Pradesh in 1987 has the potential of another full blown Indo-China conflict that was diffused just in time. Significantly, this thaw was not because the two sides were able to resolve the conflict, but due to the mutual recognition of prohibitive costs of war, China's focus on peaceful economic development, and the Indian readiness to address Chinese fears over Tibet.

17. Through the CBMs of 1993 and 1996, the Chinese recognising Sikkim as a part of India and India doing the same for China by affirming its stand on Tibet, revival of border trade in 2006 etc have all been costly signals by both sides, aimed at resolving the dispute, in realisation of the fact that engaging in armed hostilities would not be prudent. However, off late as China nears the completion of modernisation of its armed forces, there is a growing assertiveness in her behaviour with India. China has traditionally assigned very high value to territory and with its expansionist mind-set, she is disposed to employ overwhelming force to settle territorial disputes in her favour. It must also be noted that in order to support development, the Chinese have resolved most of their territorial disputes with all its neighbours, except with India and its ally Bhutan.

18. The furious pace with which infrastructure development has taken place in Tibet and the Chinese claims over Arunachal Pradesh can be viewed as indicators that China is purposely engaging in strategic ambiguity. On the other hand, reservations over China's intentions have prompted India to address her requirement of force modernisation and restructuring at a heightened pace. China is consciously maintaining an India constraining balance of power in the region through her support to Pakistan. It does so to maintain its hegemony in Asia and to prevent India from actively supporting the Tibetan cause.

### **Geopolitics and Sino-India Relations**

19. The geopolitics of Sino-India relations revolves around efforts to ensure impregnability of the mountain ranges through deployment of forces, development of infrastructure which would help projection of power over the mountains and manoeuvres around these geographic barriers. China's quest to find ways and means to go around these mountain and at the same time, constrain India within the confines of South Asia, has been the reason for China developing strong ties with Pakistan and Myanmar, and increasing her presence in the IOR. The 'String of Pearls' strategy adopted by China is considered by many analysts as a step that will enable strategic encirclement of India by China<sup>101</sup>. India in an attempt to counter the Chinese has actively started engagement with nations in her immediate neighbourhood and has adopted the 'Look East Policy'.

20. The strategies of India and China are also influenced by factors other than their mutual rivalry - the major ones being energy security and economics. It would be ideal if both nations display sensitivity toward each other's concerns and will keep the competition at a pragmatic level. However, India's inherent mistrust of Chinese

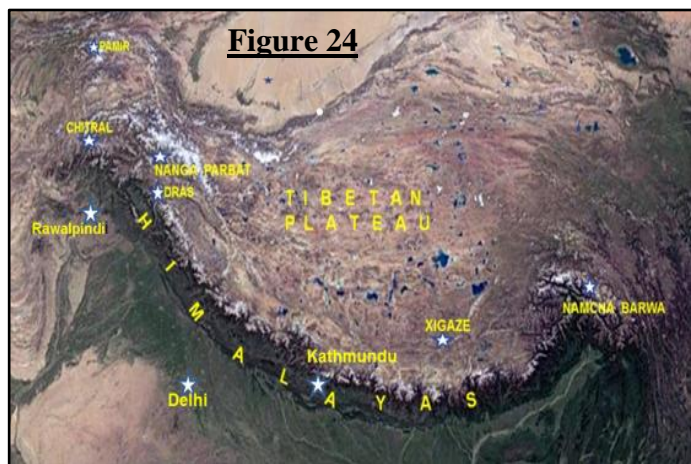
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<sup>101</sup>Khurana, China's 'String of Pearls in the Indian Ocean and its Security Implications, pp 1-39.

intentions forces her to always remain on her guard. China on her part has global ambitions and would like to play a dominant role in Asia, without having to share that platform. China has, therefore, found a cost effective method of keeping India engaged without any overt actions, i.e. through her relations with Pakistan, and is thus likely to continue patronising India's Western rival.

21. **Geography and Influence.**

(a) The Tibetan plateau, which extends approximately 1000 kms from North to South, combined with the Himalayas which extends about 200-350 kms from North to South, with many peaks



over 6,000 meters, make for a terrain that is extremely rugged making movement of men and materiel extremely difficult. This combined barrier has also been responsible for hindering the interaction between the Indian and Chinese civilizations and preventing projection of military power in these remote areas effectively.

(b) The Mongol armies of the 13<sup>th</sup> century also did not attempt to cross this formidable obstacle and decided instead to go around it. Similarly in the 17<sup>th</sup> century, Dogra rulers of Kashmir never attempted to send their armies beyond Western Tibet. The Tibet-Himalayan massif, therefore, effectively kept the two civilisations isolated and it was not until 1962, that the Indian and Chinese armies fought each other over desolate heights, thereby altering geopolitics of the region.



(c) The inability to project military power over the massif did not, however, prevent these two ancient civilizations from exercising influence beyond their borders. For example, Myanmar, Thailand, Malaya, Cambodia, Vietnam, Sumatra, Java and Sri Lanka all received strong influences from India as far as religion, language, art, and architecture are concerned. Similarly, influences can be traced to Nepal, Bhutan and Tibet, where Buddhism made strong inroads. China on the other hand exercised influence through a tributary system that demanded reverence of the Chinese emperor. Their traditional sphere of influence included wide portions of Central, South and South-East Asia.

(d) So India and China in the early 1950s were both newly independent states, keen to re-establish their influence in the region and regain their long lost eminence. India wanted to do so together with China as an ally which was apparent in the first Afro-Asian Conference in 1955 at Bandung, Indonesia, where Nehru's primary aim of the conference was to integrate China into the Asian community and establish strong Sino-India friendship.

(e) However, Zhou Enlai the then Premier had other ideas. He was resentful of Nehru's overbearing actions and saw this as an assertion of India's hegemonic mindset. China also favoured an anti-Western approach in contrast to Nehru's nonalignment. The fact that these events took place after the Panchsheel Agreement was signed by India and China in 1954, and before the exodus of Dalai Lama in 1959, points out to the fact that the rivalry between these two nations extended beyond just the boundary issue.

(f) India and China, therefore, found themselves on opposite sides of the geopolitical and ideological divide and it is said that it was during the Bandung

Conference itself that Pakistan and reached a strategic understanding based on their convergent interests vis-à-vis India.

22. **Sino-Pak Cooperation.**

(a) The cooperation between China and Pakistan has been one of the most durable elements of Chinese foreign policy, that has withstood the test of time, at least so far<sup>102</sup>. A Sino-Pak alliance has multiple advantages for China. One, it allows India to be threatened on two fronts. Secondly, it helps China to further its ambitions in Asia. Thirdly, it serves as an insurance policy against any Indian misadventure involving Tibet. And lastly, a stable Pakistan which is aligned with China helps her to maintain a favourable balance of power in Asia at minimal cost. A less Pakistan hassled India, will certainly be more assertive against China.

(b) The relations between China and Pakistan also in fact go beyond the India. There are other aspects to their relationship between the two nations Pakistan is an important destination for Chinese goods, and bilateral trade between the two has crossed US\$ 20 billion in 2017. China is especially benefitted as out of this US\$ 20 billion, Pakistan's exports to China amount to only about US\$ 1.83 billion, thereby tilting the trade deficit heavily in China's favour<sup>103</sup>.

(c) Pakistan is also seen by China as a key to the Muslim world and to stability in Xinjiang. In addition, now that the CPEC has progressed in the manner it has, Pakistan's relevance to China has increased exponentially.

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<sup>102</sup>John W. Garver, "China's Kashmir Policies," *India Review* 3, No. 1 (January 2004), 2.

<sup>103</sup><https://trendeconomy.com/data/h2/Pakistan/29> (Accessed on 21 Feb 2021).

Through the CPEC, China is provided with a direct access into the IOR which makes her dependence upon the Malacca that much less.

(e) From the Indian point of view, a strong Sino-Pak relationship is to its detriment as it emboldens Pakistan to continue its policy of waging a proxy war against India, while sabre rattling its nuclear arsenal, both at the same time. Strong support to Pakistan also raises questions over the extent to which the Chinese would go to improve relations with India, given that Pakistan, now on account of the CPEC, will always remain more important to her than India.

(f) China at the moment, however, does not seem very willing to get directly involved in the on-going Indo-Pak tussle by taking a neutral approach on Kashmir. However, in order to avoid the difficult choice, in event of an Indo-Pak war in the future, of either entering into the war alongside Pakistan or letting Pakistan be decisively beaten, China has instead come up with a masterstroke of maintaining Pakistan's conventional and nuclear strength, thereby constraining India through proxy, without imminent risk to itself, while at the same time, striving to improve trade ties with India<sup>104</sup>.

23. **China's Assistance to Pakistan During the 1965, 1971 and 1999 War with India.**

(a) **1965 War.**

(i) India's loss to China in 1962 War and her newly forged strategic partnership with China after Pakistan ceded 2,700 sq kms of POK territory to China in Mar 1963<sup>105</sup>, Pandit Nehru's death in 1964 and Pakistan's perceived military superiority after it received Patton tanks

<sup>104</sup>Garver, China's Kashmir Policies, 17.

<sup>105</sup>Ganguly, India and China: Border Issues, Domestic Integration, and International Security, 117– 119.

from the US, were the main inputs that prompted Pakistan's to go to war with India in 1965.

(ii) At that point in time, China sided with Pakistan to some extent when, as per some intelligence reports<sup>106</sup>, she mobilised adequate troops for a limited offensive against India and threatened to engage her on a second front. As per analysts, it was only on account of US warnings that China did not follow through on its threat. Notwithstanding, by China's own account, it was this threat that proved to be decisive as India accepted the ceasefire, despite it having an upper hand in the conflict<sup>107</sup>.

(iii) The 1965 Indo-Pak War proved to be significant for India in two ways. Firstly, it deepened Sino-Pak ties, whose repercussions are being dealt with by India till date. Secondly, India came to realisation for the first time that it may have to deal with enemy on two fronts.

(b) **1971 War.**

(i) After US military aid to Pakistan dried up as an admonishment for using US weaponry against India, China stepped in to fill in the void<sup>108</sup>. As per Stockholm International Peace Research Institute (SIPRI), nearly 50% of all arms transfers made to Pakistan from 1965 to 1971 were from China. China's increased military supplies to Pakistan in response to US sanctions have been a recurrent feature since. Further, after US suspended the sale of 71 x F-16s aircrafts to

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<sup>106</sup>Van Kemenade, D'entente between China and India; The Delicate Balance of Geopolitics in Asia, 93–94.

<sup>107</sup>Garver, Protracted Contest: Sino-Indian Rivalry in the Twentieth Century, 203.

<sup>108</sup>Ibid, pp 205 & Deepak, Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future, 136

Pakistan's as a result of the 1998 nuclear tests, China once again stepped in and announced joint development of JF-17 fighter planes<sup>109</sup>.

(ii) However, surprisingly, despite all this support, China's stance during the 1971 Indo-Pak War was quite different from its response during 1965. This time China expressed its unwillingness to get directly involved in the conflict, though it continued to provide extensive diplomatic and material support to Pakistan and condemned India for interference in Pakistan's internal affairs<sup>110</sup>.

(iii) The reasons for China's changed stance were manifold. Indian military strength had been revamped since 1962 and the timing of the war was such that passes between India and China were closed. Indo-Soviet Friendship Treaty had just been concluded and the struggle in what is now Bangladesh, had shades of a people's war, which China could not denounce completely. India was also getting powerful and China did not probably want to burn all bridges with it and finally, China was awaiting its permanent membership to UNSC and, therefore, could not afford to appear irresponsible<sup>111</sup>.

(iv) China's reluctance in providing Pakistan with overt support during the 1971 war can, therefore, be attributed to a realistic assessment of the prevailing domestic and international situation and not to a change of heart.

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<sup>109</sup> SIPRI, "Transfer of Major Conventional Weapons by China to Pakistan from 1990 to 1999," [http://armstrade.sipri.org/armstrade/page/trade\\_register.php](http://armstrade.sipri.org/armstrade/page/trade_register.php)

<sup>110</sup> Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 98.

<sup>111</sup> Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 133–135.

(v) However, the Indian role in liberation of Bangladesh renewed her fears with respect to Tibet, and reinforced her belief that a strong Pakistan is a necessity for restraining India.

(c) **1999 War.**

(i) The perilous effects of nuclear tests conducted by both nations were on display during the Kargil conflict in 1999. Pakistan was aware that its nuclear deterrent would be able to counter India's conventional superiority and it could draw international attention towards Kashmir through the incursion.

(ii) However, India's resolute response and a reprimand by the US, apart from international condemnation, unsettled Pakistan's nefarious designs. At this instance too, China maintained a neutral stance and asked both sides to exercise restraint. China's refusal to internationalize Kashmir as a result of the conflict and condemnation of terrorism was also noteworthy. China was probably concerned that Islamic fundamentalism from Pakistan, if left unchecked, had the potential to vitiate the environment within China.

24. **Gwadar Port & CPEC.**

(a) The Gwadar Port was first conceived in Mar 2001 and operationalized in 2007 at an approximately cost of US\$1.16 billion. The funding was primarily made by China, who also contributed an additional US\$ 200 million for the construction of the 653 kms long Marakan Coastal Highway, linking Gwadar to Karachi. Later in 2013, the Chinese announced the CPEC, which will link Kashgar in Xinjiang, China to Gwadar. The port has twelve berths and

terminals with the capacity to handle ships of 200,000-ton category. A special economic zone constructed alongside, make Gwadar one of the largest deep-sea ports in the world.

(b) CPEC alongwith Gwadar Port hold strategic significance for both China and Pakistan for multiple reasons. These are as under :-

(i) The port diminishes India's ability to blockade Pakistan in case of war as China can continue supply of materials to Pakistan over land.

(ii) In addition to China, the Port also provides access to Central Asian Republics (CAR) into the IOR in addition to CCWAEC.

(iii) The Port will assist China in protecting her maritime trade transiting the Persian Gulf and address her *Malacca Dilemma* by providing an energy shunt route to China.

(iv) It will help facilitate economic development of China's relatively under-developed Western regions.

(v) Finally, the port will also assist PLA Navy (PLAN) in exercising greater influence in the IOR.

(c) The importance of CPEC and Gwadar Port to China cannot be understated and are a significant part of keeping India under check.

25. **China and the IOR.**

(a) The Indian Ocean is the link between the Pacific and the Atlantic Oceans. Strategic bottlenecks in the form of the Suez Canal, Gulf of Aden,

Straits of Hormuz, Cape of Good Hope, and the Malacca Strait are all located in the region.

(b) China's interests in the IOR stems from numerous factors which include her desire to exert influence



commensurate to her rising might, addressing the security dilemma from her dependence on Sea Lines of Communication (SLOC) in Indian Ocean, her perceived threat from persistent US presence, and India's location which enables her maintain a strong presence in the region.

(c) In 1993, a Chinese freighter, *Yin He*, was intercepted by US Navy in international waters claiming that it was transporting chemical weapons to Iran. This was the catalyst for China's decision to build a blue water Navy and safeguard her expanding interests<sup>112</sup>. China recognizes its dependence current dependence on SLOCs (despite the CPEC) in IOR which could prove to be her Achilles' heel open to exploitation by US or India or both in concert<sup>113</sup>.

(d) India on her part considers Indian Ocean as its legitimate sphere of influence, and views growing Chinese presence as strategic encirclement. China on the other hand is wary of Indian assertions, her actions in the region are based on security and economic motives.

(e) Both India's and China's perceptions of each other make it difficult for either side to be certain of the other's intent. India on her part has little choice

<sup>112</sup>Khurana, China's 'String of Pearls in the Indian Ocean and its Security Implications, 9, 11–12.

<sup>113</sup>James R. Holmes and Toshi Yoshihara, "China's Naval Ambitions in the Indian Ocean," *Journal of Strategic Studies* 31, no. 3 (June 2008), 370–371.

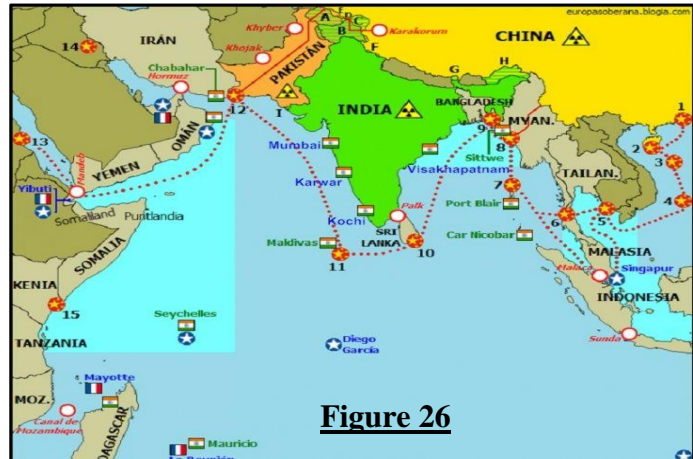


other than to judge China's intentions according to the evolution of its naval doctrine, development of energy shunt routes, and its quest to establish nodes of influence.

26. **String of Pearls.**

(a) The 'String of Pearls' is a geopolitical theory on potential Chinese government intentions in the Indian Ocean region (IOR)<sup>114</sup>. The same involves creation of a network of Chinese military and commercial facilities along SLOCs which extend from mainland China to Port Sudan in the Horn of Africa. Sea lines along this route pass through several maritime choke points like, the Strait of Mandeb, the Strait of Malacca, the Strait of Hormuz and the Lombok Strait as well as other strategic maritime ports in Pakistan, Sri Lanka, Bangladesh, Maldives and Somalia.

(b) Many analysts believe that this plan, together with the CPEC and other parts of China's BRI are a threat to India's national security. The intent is to encircle India and threaten its ability to project power in the region, threaten its territorial integrity, apart from interfering in trade.



Also, China's tacit support for Pakistan and its investment in Gwadar Port are viewed as a threat, compounded by fears that if China were to develop Gwadar as an overseas naval military base, it would have serious implications for India wherein China could become capable of expeditionary warfare in the IOR.

<sup>114</sup><https://idsa.in/askanexpert/WhatisChinasStringofPearldoctrine> (Accessed on 21 Feb 2021)

(c) Beginning with China's anti-piracy naval deployment in the Indian Ocean beginning in December 2008, and her subsequent acquisition of its first overseas military in Djibouti in Aug 2017, China's presence in the IOR in pursuance of the 'String of Pearls' also include the following :-

(i) Myanmar's Kyaukpyu Port situated in the Bay of Bengal where China has given been given access to commercial maritime facilities, which have the potential to be used as military facilities in case of conflict.

(ii) Bangladesh's Chittagong Port has been developed which has been developed by China is an important sub-project BCIM. China has also been putting pressure on Bangladesh to allow a creation of a naval base near Chittagong.

(iii) The Sri Lankan port of Hambantota is already in control of the Chinese through a long term lease.

(iv) Enough has already been said about Gwadar Port of Pakistan.

(v) Strategists have also identified the Marao Atoll, in the Maldives, as a potential Chinese military base, though till date there exists no evidence of Chinese military presence in Maldives.

(d) The creation of String of Pearls is an indicator of China's growing geopolitical clout being achieved through her access to ports, airfields and stronger diplomatic relationships with concerned nations. Though the Chinese continue to insist that her naval presence in the region is entirely peaceful and is only meant to protect her trade interests, a security dilemma between China and India in the IOR, has certainly been created, through the String of Pearls.

### **The Current Situation and its Impact on Geopolitics in the Region**

27. **Reasons for the Galwan Valley Confrontation.** While the nations around the world were grappling with the coronavirus pandemic, China arguably took advantage of their pre-occupation to forcefully to defend its territorial claims, including in Ladakh. In the period immediately preceding the Galwan Valley confrontation, the Chinese had sunk a Vietnamese fishing boat in the South China Sea, had entered into a stand-off with an oil exploration vessel contracted by Malaysian state energy company Petrona, had threatened Taiwan apart from tightened their grip on Hong Kong. The confrontation with India was, therefore, in tune with its ‘assertiveness’ in the region and was the fourth instance of major escalation of border tensions with India since Xi Jinping rose to power in 2012 end. The present situation certainly did not result because Chins wanted to assume control of some disputed territory, but was in fact a way of conveying its ‘annoyance’ over the some Indian actions over the past few months to include :-

(a) **Article 370.** India’s decision to abrogate Article 370 of its Constitution in Aug 2019, thereby revoking the special status enjoyed by the state thus far was one of the reasons for China ire. China openly criticized India, even in the United Nations, calling the decision to make Ladakh a union territory as “unacceptable”. China has since been demanding that India reverse its decision on the said abrogation.

(b) **US Leaning.** Even though Prime Minister Modi has chosen a balanced approach with respect to relations with the US and has been obsequious in his approach towards China, the same has probably been misinterpreted. India’s Delhi Declaration of Friendship (with the US in 2015), signing of agreements with the US, e.g., the Logistics Exchange Memorandum of Agreement in 2016,

the Communications Compatibility and Security Arrangement in 2018, Namaste Trump in Feb 2020 which resulted in a \$3 billion defence deal, have all been events that have left the Chinese suspicious and uncomfortable.

(c) **QUAD**. The alliance between the US, Japan, Australia and India, known as the QUAD or the Quadrilateral Security Dialogue, with a vision of a free Indo-Pacific is seen by China's as India's attempt to forge a military alliance that could prove problematic for it in the future.

28. **Trade Restrictions by India.**

(a) As has been in the past, China had hoped that India would not take a strong stand on its unilateral actions in Galwan and its 'salami slicing' tactics will again prove to be successful, this was not the case in Galwan. India has dug in and has made it clear that nothing short of status-quo will be acceptable.

(b) As a direct consequence of Chinese misadventure in Ladakh, India has initiated a range of economic measures which are aimed preventing access to Chinese firms into Indian markets. The indications are clear that trade and investments cannot continue at their earlier pace in absence of relations being normalised through restoration of status quo.

(c) The above has also been followed by a ban on 267 Chinese Apps<sup>115</sup> by India, many of whom were making good revenue from India. The India's Union Minister for Road Transport and Highways, Shri Nitin Gadkari further announced on 01 Jul 2020 that no Chinese company will be able to participate in road building projects in India, while the government is considering

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<sup>115</sup> <https://www.indiatvnews.com/technology/news-list-of-all-chinese-apps-banned-in-india-2020-667131> (Accessed on 22 Feb 2021).

procurement curbs targeting China. India is also weighing the decision to exclude Chinese companies from 5G trials<sup>116</sup>.

(d) In order to make it amply clear that business cannot be as 'usual' in isolation, independent of belligerent Chinese actions, India is also planning to block suspected routing of Chinese goods into India through SAFTA / ASEAN nations, Singapore, Japan, South Korea, Sri Lanka etc. and strict checks are being imposed on imports from these nations and "country of origin" certificate is also being demanded.

(e) Concerns are already being voiced regarding such checks from some nation, however, India continues to remain resolute in the direction that she has adopted in dealing with Chinese aggression.

29. **Reaction of Smaller South Asian Nations to the India-China Stand Off.**

(a) China's BRI has definitely made inroads into South Asia. Most nations in the region have found Chinese proposals to be extremely attractive and have welcomed them in their respective country. Some nations who realised Chinese motives too late were already in her debt trap and therefore, had no choice but to play along.

(b) All South Asian nations, with the exception of only India and Bhutan, are signatories to the BRI and have conveniently looked the other way at India's objection to the project. Pakistan, as has already been seen, is a full-fledged ally of China and has been working hand in hand with the Chinese military for many decades now.

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<sup>116</sup><http://www.europe-solidaire.org/spip.php?article54270> (Accessed on 22 Feb 2021).

(c) The clash between the two Asian giants In Ladakh has forced all neighbours of India to adopt a cautious stance in order to avoid being trapped in the crossfire between the nuclear powers. Even as the world condemns Chinese actions in Galwan, there have been no statements from India's neighbours such as Nepal, the Maldives, Sri Lanka, Bangladesh, Myanmar etc who have all chosen to remain silent and not get involved in this conflict between New Delhi, and Beijing.

(d) Nepal and Sri Lanka, and Bangladesh, who have been allies of India all these years, have shown a tilt towards China or have displayed their inability to support India in favour of China, even as the rest of the world condemns Chinese actions, especially at a time like this, when most nations are grappling with ways and means to control the pandemic, which also incidentally has been unleashed by China on rest of the planet. These relationships, if nothing else, have certainly lost some of their warmth despite Prime Minister Modi's "neighbourhood first" policy.

30. **'Neighbourhood First' Policy - Current Status.**

(a) Prime Minister Modi had made all the right noises on his election in 2014, by inviting his counterparts from Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka to his inauguration. It was a gesture which no other previous Prime Minister had thought of earlier. Prime Minister Modi also used this occasion to announce his "neighbourhood first" initiative. Considerable time, attention and energy had also been devoted by him to regional foreign-policy and his initial foreign visits were also to SAARC nations, starting with Bhutan in Jun 2014. However, despite this promising

start, India has not been able to capitalise on the initial goodwill. Consider the case of the following nations.

(b) **Bangladesh**. India's relations with Bangladesh had taken a definite upswing after Prime Minister Modi and Prime Minister Sheikh Hasina were able to reach a consensus and signed a boundary agreement in 2015, ending the dispute which had remained unresolved since 1947. This positive step was, however, lost after the Modi government initiated its National Register of Citizens in the North-Eastern border state of Assam, targeting illegal immigration from Bangladesh. On implementation, Bangladesh may be forced to accept many deportees and has as a result, put in strong objections to the same. This has been the major cause of a slowdown in bilateral relations of the two neighbours.

(c) **Nepal**. In the case of Nepal too, relations had been upbeat after India created much warmth and goodwill in providing critical aid and acting promptly, after Nepal was struck by the devastating earthquake of Apr 2015. However, later that year, the Modi government allegedly, with an eye on votes in Northern Bihar and Uttar Pradesh, imposed an informal economic blockade on Nepal, in order to coerce them to address demands of the Madheshis while adopting the new Constitution. The blockade proved disastrous for the Nepalese economy and forced it to lean towards China, who were quick to grasp this opportunity of weaning away the nation from India.

(c) **Sri Lanka**. The Maithripala Sirisena government of Sri Lanka was wholeheartedly backed by the Modi government, however, Gotabaya Rajapaksa's surprise election in 2019 as the President of Sri Lanka, brought back the Rajapaksa brothers (Mahinda Rajapaksa was sworn in as Prime

Minister by President Gotabaya Rajapaksa) who have a history of close ties with the Chinese, thus placing New Delhi on the back-foot.

(d) **Pakistan**. The frequent border skirmishes between India and Pakistan are common place now. However, tensions between the two nations have hit a new high with abrogation of Article 370 in by India in Aug 2019, revoking the special status granted to J&K.

(e) **Afghanistan**. Though not of India's doing, democracy in Afghanistan is in crisis as Taliban continues to rise in power and influence. Years and years of Indian efforts to gain a foothold in Afghanistan, through investment and diplomacy, are in danger of drawing a blank.

(f) **Bhutan**. This tiny Himalayan nations appears to be the only one with whom India still has a reasonably cordial relationship.

### **Future Prospects**

31. Unlike East Asia, where intra-regional trade amounts to approximately 20% of their GDP, economic integration within nations of South Asia is relatively poor and accounts for only about 2% of GDP. SAARC, BIMSTEC etc which could have helped in setting regional standards for trade, investment, and other forms of cooperation have unfortunately failed to take off leaving all nations of the region devoid of a collective voice and therefore collective clout, as is the case in ASEAN.

32. India being the largest nation in South Asia certainly has a role to play in bringing together all nations of the region for collective benefit. However, India is not as strong as China economically and therefore, is unable to offer investments to nations in the manner that China can. Its limited resources are insufficient even for itself and resultantly, India's assistance in the form of loans and aid to neighbouring



countries has been steadily on the decline. This can be confirmed from the observation of the Parliamentary Standing Committee on External Affairs, who in 2017 had noted that, “There has been a sizeable reduction in aid and loans to countries in our immediate neighbourhood such as Maldives, Bhutan, Sri Lanka, Afghanistan and Bangladesh. The Committee contend that the quantum of aid to a country under this head is viewed as a reflection of India’s diplomatic engagements with its immediate and extended neighbourhood.”<sup>117</sup>

33. Certainly China has deep pockets and is using all her financial muscle to exert influence over nations and to get her way as far as the BRI is concerned. India does not have such resources but still needs to engage with her neighbours and create an environment wherein even if they are with China, they should never be against India. Without doubt, India finds herself in a grossly unbalanced strategic environment, now more than ever. However, having effectively abandoned the policy of non-alignment towards a strategic alliance with the West, in order to contain China, it still must focus on its long term interests and build sustainable, long term relationships with her neighbours.

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<sup>117</sup>Bose, TK, ‘India – China Clash and its Impact on South Asian Countries’, 01 Aug 2020.

## **CHAPTER-7**

### **SHOULD INDIA EMBRACE THE BRI - BENEFITS,**

### **PITFALLS AND THE WAY FORWARD**

#### **General**

1. It has by now clearly emerged that the BRI is central to China's strategy for expanding her influence and establishing herself as a global leader. The fact that the BRI has been enshrined into the constitution of the Chinese Communist Party's (CCP) in 2017 only underscores its importance<sup>118</sup>. China has continually emphasised that BRI as an economic initiative only, with "win-win" cooperation as its underlying theme through which China hopes to improve infrastructure, trade and people-to-people contact between member nations. The key focus, however, remains connectivity and in order to ensure the same, China is going all out to develop road and rail infrastructure along all corridors forming a part of the BRI. In addition to surface connectivity, equal importance is also being laid on sea routes and consequently port infrastructure is also as central to the BRI as roads and rail. In fact, sea lanes and ports are critical to China's economy and energy security and are, therefore, strategic components of the Belt and Road Initiative.

2. Even though observers around the world have speculated that there is more to the BRI than just trade and connectivity, China, has taken great pains in order to avoid linking the BRI to any other aspects, especially her military aspirations. People's Liberation Army (PLA) too, has managed to maintain an extremely low with senior officials frequently and vehemently denying any PLA linkages to the BRI. President Xi has also, in multiple forums, announced that the BRI is solely about economic

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<sup>118</sup> [https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies\\_jpanda\\_071117](https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117) (Accessed on 23 Feb 2021)

cooperation and is devoid of any military objectives whatsoever. Yet there is deep suspicion attached to the BRI that at some point in time in the future, the involvement of PLA with the BRI is inevitable as China moves forward to achieve its ambitions of being a world power. Many nations across the world have come out openly with the criticism of Chinese intent behind the BRI. The Indian concerns with respect to the BRI and CPEC, wherein India maintains that the initiative is undermining its territorial integrity, are already well known<sup>119</sup>. The US too has accused China of coercing other nations into security decisions that benefit China, using loans and debts as leverage<sup>120</sup>. Japan too, has highlighted that BRI projects would help the PLA enhance their influence in the Indian Ocean, Pacific Oceans, Africa, and Europe<sup>121</sup>.

3. Another major concern which gives a military flavour to the BRI is China's construction / development, leasing and operation of ports around the world, along the MSR. China's modernisation of military, and especially her Navy, over the past few years, in order to support her quest for global leadership, is already well documented. Acquisition of Ports along the MSR points out towards her larger game plan of securing her own SLOCs and augmenting her maritime war-fighting capabilities. This can be inferred from the fact that PLA's Djibouti Logistic Support Facility, which is China's only overseas military base, sits at the entrance of the strait which links the Indian Ocean to the Suez Canal providing the much needed secure access to European markets. Similarly, Gwadar Port of Pakistan, which has been developed by the Chinese only, is situated along the Strait of Hormuz and the Persian Gulf and is crucial

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<sup>119</sup>Pandit, R., 'India Expresses Strong Opposition to China Pakistan Economic Corridor, says Challenges Indian Sovereignty', <https://economictimes.indiatimes.com/news/defence/india-expresses-strong-opposition-to-china-pakistan-economic-corridor-says-challenges-indian-sovereignty/articleshow/57664537.cms?from=mdr> (Accessed on 24 Feb 2021)

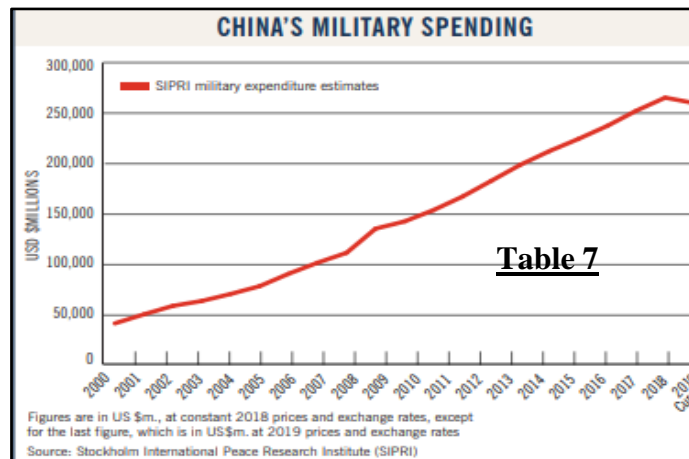
<sup>120</sup><https://www.defense.gov/Newsroom/Speeches/Speech/Article/2085577/remarks-by-secretary-of-defense-mark-t-esper-at-the-munich-security-conference/> (Accessed on 24 Feb 2021)

<sup>121</sup>Panda, J., 'Scaling India-Japan Cooperation in Indo-Pacific and Beyond 2025 - Corridors, Connectivity and Contours'.

to China's energy security. Further, Sri Lanka's Hambantota Port, again developed by and now in full control of the Chinese is also an important piece of the Chinese jigsaw puzzle. Both Gwadar and Hambantota have failed to attract commercial shipping and, therefore, seem financial unviable for many years into the foreseeable future<sup>122</sup>. The question, therefore, comes to mind that if such BRI projects are not driven by commercial objectives, then why are they being progressed at all ? Whatever may be the case, a doubt is certainly created as these ports could easily be used for gaining a strategic advantage in the Indo-Pacific and Indian Ocean regions. Though these ports have been developed to further trade and commerce, an objective which they don't seem to be achieving at the moment, they could easily be converted into military bases should the situation so demand.

### **China's Military Modernisation**

4. China has always endeavoured to avoid any association of the BRI with any aspect of its military modernisation. China even went ahead and changed the official translation of the Belt and Road from 'strategy' to initiative<sup>123</sup>, in order to prevent even a perception of a Chinese threat through the BRI. China's has felt the need



to do this on account of massive spending on modernisation and deployment of military assets. China's defence expenditure has seen an exponential increase in the

<sup>122</sup> <http://www.indiandefensenews.in/2018/04/chinas-1-billion-white-elephant-port.html> and <https://economictimes.indiatimes.com/news/international/world-news/pakistan-china-gwadar-port-runs-into-rough-weather/articleshow/71041565.cms> (Accessed on 24 Feb 2021)

<sup>123</sup> <https://www.forbes.com/sites/wadeshepard/2017/08/01/beijing-to-the-world-please-stop-saying-obor/?sh=7649c3ed17d4> (Accessed on 24 Feb 2021)

recent years growing from approximately \$36.9 billion in 1999 to an estimated \$266.4 billion in 2019. This nearly seven fold increase over a 10 year period, is also nearly four times the amount of defence expenditure of India, which was approximately US\$ 71.1 billion in 2019<sup>124</sup>.

5. The Chinese military strategy till recently had remained fixated on defence of her own land and maritime borders. However, post military reforms which were kicked-off around 2015, the PLA has also significantly strengthened its capability to operate beyond Chinese shores. Chinese naval asset now include two aircraft carriers (with a third likely to be commissioned by 2022), some 80 submarines (including 12 nuclear submarines), 50 Destroyers, 49 Frigates amongst her major naval assets. The PLAAF is also not too far behind having increased its expeditionary capabilities through acquisition of long-range bombers and special mission aircraft<sup>125</sup>. China's Navy, therefore, can already boast 'blue water' capabilities and her shipyards, which are also producing a large numbers of commercial roll-on - roll-off (Ro-Ro) will only help bolster her military sealift capabilities.

6. Despite development of military capabilities at a pace that outstrips any other nation by far, China continues to insist on her peaceful rise – this has been met with widespread concerns by many nations. The US feels that China, with these capabilities will be able to deny competitors from operating freely in critical commercial zones, even during peacetime. The US also feels that China is operating “below the threshold

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<sup>124</sup> <https://theprint.in/defence/how-india-and-china-stack-up-in-terms-of-military-capability/443991/#:~:text=Defence%20expenditure%20and%20personnel&text=According%20to%20the%20Stockholm%20International,military%20spends%20in%20the%20world>. (Accessed on 24 Feb 2021)

<sup>125</sup> [https://en.wikipedia.org/wiki/List\\_of\\_active\\_People%27s\\_Liberation\\_Army\\_Navy\\_ships#Aircraft\\_carriers](https://en.wikipedia.org/wiki/List_of_active_People%27s_Liberation_Army_Navy_ships#Aircraft_carriers) and [https://en.wikipedia.org/wiki/People%27s\\_Liberation\\_Army\\_Air\\_Force](https://en.wikipedia.org/wiki/People%27s_Liberation_Army_Air_Force) (Accessed on 24 Feb 2021).

of open military conflict and at the edges of international law,”<sup>126</sup> and is apprehensive that China is actually seeking to become the dominant force in the Indo-Pacific, displacing the US. Australia’s too has, time and again, raised fears regarding China’s continued militarization of the South China Sea. Even Southeast Asian nations, despite their deep seated trade relations with China, have frequently expressed concerns about her behaviour in the South China Sea. As has been adequately brought out earlier, India has also voiced her strong objections to the BRI, specifically CPEC, and has made no bones about the fact that BRI projects along the Indian Ocean constitute a security threat<sup>127</sup>. India is in fact one of the few countries who has made a direct reference to the military implications of the BRI.

7. Apart from the CPEC, Indian concerns emanate from China’s drive to establish / acquire multiple ports in the Indian Ocean Region, which not only encircle India through the ‘string of pearls’, but could also prove to be a threat to shipping of other nations. China of course denies this vehemently, sticking to her ‘peaceful rise’ narrative and has out rightly denied recent reports of reaching a secret agreement with Cambodia for converting a portion of the Koh-Kong Port for use by the PLAN<sup>128</sup>. Though China repeatedly claims that “China does not seek military expansion, nor does it station troops or set up military bases in any foreign country”<sup>129</sup>, her actions on ground tell a different story. Further, despite denials, the idea of acquiring and maintaining military bases around the world has been playing on China’s mind as far back as 2009, when a PLA officer had written in the Global Times

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<sup>126</sup> <https://www.ejiltalk.org/hybrid-threats-and-the-united-states-national-security-strategy-prevailing-in-an-arena-of-continuous-competition/> (Accessed on 25 Feb 2021)

<sup>127</sup> <http://www.indiafencereview.com/chinas-maritime-silk-road-proposals-are-not-as-peaceful-as-they-seem/> (Accessed on 25 Feb 2021)

<sup>128</sup> <https://www.bloomberg.com/news/articles/2019-07-24/chinese-military-denies-it-has-deal-to-build-base-in-cambodia> (Accessed on 25 Feb 2021)

<sup>129</sup> <http://www.china-un.ch/eng/bjzl/t176952.htm> (Accessed on 25 Feb 2021)

stating that , “if we make things difficult for ourselves ... by maintaining a rigid understanding of the doctrines of nonalignment and the non-stationing of troops abroad, then it will place a lot of constraints on us across the board”.<sup>130</sup> Subsequently in 2010, a Chinese scholar also wrote that, “Setting up overseas military bases is not an idea we have to shun; on the contrary, it is our right. Bases established by other countries appear to be used to protect their overseas rights and interests”.<sup>131</sup> Finally, in keeping with this thinking, China in 2017, established Djibouti Logistics Support Facility.

### **China’s New Security Strategy**

8. China’s growing ambitions have also resulted in the evolution of her security strategy. At the time the People’s Republic of China was founded, her strategy had been that of an ‘active defence’. China, in keeping with this strategy had, therefore, strived to keep her enemies as far away as possible from her Eastern coast, to which she is extremely sensitive on account of its economic relevance and Taiwan. Taiwan, in fact, has been one of the key drivers behind China’s military modernisation as she hopes to eventually achieve unification of Taiwan with mainland China. Therefore, developing a military that is capable of deterring any attempt to wrest away control of China from Taiwan has remained central to her strategy. This strategy underwent a transformation in 2004, when the then President Hu Jintao enhanced the scope of China’s security interests by stating that the PLA must be capable of defending Chinese interests overseas and upholding international peace and security. Subsequently in 2012, the 18th Party Congress formally declared that China should

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<sup>130</sup> <https://jamestown.org/program/changes-in-beijings-approach-to-overseas-basing/>  
(Accessed on 25 Feb 2021)

<sup>131</sup> [http://www.china.org.cn/opinion/2010-01/28/content\\_19324522.htm#:~:text=Setting%20up%20overseas%20military%20bases%20is%20not%20an%20idea%20we,regulations%2C%20they%20are%20legal%20ones.](http://www.china.org.cn/opinion/2010-01/28/content_19324522.htm#:~:text=Setting%20up%20overseas%20military%20bases%20is%20not%20an%20idea%20we,regulations%2C%20they%20are%20legal%20ones.)  
(Accessed on 25 Feb 2021)

become a ‘strong maritime power’ and in 2015, the Chinese long standing strategy of ‘Near Seas Defence’ was formally amended to ‘Near Seas Defence, Far Seas Protection’<sup>132</sup>. Later developments include Chinese proclamation in its 2019 Military White Paper<sup>133</sup>, that the PLA must be able to safeguard China’s maritime rights, national sovereignty, territorial integrity, and unity, outer space, cyberspace and overseas interests. This progression in the Chinese military strategy is consistent with her rapid expansion of overseas interests and increased dependence on import of energy and raw materials through vulnerable SLOCs. China accordingly first strengthened her military’s capability to ensure security of her borders and near seas before addressing her Navy for far-sea missions.

9. In order to support this changed outlook, a substantial increase in her military spending was required, especially for modernising the Navy. China went ahead and did exactly and where as her overall defence budget grew by approximately 55% 2015 (US\$167.9 billion in 2015 to US\$260.8 billion in 2021), the expenditure on Navy grew by 82% during the corresponding period (US\$31.4 billion to US\$57.1 billion)<sup>134</sup>. The PLAN has evolved into the world’s largest naval force with a formidable collection of aircraft carriers, submarines, destroyers, frigates etc, the numbers of which are still growing. No doubt that these have given a fillip to PLAN’s ability to operate far from her shores. In addition to her military capabilities, China has also focussed on commercial shipping and commercial logistics networks which can be called upon to assist PLAN as and when required.

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<sup>132</sup> <https://www.andrewerickson.com/2021/02/cmsi-china-maritime-report-13-the-origins-of-near-seas-defense-and-far-seas-protection/> (Accessed on 25 Feb 2021)

<sup>133</sup> <http://www.xinhuanet.com/english/download/whitepaperonnationaldefenseinnewera.doc> (Accessed on 25 Feb 2021)

<sup>134</sup> China’s vast fleet is tipping the balance against U.S. in the Pacific (reuters.com) (Accessed on 26 Feb2021)



10. While the Chinese have always maintained that BRI is in no way linked to their military ambitions, off late they have started making a case for linking security and development wherein they are now saying that security is a pre-condition for economic development. Both are interdependent upon each other as security helps in development and development provides the wherewithal for stability and security. Under the garb of “conflict, turbulence, crisis and challenge”, which exists in some nations along the BRI, China has now started propagating that a “common, comprehensive, cooperative and sustainable ... security environment built and shared by all”<sup>135</sup>, is a must for all BRI nations, thereby building a case for weaponising the BRI.

### **The Challenge of Far Seas Protection**

11. Reunification of Taiwan with mainland China remains one of the primary objectives of the CCP, even if it requires force to be applied sometimes in the future. The other priorities also include exercising sovereignty over some or all parts of the the South and East China Seas and settling land borders with India to her advantage. In order to address these priorities, China will first have to augment resources closer home. However, as Chinese investments around the world grow, augmented by the fact that she need to secure her supply lines, PLAN will have to acquire capabilities to be able to operate farther from home. China had, some time ago, appreciated that SLOCs had become vital to her developmental goals, however, in case of a maritime crisis or war there was little that China could do if she did not enhance her naval strength. With 80% of her oil imports being routed through the Strait of Hormuz-Indian Ocean- Strait-South China Sea route, 40% of her GDP being attributed to

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<sup>135</sup> [http://www.xinhuanet.com/english/2017-05/14/c\\_136282982.htm](http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm) (Accessed on 26 Feb 2021)

foreign trade and 60% of that being moved by sea<sup>136</sup>, the concerns of Beijing with respect to security of SLOCs is only understandable. Therefore, China has now gradually started linking BRI to her security concerns. In this regard, the 2018 statement of South Sea Fleet Commander Wang Hai, when he says that China “must closely coordinate with the Belt and Road Initiative, use multiple means to safeguard the security of strategic sea lanes in the region, and ensure that strategic capabilities can extend and radiate wherever China’s interests develop.”<sup>137</sup>

12. Further, by current estimates, China has offices of approximately 40,000 of its enterprises functioning around the world. Chinese properties and investments overseas are also roughly valued at US\$ 7 trillion<sup>138</sup> while the number of Chinese citizens living abroad has grown to nearly 50 million in 2019<sup>139</sup>. The BRI has only accelerated Chinese investments, enterprises and workers stationed in foreign countries, for security of which China had relied substantially on host nations. Take for example Pakistan who in 2016 established a special security division comprising of approximately 15,000 Pakistani soldiers to guard Chinese investments<sup>140</sup>. Off late, private security companies (PSC) from China have also started increasing their presence in many nations of Africa and the

CHINESE PSC	EMPLOYEES	WHERE THEY CLAIM TO OPERATE
Hua Xin Zhong An	15,000+	Global presence with a focus on the BRI
DeWe Security Group	500+	Global presence
China Overseas Security Group	20,000+	South America, Middle East, Africa, Southeast Asia, and South Asia
Frontier Services Group	400+	Africa and the Middle East

**Table 8**

<sup>136</sup> How Much Trade Transits the South China Sea? | ChinaPower Project (csis.org) (Accessed on 26 Feb 2021)

<sup>137</sup> [https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative\\_0.pdf](https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative_0.pdf) (Accessed on 26 Feb 2021)

<sup>138</sup> The Future of the PLA – Foreign Policy (Accessed on 26 Feb 2021)

<sup>139</sup> <https://www.statista.com/statistics/632850/chinese-nationals-number> (Accessed on 26 Feb 2021)

<sup>140</sup> How CPEC Security Will Test the ‘All-Weather Friendship’ of China and Pakistan – The Diplomat (Accessed on 26 Feb 2021)

Middle East (refer Table 8)<sup>141</sup>. From protecting Kenya's Nairobi-Mombasa Railway to Chinese oil and gas investments in Sudan and Ethiopia, these PSCs also are now deeply involved in protection of Chinese assets abroad to include BRI projects. Notwithstanding the above, China is now gradually signalling that it needs to participate actively in providing military protection to BRI projects.

### **Strategic Strongpoints and the BRI**

13. Even though China has repeatedly called BRI as an economic and development initiative, it has covertly pursued a dual civil-military use policy in respect of many BRI projects. This civil-military fusion has been advanced through a series of laws and regulations which ensure that civilian assets are ready to be utilised for military requirements should the need arise. Special attention is being given to dual use of ports with terminals to ensure that they are capable of supporting PLA military operations in addition to civilian traffic. This includes the ability to unload heavier than normal cargo (e.g., armoured vehicles), berth depths of at least 10 meters (for warship berthing), heavy-duty reinforced access roads etc. Chinese SOEs at the moment own or operate around two dozen ports in the Indian Ocean and an approximately similar number of ports in Europe. These SOEs are ready partners of PLAN and have already collaborated with them for supporting military operations overseas. China Merchant Port Holdings (CMPort) and COSCO, who are two of China's largest SOEs, have in fact actively participated in multiple overseas exercises conducted by PLAN have been provided them with the required logistical wherewithal. This support system shortens and PLAN's resupply routes and the availability of dual-use ports along the MSR also enables PLA to expand its area of operations.

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<sup>141</sup> <https://merics.org/en/report/guardians-belt-and-road> (Accessed on 26 Feb 2021)

14. Therefore, what is being witnessed is the emergence of dual-use BRI related infrastructure in the form of ports and cities, which assist China in magnifying her influence in fields other than economic. These BRI ports have been given the name of ‘**strategic strongpoints**’ by China. They are an important component in the Chinese strategy of ensuring uninterrupted flow of goods along its maritime trade routes<sup>142</sup> and fall under several categories. At the lower end of the spectrum are commercial ports that have the ability to provide only indirect support to PLAN via replenishment in open waters through civilian ships. Some ports, however, allow PLAN ships to dock for resupply, e.g., the Djibouti Logistics Support Facility. Four such ports which have the potential of being used as strategic strongpoints in the Indo-Pacific are of particular concern. These are Pakistan’s Gwadar Port, Cambodia’s Koh-Kong Port, Sri Lanka’s Hambantota Port and Myanmar’s Kyaukphyu Port. While Gwadar Port sits at the mouth of the Persian Gulf, Hambantota Port is located along one of the world’s busiest shipping routes. The Kyaukphyu Port and Koh-Port are in close proximity to the Malacca Strait. Therefore, all these four ports are extremely important and meet the Chinese strategic strongpoint criteria.

15. **Gwadar Port.** A strategic strongpoint at Gwadar can help China expand PLA’s overseas operational capabilities apart from assisting in enhancing security CPEC projects in Pakistan. The port already possesses dual-use facilities like bunkering, logistics, oil refining etc and is being used by Pakistan Navy. Recent reports also indicate that



<sup>142</sup> [https://en.ndrc.gov.cn/policyrelease\\_8233/201612/P020191101482242850325.pdf](https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf) (Accessed on 26 Feb 2021).

China is now in the process of creating several high-security complexes at the Gwadar Deep Sea Port and may even deploy Navy Marines here and in view of her other activities in the IOR, it does appear that China is likely to use Gwadar as a dual-use, economic-cum-military base in the near future<sup>143</sup>.

16. **Hambantota Port.** Though the Sri Lankan government has all along maintained that agreements around the Hambantota Port rule out its use by the PLA, politics in Sri Lanka have had the history of oscillating hard between a pro-China and an anti-China stance. With the



return of Rajapaksa brothers into power, the pendulum has again swung in the favour of the Chinese and therefore, the military use of the port is not too distant a probability. This poses additional problems for Indian military planners as China would be able to keep the PLA supplied with critical logistics at all times. The port is already capable of accommodating a range of PLAN vessels and can also benefit from indirect commercial replenishment that would enable refuelling and resupply of Chinese ships at sea<sup>144</sup>.

17. **Kyaukphyu Port.** Kyaukphyu Port on the Bay of Bengal is a strategic strongpoint astride the Malacca Strait that has the potential to significantly enhance PLA's capability to safeguard this critical chokepoint. Kyaukphyu is also extremely significant to China for another reason, i.e., its US\$1.5 billion oil and natural gas

<sup>143</sup> <https://www.thequint.com/voices/opinion/gwadar-port-china-pakistan-economic-corridor-indian-interests-chinese-army-strategy> (Accessed on 26 Feb 2021)

<sup>144</sup> <https://www.uscc.gov/research/chinas-logistics-capabilities-expeditionary-operations> (Accessed on 26 Feb 2021)

pipeline run from there to Yunnan Province. The pipeline carries approximately 6% China's oil imports<sup>145</sup> thereby allowing China to circumvent the "Malacca Dilemma" to some extent. Kyaukphyu has the potential to serve as a valuable logistics support point in the Indian Ocean.

Myanmar's constitution does not permit deployment of foreign troops on its territory, however, with China International Trust Investment Corporation (CITIC) owning a



70% stake with a 40 year lease on the port, Myanmar could be coerced to allow PLA its use for a limited period in case of a conflict.

18. **Koh-Kong Port & Ream Naval Base**. As per Wall Street Journal, China and Cambodia have already reached a secret agreement which allows PLA the use of the Koh-Kong Port and Ream Naval Base for a period of 30 years<sup>146</sup>, a fact that has been

denied by both Cambodia and China. However, the Chinese building an airport in Dara Sakor with a two-mile-long runway, far longer than that required for a civilian cargo aircraft tells a different story<sup>147</sup>.



The runways appear to be constructed to facilitate

<sup>145</sup> Kyaukpyu: Connecting China to the Indian Ocean | Center for Strategic and International Studies (csis.org) (Accessed on 26 Feb 2021)

<sup>146</sup> Deal for Naval Outpost in Cambodia Furthers China's Quest for Military Network - WSJ (Accessed on 26 Feb 2021)

<sup>147</sup> Hiding in Plain Sight: Chinese Expansion in Southeast Asia (warontherocks.com) (Accessed on 26 Feb 2021)

quick takeoffs and landings and Koh-Kong Port already allow it to berth Chinese destroyers. Therefore, a strategic strongpoint at Koh-Kong Port/Dara Sakor could be used in tandem with China's facilities in the Spratlys and Paracels to create a naval perimeter around South China Sea or even expand China's airborne and maritime capabilities in the region<sup>148</sup>.

19. It is a fact that in order to be able to utilise facilities of foreign ports for military purposes, China would require consent of the host country. However, with China enjoying substantial leverage with the above four nations, all of which are heavily in debt of China, she may not find it difficult to convince them to see things China's way. Myanmar and Cambodia are two low-income nations with the largest debt to China. Myanmar's debt is around 40% of its GDP, while Cambodia too is at a staggering 20% of its GDP. Sri Lanka's and Pakistan's debt to China represents a relatively smaller share at approximately 9.5% and 7% of their GDP, however, both countries have been unable to pay back China, forcing them to seek debt extensions, relief or new loans. In addition, other incentives by China to these countries and leverage with political leaders does open up the possibility of PLA presence in some form. The above Ports, combined with the Djibouti Logistics Support Facility makes for a formidable Chinese presence along the busiest SLOCs in the Indian Ocean.

20. Apart from integrating ports within the BRI framework, China has also been using the considerable resources at her disposal to lure numerous governments closer into her orbit. Her inroads into Pakistan through the CPEC, with her US\$ 62 billion investment are already well documented. Apart from Pakistan, during a state visit to Myanmar in Jan 2020, President Xi Jinping announced the China Myanmar

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<sup>148</sup> Hiding in Plain Sight: Chinese Expansion in Southeast Asia (warontherocks.com)  
(Accessed on 26 Feb 2021)

Economic Corridor (CMEC), comprising of projects worth approximately US\$ 20 billion. Similarly in Cambodia, combined BRI-related investments by China are said to be worth US\$104 billion. Cambodia has in fact incorporated BRI projects into its national development strategy. China has undertaken to finance all these large-scale BRI projects through loans at what often appear to be favourable to the host governments. The realisation of these actually being debt traps dawn only too late. It has been well documented that many BRI infrastructure projects were not commercially financially viable to begin with, while many others were beyond the requirement of the host nation. As a result, many countries have incurred debts to China which they are now finding difficult to repay, thereby exposing themselves to unfavourable requests from China in return for these unpaid loans.

### **Military Benefits of the BRI for China**

21. In view of the foregoing, it can be said that in addition to benefits for China, already spelt out in Chapter-5 above, the BRI also has a military intent behind it, which provides China with the following advantages :-

- (a) Overcome her Malacca Dilemma.
- (b) Achieve dominance in South and East China Seas.
- (c) Help counter US influence in the Indo-Pacific.
- (d) Ensure security of her SLOCs through the Indian Ocean, both in peace and during hostilities.
- (e) Serve as a toll to enable projection of power by the Chinese for achieving her dream to be counted as a super power by the year 2049 .
- (f) In the long run, assist her in the goal of unification of Taiwan with the mainland.



- (g) Keep Indian influence in South Asia and the IOR under check.

### **India's Concerns with Respect to the BRI**

22. India has been one of the few nations that have opposed BRI from the very beginning. Not only has it refused the membership of the BRI, but has also voiced strong concerns regarding the real Chinese intent behind the BRI. Some of these concerns are already coming true with countries like Sri Lanka having to part with strategic assets in absence of their ability to pay back huge loans which China had so willingly granted earlier. Major Indian concerns with respect to the BRI revolve around the under-mentioned factors.

23. **Territorial Integrity.** The foremost Indian concern with respect to the BRI is the CPEC, which is regarded as one of the biggest and most important BRI projects for the Chinese. The corridor passes through Pakistan Occupied Kashmir (POK), which has been under unlawful occupation of Pakistan since independence. In case India were to give its consent to the CPEC, the same may be construed by both Pakistan and China as acceptance to POK as Pakistani territory. The same would also undermine India's claims over this disputed territory and leave her in a position of disadvantage during future negotiations.

24. **Increased Chinese Military Presence in the Region.** In order to provide security to the CPEC, Pakistan has raised and deployed a security division comprising of 15,000 security personnel<sup>149</sup>. China is also likely to deploy around 30,000 security personnel for securing CPEC, which will most certainly add to India's concerns. In addition, China is also taking steps to increase her footprint in the IOR through development of the MSR. This entails lease / ownership of many ports in the IOR, as

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<sup>149</sup> How CPEC Security Will Test the 'All-Weather Friendship' of China and Pakistan – The Diplomat (Accessed on 27 Feb 2021)

already discussed. The same will also lead to an increased military presence in close vicinity of Indian borders, which may be a Chinese attempt to undermine India's influence in the IOR.

25. **Enhanced Chinese Influence in India's North-East.** The BCIM Economic Corridor also has serious security concerns for India. India fears that through the BCIM Economic Corridor, China will attempt to enhance her influence in the North-East region. Further, India is now eager to connect her North-East with South-East Asia. The BCIM Economic Corridor, if agreed to, would shift focus and slowdown the progress on connectivity with South-East Asia.

26. **Debt Trap.** Apart from its objection to CPEC, India is also concerned that BRI will result in unsustainable debt burdens, as has already been seen in the case of Sri Lanka. This not only has implications for one country, but for the region as a whole. High costs of projects forming a part of the BRI had the potential of pushing smaller countries into a debt cycle, wherein they would have to borrow more and more to repay the loans, thereby destroying the ecology and disrupting local communities. India also feels that China may try and place India in a debt-trap as it has many other nations.

27. **Unilateral Implementation.** There is also a lack of clarity on BRI projects. India feels that not adequate discussion takes place prior to launch of BRI projects and unilateral decisions are made by China without adequate consultation with partners. Although, China initially propagates that it is open to joint implementation of projects, it does not allow any such thing once the project is underway. Also China funds these projects in the manner that it desires, uses materials from Chinese companies and utilises Chinese labour to complete these projects, contributing little to the economy of the host nation.

28. **India's Influence in South Asia.** South Asia has been India's natural sphere of influence, however, in recent times China has been making inroads into the region through increased political and economic activity. This has been the case especially in Nepal, Bangladesh, Sri Lanka and Maldives, in addition to Pakistan who was always under China's influence. Through the BRI, apart from Bhutan, all other neighbours are under Chinese influence having accepted to become a part of the BRI. The CPEC, the yet to take off BCIM, and the MSR are closely linked to South and Southeast Asia and therefore, directly affect India's security and strategic interests. India is concerned that its neighbours will virtually be converted into Chinese outposts in times to come, as has been the case in Pakistan.

29. **Economic Implications.** Another reason of BRI is for China to find new markets for its produce. India feels that the subcontinent will turn into a Chinese dumping ground leading to breakup of traditional economic balance in the region.

30. **Change in Regional Dynamics.** The emergence of China as a superpower may attract a stronger US in the region in addition to other international players. Increased Chinese influence in India's neighbourhood and extended neighbourhood, may force India to play a secondary role in the region, leaving it no other alternative but to prefer a US-orientated world order.

31. **Settlement of Border Issues in China's Favour.** The border dispute between India and China remains unresolved till date with no end in sight. India also feels that China may use its economic might and influence through the BRI to reach a settlement in her favour.

### **Benefits for India on Joining the BRI**

32. India may not have joined China's BRI so far, however, the Chinese have on many an occasion expressed their keenness towards India becoming a part of this mega initiative that criss-crosses across three continents through various projects. The Chinese have their own reasons for wanting India to embrace the project. Firstly a seal of approval from another Asian giant would definitely make the BRI look even better and grant enhanced credibility. With many nations trying to renegotiate the terms and conditions of BRI projects, some stopping BRI projects altogether and other calling the BRI a debt-trap, India's endorsement of the BRI could provide the BRI with the much required 'shot in the arm'. Also, other South Asian nations, would find the atmosphere that much more conducive for accepting Chinese investments in their country, should there be a conflict free environment between India and China with respect to the BRI. It must also be noted that middle-class consumption of goods and services is likely to touch US\$30 trillion by 2030<sup>150</sup>, of which only US\$1 trillion is expected from Western economies. The rest will come from Asian economies, primarily India and China with their enormous populations. China, therefore, will benefit immensely from access to Indian markets. India's objections to the BRI are mainly centred around part of the BRI running through the disputed POK and lack transparency in planning, funding and execution of BRI projects. Should India be able to find a way around these objections, benefits are likely to accrue. These are discussed as under.

33. **Project Mausam**. The term 'Mausam' is derived from the Arabic word *mawsim*, which refers to the season when boats can safely sail. Project Mausam is a cultural and economic project conceived by India with the aim of

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<sup>150</sup> <https://www.thehindu.com/opinion/op-ed/taking-advantage-of-bri/article26935063.ece>  
(Accessed on 27 Feb 2021)

rebuilding maritime and economic connections with the 39 countries bordering the Indian Ocean<sup>151</sup>. Apart from reviving lost connections, the project also aims to strengthen ties between countries in the Indian Ocean sphere and set a precedent for future cooperation. India stands an opportunity to integrate Project Mausam with the MSR and reap conceived benefits, should it join the BRI.

34. **Sagar Mala Project.** Sagar Mala Project has been launched by India to improve performance of the logistics sector. The programme envisages an investment of Rs 8.5 trillion (2018 figures) for setting up new mega ports, modernising existing ports, developing 14 Coastal Economic Zones (CEZs) and Coastal Economic Units, enhancing port connectivity through road, rail, pipelines & waterways and promoting development of the coastal community. Through the Sagar Mala Project, India aims to boost exports by US\$ 110 billion and create 10,000,000 jobs<sup>152</sup>. The ambitious project which requires considerable investment stands to benefit if India is able to align BRI projects with projects conceived as a part of Sagar Mala.

35. **Fillip to Indian Initiatives.** The Indian government has over the past few years announced many projects like the ‘Make in India’, ‘Smart City’, ‘Skill India’, ‘Digital India’ projects to name a few, in order to spur growth in the manufacturing sector and for generation of employment. The Chinese technology and overcapacity in these areas could be explored to give a push to these projects through the BRI.

36. **Help Resolve Boundary Issue.** Greater Chinese investments in a conducive atmosphere could be the harbinger for development of greater trust between the two giants. Looking at things optimistically, mutual economic prosperity could then serve as a stepping stone for resolution of the long standing boundary issues in an amicable manner.

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<sup>151</sup> <https://www.indiaculture.nic.in/project-mausam> (Accessed on 27 Feb 2021)

<sup>152</sup> <https://www.dnaindia.com/business/report-sagarmala-project-to-create-1-lakh-jobs-says-nitin-gadkari-2202073> (Accessed on 27 Feb 2021)

37. **Access to Other Corridors less CPEC.** Even if India is opposed to the CPEC, by joining the BRI, it stands to gain from connectivity to other corridors connecting Iran, Afghanistan and other Central Asian countries.

38. **Limit Tilt of Neighbouring Countries Towards China.** China has already been able to make inroads into almost all of India's neighbours through investments, projects and defence cooperation. India is yet to come up with a credible reply to Chinese investments in the region. By progressing the BCIM Economic Corridor, India could pursue economic relations with her neighbours with renewed vigour, thereby limiting their leaning towards the Chinese.

39. **CPEC to India's Advantage.** As things are unravelling between China and Pakistan with respect to CPEC projects are increasingly becoming a source of disagreements between the two. High cost of projects, associated debts, differences over hydro-power projects, trade deficit, growing Chinese military presence in their heartland are all areas of divergence between the two – a situation that can be taken advantage of by India.

40. Clearly there are advantages for India should it embrace the BRI, and there are pitfalls too, as has been discussed above. Prime Minister Modi's 'neighbourhood first' policy was a step in the right direction for India to maintain continued importance in the South Asian Region. However, with lack of resources to back it up, clearly the policy has not yielded worthwhile results. Hence, whether it chooses to join the BRI or not, the time has come for it to reassess its response before it is too late

### **Survey Questionnaire**

41. In order to obtain inputs regarding the real Chinese intent behind the BRI, a questionnaire was also circulated to senior and middle level defence functionaries of all the three services, in addition to senior government functionaries in various

ministries. The questionnaire is placed at **Appendix A**. The response is also indicated against each question. Major findings of the survey are as under :-

- (a) An overwhelming majority felt that China is increasing her military presence in the IOR in the garb of the BRI and that BRI was being used as a vehicle to further her hegemonic designs and increase her influence in IOR.
- (b) A majority also felt that all projects being undertaken as a part of the BRI were in fact benefiting Chinese companies and Chinese economy the most.
- (c) The survey also indicated that India needs to take urgent steps to expedite connectivity with her neighbours and must increase the level of engagement with them in order to curtail growing Chinese influence.
- (d) The view on whether Indian exports would suffer as a consequence of the BRI and whether the Asia-Africa Growth Corridor (AAGC), being propagated by India and Japan, would be an effective counter to the BRI, were divided.
- (e) Most were also of the opinion that should India continue her stand of not joining the BRI, it would not face any isolation from other BRI member countries and in fact most were also of the opinion that India must not join the BRI even if China acknowledges POK as disputed territory and should instead go in for alliances with US, Japan etc to counter China.

### **The Way Forward**

42. India may take the credit for being the first government to anticipate the negative consequences of the BRI that the host nations may be subjected to, and also for highlighting issues of transparency, environmental protection, economic feasibility etc that are associated with the BRI, however, the problem with India has always been

of little action to back up its statements. Though India did conceive many plans to counter the BRI and engage its neighbours, the goodwill generated through announcement of these projects / schemes was lost owing to its inability to implement them on ground. It would not be wrong to say that one of the major reasons for China gaining a foothold in South Asia, that has traditionally been India's sphere of influence, has been India's lackadaisical attitude in addressing its responsibilities towards her immediate neighbours. The 'look East policy' followed by the 'neighbourhood first policy', all indicate thinking in the right direction. Sadly the thinking has never been supported by action on the ground for one reason or the other. Certainly, lack of resources has been one of the major reasons for India's inaction. Take for example the Sri Lankan offer to develop the Hambantota Port, which was turned down by India only to later taken up by the Chinese. The AAGC announced in 2017, it is yet to show concrete results and the much awaited BrahMos anti-ship cruise missile are yet to reach Vietnam despite many years of talks and assurances<sup>153</sup>. How then can India match the Chinese who certainly have the resources, but more than that are quick to recognise an opportunity and are even quicker to capitalise on it. India then will have to clean up her act quickly if she has to be in a position to counter the Chinese behemoth called the BRI. Some ways and means are discussed in the succeeding paragraphs.

43. **Fast Tracking of Military Modernisation.** Whatever strategy India may adopt in the future, the key to its success would be a strong armed forces to back up India's will. Indian armed forces have never been expeditionary in nature, however, with two colluding and hostile neighbours on its Northern and Western borders, both of whom are nuclear powers as well, India needs to have the capability to defend

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<sup>153</sup><https://thewire.in/security/india-vietnam-brahmos-missile> (Accessed on 28 Feb 2021)



herself in a two-front war scenario. Though war may not be the answer to any problem, both are adversaries, especially China have to understand that India is capable of defending its self and will use everything at its disposal to defend her territory. India has already displayed her resolve in the Galwan Valley and results of that firmness are now bearing fruit with China offering to disengage. In the garb of BRI, Chinese military presence and influence are already on the rise in the IOR as well as South Asia and, therefore, in order to ensure that they do not take undue advantage, India will have to strengthen her armed forces by fast tracking her military modernisation. The defence allocation of Rs 4.78 lakh crore for FY 2021-22, a marginal increase of around 1.4 percent, over the last year's allocation of Rs 4.71 lakh crore<sup>154</sup> may, therefore, have to be bettered in future.

44. **Energising the QUAD.** It is becoming clearer by the day that BRI is being used by China as a means to impose the Chinese development model on member nations, cementing its One-China Policy and forcing neighbours to settle border disputes on terms favourable to China through debt-traps. Between 2016 and 2020, China has already been able to 'convince' seven more countries to shift diplomatic ties from Taipei to Beijing. Though India has excluded itself from BRI, all its neighbours less Bhutan are participants in the initiative and India can ill-afford to neglect Chinese influence over these countries. The Quadrilateral Security Dialogue or the QUAD is an informal strategic forum between the United States, Japan, Australia and India which was first initiated in Aug 2007<sup>155</sup> by Prime Minister Shinzo Abe of Japan. In Feb 2008, a joint naval exercise between the QUAD and Singapore drew diplomatic protests from China, after which the same was discontinued. However, the QUAD was revived

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<sup>154</sup> <https://economictimes.indiatimes.com/news/defence/defence-budget-2021-rs-4-78-lakh-crore-allocated-for-defence-19-percent-increase-in-capital-outlay/articleshow/80632540.cms> (Accessed on 28 Feb 2021)

<sup>155</sup> <https://www.studyfalcon.com/blog/the-quad-quadrilateral-security> (Accessed on 28 Feb 2021)

in 2017, post talks between all four former members during the 2017 ASEAN Summit, as a result of Chinese interference in interests of QUAD countries in South China Sea, Indian Ocean and East China Sea. All QUAD countries have economic ties with China and, therefore, are unlikely to come to a consensus in their approach to deal with her. However, QUAD can surely act as a permanent balancing instrument against China and prevent it from behaving in the Indian Ocean as it does in the South China Sea<sup>156</sup>.

45. **Engaging Immediate Neighbours.**

(a) Prime Minister Modi's call for 'neighbourhood first' was certainly a step in the right direction, however, since then there has been little action on the ground to back up announcements. India already shares borders with two hostile neighbours in the form of China and Pakistan and can, therefore, ill afford indifferent relations with the others. Despite being fully aware of the situation that India is in, it has done little to arrest inroads made by the Chinese in its own backyard. India's relations with her immediate neighbours have been on the decline in the recent past. The following are relevant :-

(i) **Nepal**. India has recently embroiled itself in a border dispute with Nepal after Nepal laid claims over the Kalapani area, which has been in effective control of India since 1950, thereby embittering relations.

(ii) **Bangladesh**. Indo-Bangladesh relation have been one of the rare foreign affairs success stories when the 2015 Land Boundary Agreement was signed which facilitated the transfer of 111 enclaves,

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<sup>156</sup> <https://www.parleyproject.org/post/quad-a-rival-or-an-alternative-to-bri>  
(Accessed on 28 Feb 2021)

from India to Bangladesh and 51 enclaves from Bangladesh to India<sup>157</sup>. However, illegal migration from Bangladesh to India has the potential for undoing all gains made thus far. Through implementation of the National Register of Citizens, Bangladesh fears that India may push out illegal migrants out of Assam into Bangladesh.

(iii) **Sri Lanka**. Indo-Sri Lanka relations which were on the upswing, could also face indifference with the return of Rajapaksa brothers, known for their China leaning, back into power.

(iv) **Myanmar**. The recent military coup in the nation has attracted strong reactions from across the world apart from US sanctions. This could force Myanmar's military to forge even closer relations with China, which may not be in the interest of India.

(b) There is, therefore, an urgent need for India to engage with all her neighbours and improve ties with them in order to keep China at bay. Taking urgent steps to improve land connectivity, boost to trade, lines of credit, fulfilment of past promises etc are the need of the hour. India has already been caught napping by China, and there is an urgent need to prevent further damage.

#### 46. **Fillip to Sagar Mala, Mausam & AAGC.**

(a) **Mausam**. The Mausam project has the potential to provide India with an opportunity to re-establish ties with its ancient trade partners and re-build an 'Indian Ocean World' along the littoral of the Indian Ocean from East Africa,

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<sup>157</sup> <https://www.orfonline.org/research/the-2015-india-bangladesh-land-boundary-agreement-identifying-constraints-and-exploring-possibilities-in-cooch-behar/> (Accessed on 28 Feb 2021)

Arabian Peninsula, Iran, South Asia and Southeast Asia. However, even after over six years of being conceived, there is little to show on the ground, primarily because India seems to be unsure of the direction in which to steer it. Even though an allocation of Rs 15 Crore was made for the project between 2015 and 2017, only about Rs 40 lakhs were spent<sup>158</sup>. An allocation of Rs 6 Crore has been made in 2020, which actually is of little consequence in face gigantic investments being made by China. At the moment the project is a little more than an exercise in projecting India's soft power, which needs to be corrected immediately if it has to put up even a semblance of competition to the BRI.

(b) **Sagar Mala**. Similarly, the thought behind the Sagar Mala Project too is ideal. A flagship programme of the Ministry of Shipping, the project aims to promote port-led development in the country through exploitation of its 7,517 km long coastline and 14,500 km of potentially navigable waterways, coupled with its strategic location on international maritime trade routes. A total of 577 projects, at an estimated investment of approximately US\$ 130 billion have been identified for port modernization, new port development, connectivity enhancement, coastal economic zone industrialization and coastal community development over the period from 2015 to 2035. As on 31 Mar 2018, 492 projects at an estimated cost of US\$ 64 billion were in various stages of implementation. It is expected that with its implementation, the cargo handling capacity of the country by 2025 will increase to 2500 million tons per year as against the current 1500 million tons<sup>159</sup>. Clearly the project has the potential to

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<sup>158</sup> <https://pib.gov.in/newsite/PrintRelease.aspx?relid=186490> (Accessed on 28 Feb 2021)

<sup>159</sup> <http://sagarmala.gov.in/project/port-modernization> (Accessed on 28 Feb 2021)

improve trade relations with other countries and, therefore, must be kept on track.

(c) **AAGC**. Conceived in Nov 2016, the corridor is an economic partnership agreement between India and Japan that intends to develop quality infrastructure in Africa complemented by digital connectivity and promotes the the idea of a free and open Indo-Pacific Region. The AAGC aims to give priority to development projects in the field of health, pharmaceuticals, agriculture, agro-processing, disaster management and skill enhancement. It will essentially be a sea corridor linking Africa with India and other countries of South-East Asia by reviving ancient sea-routes and creating new sea corridors that will link ports of Jamnagar, Djibouti, Mombasa, Zanzibar, Madurai, Kolkata and Sittwe<sup>160</sup> to name a few. With more and more nations realising China's strong-arm tactic and debt traps, there is preference for partnership with countries like India which do not threaten sovereignty of states. India must, therefore, grab this opportunity to side-line China to the extent feasible, through lines of credit, cooperation in the field of IT, infrastructure development etc.

47. **Proactive Implementation of Projects**. China has been extremely successful in implementing development projects in other countries many many miles from her borders. India on the other hand is prone to time and cost overruns for projects being implemented within her own territory. In case India has to provide an alternative to Chinese overtures to her neighbours, slackness will have to be quickly replaced by a proactive approach in project implementation. Giving priority to regional connectivity

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<sup>160</sup> <https://diplomatist.com/2020/06/27/an-aisle-of-opportunity-the-asia-africa-growth-corridor/>  
(Accessed on 28 Feb 2021)

will be the first step in this direction, something in which India has lagged behind terribly so far. Better connectivity with her neighbours will not only improve India's ability to complete projects in a faster timeframe, but will also be beneficial for trade relations, apart from bolstering people to people contact.

48. **Exploit Trade Relations.** India - China relations are fraught with many irritants that could snowball into major conflicts. Disputed borders, disputes over rivers, Tibet issue, China's support to Pakistan, blocking India's bid for a permanent seat in the UNSC etc are only a few areas of divergence. The relations sunk to an all-time low with the Galwan Valley confrontation resulting in loss of life of soldiers on both sides in over four decades<sup>161</sup>. However, despite all differences, there are many areas of convergence too. Both nations are a part of BRICS and the SCO, both have similar views on a number of issues like terrorism (less Pak-sponsored terrorism), global warming, piracy, drug trafficking etc, and both have strong trade relations. India cannot completely prevent Chinese influence in the region but can limit it by making China address her concerns. India is an extremely important trading partner for China with bilateral a trade of US\$ 87.6 billion in 2020, tilted heavily in favour of China with US\$ 66.7 billion worth of exports to India, i.e. 76% exports vs 24% imports from India<sup>162</sup>. If trade wars between China and US were to escalate, China's dependence on India to keep her economy going will be that much more. China realises this and, therefore, India could well exploit this aspect aspect to extract favourable outcomes from China. China's reaction to banning Chinese apps, exclusion of Chinese companies from participating in infrastructure projects, exclusion from 5G trials, all point out to Chinese sensitivity towards trade. This must be taken advantage of.

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<sup>161</sup> <https://thewire.in/security/indian-army-officers-killed-china-galwan-valley>  
(Accessed on 28 Feb 2021)

<sup>162</sup> <https://www.thehindu.com/business/Economy/indias-trade-with-china-falls-in-2020-deficit-at-five-year-low/article33581648.ece> (Accessed on 28 Feb 2021)

49. **Improvement in Bilateral Relations.** Lastly, despite all differences, and problems Prime Minister Narendra Modi and President Xi Jinping have been mature in their approach towards each other and have kept all communications channels open. This must continue. India could make a few concessions which need to be reciprocated by China. There is definitely a need to reach a middle ground wherein China could pursue the BRI while making sure that Indian interests are not side-lined. The current events in the Gawan Valley / Pangong Tso stand-off, with China offering to disengage troops and resort to talks are an important step in this direction

### **Conclusion**

50. Whatever may be the underpinnings of BRI, it is being recognized as an extremely important, imaginative and ambitious Chinese initiative that is attempting to, at least at the face of it, steer international discourse away from conflict towards connectivity. Notwithstanding, the fundamental message that all such connectivity projects, including the BRI, must promote should be to build relationships that are based on mutual trust and those that address mutual concerns. This has not been the case as far as India is concerned, largely on account of the CPEC and the unilateral, non-consultative nature of the BRI's origin. The BRI has security implications for India and to that extent, India's objections to the BRI are not entirely unjustified. However, this is also a fact that China is too far committed to the BRI, which amongst other advantages will catapult China to the pedestal of a world leader and, therefore, Indian objections to the BRI may actually be falling on deaf ears. Nonetheless, with rising debt-traps, lack of transparency in execution, employment of Chinese labour and utilising raw materials sourced from Chinese firms only for all BRI projects, little or no contribution to the local economy etc, many nations are now seeing through China's BRI, revealing a chink in its armour which India could exploit. There may,

however, be no need for this if China is able to address India's concerns. It must be realised by both the nations that neither can entirely contain the other. Both India and China must, therefore, find ways and means to arrive at a shared vision for a peaceful and stable future that assures economic prosperity in a 'win-win' outcome.



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**Appendix A**

(Refers to para 41 of Chapter 7 )

**QUESTIONNAIRE**

2/27/2021

China's Belt and Road Initiative and its Implications for India

**China's Belt and Road Initiative and its Implications for India**

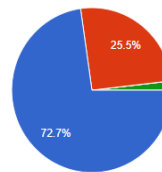
Dissertation Questionnaire

\* Required

1. There a correlation between the BRI and increase in China's military presence in the sub continent. \*

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

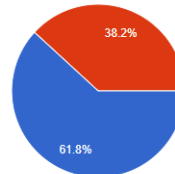


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

2. China has hegemonic designs concealed under the grab of economic cooperation / assistance.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

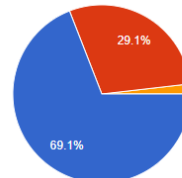


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

3. China aims to increase its domination in the IOR and the Indo-Pacific Region through the BRI.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

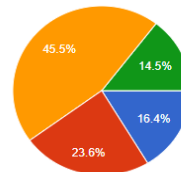


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

4. One of the aims of China is also to strengthen Communism in the region through the BRI.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

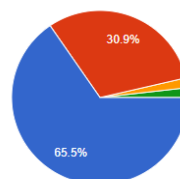


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

5. Infrastructure development being undertaken by China in other countries as a part of the BRI is benefitting Chinese companies the most.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

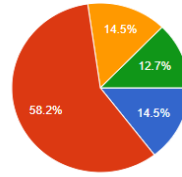


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

6. BRI may not be as successful as conceived by China as the land routes of the BRI pass through many areas that are marred by sectarian / religious conflicts / unrest.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

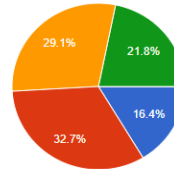


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

7. BRI will have an adverse impact on Indian exports to countries in Asia, especially those in the subcontinent.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

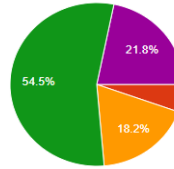


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

8. If India does not become a part of the BRI, it will face isolation from most countries.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

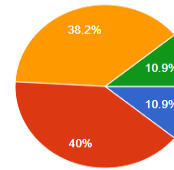


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

9. AAGC initiative, being put in place by India and Japan will be an effective counter to the BRI.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

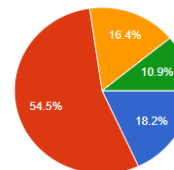


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

10. In case India does not wish to be a part of the BRI, it will have no choice but to form alliances with countries like the US and Japan.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

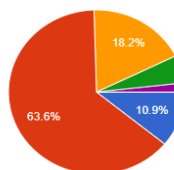


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

11. CPEC, which is an important part of the BRI, will assist Pakistan in mobilizing its forces more quickly and effectively in case of a conflict with India.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

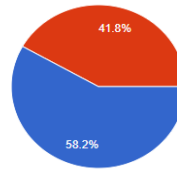


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

12. India needs to strengthen its influence in its immediate neighborhood to counter growing Chinese influence, which China aims to further strengthen through the BRI.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

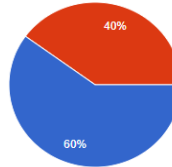


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

13. India should expedite connectivity across its land and maritime frontiers with neighboring countries.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

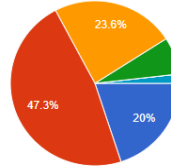


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree

14. Insurgent groups in J&K and NE will benefit by increased Chinese influence in the area due to BRI.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree
- Other: \_\_\_\_\_

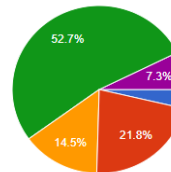


- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree
- Insurgent Groups have No Affiliation , unless the Insurgents are raised by a Rogue nation , whoever supports Insurgents- gets immunity from their actions only for a limited time period a.

15. India should join the BRI after ensuring that China accepts POK as disputed territory.

Mark only one oval.

- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree



- Strongly Agree
- Agree
- Can't Say
- Disagree
- Strongly Disagree