Article – III

Development Trends China’s Belt and Road Initiative in South Asia: Few Recommendations

Nguyen Thu Ha

Abstract:
The Belt and Road Initiative (BRI) is one of the major undertakings in China's "peaceful rise" strategy. South Asia has a particularly important position in this plan because it is the confluent area between the two pincers "Silk Road Economic Belt" and "21st Century Maritime Silk Road" of the BRI. The progress of the BRI in South Asia plays a relatively vital role as a model and reference, as well as has encountered many obstacles and challenges. The successful implementation of ambitious BRI projects in South Asia requires China to have a dynamic, development mindset to take the advantages and deal with the challenges posed. The article mentions the advantages and disadvantages of the BRI development trend in South Asia in the coming time and some implications for countermeasures for South Asian countries when they participate in this initiative of China.

Keywords: BRI, South Asia, trends, recommendations

1. Advantages and Disadvantage for China in implementing the "Belt and Road" Initiative in South Asia

1.1. The advantages

On Chinese side: China enjoys a high degree of unity from the central to local levels for the implementation of the BRI in South Asia. Particularly, this is an initiative initiated by Chinese President Xi Jinping - a strong leader who is capable of maintaining power for a long time; so it will be strongly promoted by China. China has strong potential and increasing influence in the international arena, especially in terms of economy. In 2014, China's foreign currency reserves reached $3.843 billion. Currently, China has the foreign currency reserve of 3,399.9 billion USD (as of the end of March 2020) and is the country with the greatest foreign currency reserves in the world - accounting for about 30% of global reserves. China is gradually becoming the "number 1" investor and lender in the world, so it has an increasing influence, not only on poor countries, but also on EU ones. This is the basically favourable condition for China to promote this initiative.'

On South Asian side: Most of the small South Asian countries with economic difficulties, underdeveloped infrastructure... have a need for investment capital and loans from China. The meeting between the "needs" of countries that need capital for infrastructural development and China’s ability to provide loans is an important

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109 The author is PhD student at Faculty of International Studies - University of Social Sciences and Humanities, Vietnam National University, Hanoi.
110 Investopedia: 10 countries with biggest forex reserves, 07/03/2020
premise for China to use its strong economic potential to penetrate investment and expand its influence over countries, thereby promoting the implementation of BRI in South Asia. Therefore, despite concerns about China’s ambitions, most of the small countries in South Asia declared their support and officially joined BRI, except India and Bhutan, because BRI brings them practical benefits. Besides, this initiative of China has received the support and participation of many countries and international organizations. By the end of 2016, more than 100 countries had given their unanimous support and participated in the BRI strategy. This is a favourable condition for China to "realize" the BRI in the coming decades.

1.2. Some challenges to BRI in South Asia

First, the common understanding about the meaning of the BRI strategy of these countries has not been formed yet. Up to now, the promotion of BRI implementation has been mainly from China with no cooperative method between the parties yet. Even many countries have considered supporting the BRI a condition for bargaining with China, requiring China to unilaterally pour capital, increase economic aid or make concessions on other issues in exchange for their support towards the BRI. However, China uses BRI to bargain and bind other countries more in contrast. As a result, some countries are wary of the possibility of China taking the initiative in regional affairs or controlling their internal political situations.

Second, South Asian countries have unstable foundations, limited capital, and the debt service rates are often at alarming level; therefore, the investment in large-scale infrastructure projects in this region needs to be considered both at full risk and commercial viability. The situation of countries in South Asia is not the same with partisan disputes seriously happening in many countries, struggles between military and government, unstable political situation, in continuous foreign policy, and the change of government which always affects the foreign investment in the locality.

Third, the excessive involvement of the State government limits market behaviour, easily causing corruption, manipulation, and lack of clearness. BRI cooperative projects in South Asia under the direction of senior governmental officials over a long period of time are prone to corruption and manipulation. Only the bright side of commercial goals achieved from political power are often chosen to report while the economic risks are mostly masked. In the process of promoting BRI, many small and medium private enterprises find it difficult to access information and policies of relevant regulatory agencies; therefore, in the process of investing abroad, they face difficulties in information and security, which makes foreign investment of the private sector prone to grabs, speculations and bubbles.

Fourth, projects under the BRI framework that have been completed or are in the process of being implemented in South Asia also face considerable challenges, which are especially mentioned as follow:

111 World Knowledge Magazine, China, No. 9, 2017
The China–Pakistan economic corridor is rapidly developing, but the risks and challenges encountered are also great, especially the fierce political disputes within Pakistan and the terrorist forces. Separatists operate unruly in Pakistani territory. Besides, the construction of the corridor must face many external factors. Specifically, India opposes the construction of the China–Pakistan economic corridor for fear that this project is a tool for China to help Pakistan oppress India, conduct containment and strategic encirclement of India. The Modi government also said that the China–Pakistan economic corridor passes through the disputed Kashmir region between India and Pakistan, even an Indian diplomat threatened that "Kashmir to India also has a similar position to Taiwan with respect to China." Western countries and NGOs also reacted negatively to the construction of this corridor. They said that "the corridor is not feasible in terms of capital and technology", "investment activities are shady with corruption arisen", etc., aiming to lower the confidence of the Pakistani people and the international community to the corridor.

The economic corridor of Bangladesh–China–India–Myanmar is also facing speed problems, the corridor construction process has not yet entered the substantive stage. Firstly, India also has a negative attitude towards this project because India always considers itself the largest country with absolute power in South Asia, and there has been historical animosity and the game of geopolitics in the relation between China and India. The Modi government also tends to promote the system of India-centred regional interoperability such as the 4-country transport corridor including Bangladesh, Bhutan, India and Nepal (BBIN), the strategic road between the three countries – India, Myanmar and Thailand, “The Bay of Bengal Initiative for Multi-Sectional Technical and Economic Cooperation” (BIMSTEC), building infrastructure projects from East to West, between India and South Asia and Southeast Asia. Second, the situation in Myanmar has many uncertainties. The relation between Bangladesh and Myanmar has been in conflict for a long time, making it difficult to form a synergy to promote the corridor. India, Bangladesh and Myanmar still have fears that the corridor will create a “China Trade Shock”. Major countries outside the region hindered the promotion of corridor construction, especially the US with a series of moves to confirm the presence of the White House in this area, such as strengthening maritime military cooperation with Australia, Singapore, the Philippines, Thailand and India, deploying their military around the Indo-Pacific region, linking up with Japan to offer the idea of the "Indo-Pacific Economic Corridor" aimed at through building a connective network with India as the centre, connecting South Asian and Southeast Asian countries such as India, Bangladesh, Myanmar, Thailand, Cambodia, and Vietnam.112

Fifth, the Covid-19 pandemic greatly hindered China’s BRI implementation. On June 19th, 2020, the Chinese Ministry of Foreign Affairs said that the majority of BRI projects were affected by the Covid-19 pandemic, of which about 40% were seriously affected. Currently, most of the BRI projects in South Asia are delayed or interrupted.

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including CPEC, projects in Sri Lanka, Bangladesh\textsuperscript{113}. From the beginning of 2021 to the present, the Covid-19 pandemic has seriously swept South Asia, causing heavy loss of human life and socio-economic crisis. On May 13\textsuperscript{th}, India recorded 4,120 deaths from Covid-19 epidemic. This is the second day in a row the death toll is higher than 4,000. The number of new infections per day was recorded below 400,000 for the fourth day in a row\textsuperscript{114}. Currently, India and South Asian countries are buckling down to fight against the epidemic and waiting for support from countries outside the region and from international organizations. Therefore, the progress of implementing economic projects including items in the BRI will be slowed down as South Asia prioritizes measures and makes full efforts to prevent Covid-19.

2. Trends in implementing the “Belt and Road” Initiative in South Asia

South Asia is the convergent area of the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", a priority zone and key area to promote the implementation of the Belt and Road Initiative (BRI). The development of the BRI has a relatively great role as a model and reference with many difficulties and challenges encountered. This is a normal phenomenon, and also a "tuition fee" that China is forced to pay for its development. In the future, Chinese policymakers will continue to predict the challenges that the BRI may face in South Asia in order to plan ahead, to follow the benefits, avoid the harmful, find the right main points, and to take common interests to deepen the implementation of the BRI. Currently, BRI in South Asia shows a steadily promoted trend, taking the China-Pakistan economic corridor as its leading flag, taking navigation, bridges and roads, and industrial parks as the fulcrum, becoming the main lines and vital directions for China to deepen cooperation with South Asia in the new period. The focus is on promoting BRI in South Asia in the future.

First, seriously consider the political changes of the projected country

In a society with cyclical elections, governmental change and party alternation is normal. China, fully aware of this fact, must not only develop friendship with the government and ruling parties in the country with which it cooperates, but also have wide relations and exchanges with the opposite parties, business and social organizations, establishing effective communicative channels with relevant beneficial sides in the locality to ensure the collection of information, deploying connectivity in a timely and effective manner once problems have happened, ensuring sustainability, enhancing the ability to withstand political risks for large-scale cooperation.

Second, implement the principle of discussing, building and enjoying together

To the countries like India, Nepal, Pakistan, Bangladesh, Myanmar... which are all relatively conservative in preserving religious, cultural traditions and political forms, when investing abroad, beside proceeding through traditional measures such as investment in infrastructure, energy, mining, tourism, real estate, commerce..., China will also have to come up with an investment and interactive options in terms of culture, politics, and economic agendas that are appropriate to the particularities of these countries\textsuperscript{115}. When promoting the implementation of BRI in South Asia, China needs

\textsuperscript{113} The Economic Times: Majority of China’s BRI projects abroad adversely affected by Covid-19 pandemics: Official, 28/06/2020


first share the profits with the host countries, promote local welfare, and enhance cultural exchanges. In the current historical period, if Chinese enterprises and investment capital want to go abroad, they need to seize the opportunities more accurately and assess the risks more fully.

**Third, attach importance to the connection with India**

India’s current caution against China's push to build the BRI in South Asia is still very profound, so the specific cooperative items of BRI “will be actively associated with India’s regional strategy and South Asia’s existing cooperative mechanism by China” to establish the "close relations", produce public products from regional cooperation for mutual benefit. Although the proposal to connect China and India cannot be effective in a short time, it can also ensure the peaceful coexistence and healthy competition for the two countries.

**Fourth, do a good job of winning the hearts of local people at a strategic level**

When implementing BRI in South Asia, China definitely needs to develop good relations with the authorities, trade unions, guilds, religious organizations, environmental protection organizations... in communes, districts, etc. listen to people's requests, do well in public contact, and establish a network of common interests. In contrast with the traditional way using the superstructural model where the central government put the pressure on the locality, the implementing the BRI item is from the bottom to the top, using the will of the people to influence and to urge the government, which will lessen risk with greater incentive to cooperate as well as lessen political and business risks of the category.

**Fifth, proceed sequentially, grasp the opportunity and the rhythm to promote the items**

With the habit of enthusiastically working, Chinese people leave the footstep density in a short time. From the five-year experience of implementation, during the process of promoting the implementation of the BRI in South Asia, China will coordinate very harmoniously with legal entities and agencies with foreign relations, firmly grasp the density and rhythm; the item planning needs to coincide with the priority order of the local agenda, taking into account both immediate benefits and long-term goals. When the conditions are not completely ripe, the implementation of the relevant cooperative item can be postponed.

3. **Some suggestions for countermeasures for South Asian countries when joining the BRI**

**No concession in the issue of national sovereignty**

Among the countries in South Asia, India and Bhutan are the countries that refuse to join the BRI due to their territorial disputes with China. Since the inception of the BRI in 2013, India has refused to join the Initiative. At the India Economic Summit within the framework of the World Economic Forum on October 4th, 2019, Indian Foreign Minister Subrahmanyam Jaishankar said that New Delhi will not join China’s BRI and its stance does not change. Mr. Jaishankar said that the BRI is related to the issue of sovereignty and New Delhi believes that no country should accept a project that ignores core concerns of territorial integrity. Meanwhile, Bhutan also followed India in not participating in the BRI, especially after the Chinese Army infiltrated Bhutan’s territory in Dokhlam plateau, leading to India’s sending troops to stop and confront for

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116 The Economic Times: India won’t join BRI, it’s concept won’t apply to us Jaishankar, 04/10/2019
73 days. Even Pakistan, China's close ally in South Asia, is willing to give up BRI projects that affect its independence and autonomy. In 2019, when China introduced stricter terms related to the loan for the development of the Diamer-Bhasha dam project, Pakistan immediately withdrew this project from CPEC because Pakistan believed that the conditions set by the Chinese side are unacceptable, which goes against Pakistan's interests. The new government in the Maldives has successfully negotiated with China to cancel the BRI-related agreements that are detrimental to its national security.

Considerably choose projects that bring economic benefits and develop the country, avoiding falling into the "debt trap".

Most South Asian countries have weak economies and need capital and infrastructure for economic development. Except for India and Bhutan, other South Asian countries consider the BRI a major economic project and a development opportunity. Pakistan participates in this project to solve the problem of electricity shortage, create jobs for many people in this country, and develop the Pakistani economy. Bangladesh is considered a smart country when it comes to participating in the BRI. From the lessons of countries falling into debt traps like Sri Lanka, Bangladesh carefully studied the terms of international loans and aid, including loans from the BRI project, and removed the terms that were not favourable to Bangladesh, select projects with benefits, low risks, organize and supervise projects well, and implement clearly. Nepal is also an ardent supporter of the BRI because it desperately needs capital and technology to develop the country but takes a cautious approach to the Initiative due to the ambiguous and unclear aid terms of China. The country conducts a thorough analysis of each individual BRI project based on domestic needs and national interests.

"Flexible balance" with major countries, especially with China and India

This is a common feature in the foreign policy of South Asian countries. The lesson for South Asia is the case of Sri Lanka due to its overdependence and trust in China, not properly researching loans to develop BRI projects, leading to falling into a debt trap and allowing China to lease of Hambantota port for 99 years. In an exclusive interview with India's Strategic News International website on November 26th, 2019, Sri Lanka's new President Gotabaya said that Sri Lanka wants to be a neutral country, cooperating with all countries. "We need investment and support, and invite all countries, including India, to invest in Sri Lanka, but we don't want to be dragged into military and geopolitical competition," he said.

From the experience of Sri Lanka, Nepal implemented a flexible balancing policy with India and China, not taking sides in the Indo-China competition in South Asia. Out of 5 large hydropower projects, Nepal offers India 3 projects and 2 for China. Nepal is also very clever in taking advantage of the enticements of India and China to improve its bargaining power. It is the competition between India and China in Nepal that helps the country to carefully consider the pros and cons of cooperation with India and China rather than simply accepting what these two countries offer. After taking power in Nepal, Prime Minister KP Sharma Oli maintained a friendly and respectful attitude towards India and promoted relations with China under the BRI framework. As a result, both India and China are committed to building a railway link to Nepal. Meanwhile, after being forced to allow China to lease the Hambantota port for 99 years, Sri Lanka

117 South Asia Voice: How South Asia plays the BRI balancing game, 21/05/2019
118 Viettimes: Will Sri Lanka reclaim the strategic Hambantota port that has been leased to China for 99 years for debt? December 21, 2019
took a deft approach and attracted a large amount of Indian investment in Sri Lanka. Similarly, Bangladesh also took a smart move to entice India and China to cooperate in infrastructural development in the country. After allowing China to develop Chittagong port, Bangladesh invited India and Japan to build Payra port. These are considered smart ways of Bangladesh in balancing relations with major countries, not letting a single country take complete control over infrastructural construction projects and strategic assets.

Join the BRI for economic purposes, not military alliances to mislead major countries.

Sri Lanka cooperates with China in BRI for economic purposes, infrastructure and technical development to develop the country, trying to avoid and not let China use BRI projects for military purposes and cause tension with India. Similarly, Nepal only accepts economic projects of the BRI, does not join any military alliance in the region against China and India. Bangladesh continues to participate in BRI, keeping away from military elements in BRI projects which cause concern to India and the US. During the visit to India in July 2019, Maldivian Défense Commander Major General Abdulla Shamaal confirmed that there is no Chinese military presence in his country. General Shamaal also said that the Maldives cooperates with countries for many different purposes and does not want to be isolated. Maldives both promote trade and exchange relations with both India and China.

Conclusion

South Asia is particularly important for the successful implementation of China’s Belt and Road Initiative. Therefore, both China and select South Asian countries, are very interested in this issue. With an unfavourable response from India, China has encountered many difficulties when implementing projects within the framework of the BRI. In addition, political instability of the region in general and countries in particular also affects the deployment trend of BRI in South Asia. On the other hand, joining the BRI brings both opportunities and challenges for regional security, international relations in South Asia and for the interests of each country participating in this project. Therefore, each country needs to have a long-term strategy and specific calculations for itself when participating in China’s BRI. In that context, China must also make appropriate adjustments for the next steps of BRI implementation in South Asia.

Notes

1. World Knowledge Magazine, China, No. 9, 2017

119 South Asia Voice: How South Asia plays the BRI balancing game, 21/05/2019
120 ORF: Maldives: India catching up on tourism, China will still remain a monumental development partner, 24/07/2019


6. The Economic Times: India won’t join BRI, it’s concept won’t apply to us Jaishankar, 04/10/2019.

7. South Asia Voice: How South Asia plays the BRI balancing game, 21/05/2019

8. Viettimes: Will Sri Lanka reclaim the strategic Hambantota port that has been leased to China for 99 years for debt? December 21, 2019

9. South Asia Voice: How South Asia plays the BRI balancing game, 21/05/2019

10. ORF: Maldives: India catching up on tourism, China will still remain a monumental development partner, 24/07/2019.