

# Rethinking India's Approach to China's Belt and Road Initiative

ZORAWAR DAULET SINGH

The second Belt and Road Forum for International Cooperation in April 2019 witnessed a transformed discourse on China's grand connectivity initiative. Evoking an agreeable geo-economic vision, the joint communique spoke of "extensive consultation," "green," "people-centred and sustainable development" as well as "high quality, sustainable infrastructure" that is "inclusive and broadly beneficial" (Belt and Road Forum 2019a). There is little doubt that China viewed the forum as a platform to exude more responsive and multilateral norms, with Xi Jinping himself acknowledging some of the problems with the initiative. There are three broader trends that might have convinced Beijing that the time was ripe for an adjustment.

To begin with, China has faced a growing tide of criticism against its ambitious connectivity plans in recent years, particularly from India and more advanced Western economies. Some of it is not without basis, as the Belt and Road Initiative (BRI) has faced problems ranging from cost overruns to allegations of corruption and lack of transparency in the conception of projects. Nevertheless, Western propaganda had reached a fever pitch that was complicating the pursuit of the initiative.

Second, contrary to the exaggerated image of Chinese banks sweeping vulnerable states into the orbit of an empire, Beijing has discovered that some of the states where the BRI is finding traction have accumulated massive Western debt over the years and with few avenues to access affordable credit. Such precarious economies view the BRI as a lifeline to recover their macroeconomic stability, often by servicing older Western debt through Chinese loans. Yet, being saddled with a portfolio of white elephants along the Silk Road is not the role China envisioned for its flagship initiative. Moreover, as

economist Yasheng Huang cautions, "BRI's massive scale, coupled with the lack of profitability of China's state sector, means that projects under the scheme may need substantial support from Chinese banks" (Huang 2019). Unsurprisingly, China seeks to hedge its bets by cooperating with established players such as the Asian Development Bank, World Bank, and the International Monetary Fund, as well as private lenders, who some Chinese policymakers believe "should be the mainstay" for project finance (Wong and Areddy 2019).

Third, stabilising the global economic landscape and creating a conducive environment for Chinese capital and companies to flourish in non-Western economies is now vital for China's continued growth. Prolonged trade tensions with Washington have convinced Beijing that a successful BRI is more necessary than it was two years ago. Chinese foreign direct investment to the United States (US) plummeted by 80% in 2018 (Baker McKenzie 2019), exemplifying rising walls in the West for Chinese capital. Since the Donald Trump administration imposed the first round of tariffs in 2018, China's exports to the US have declined by 12% (Giles 2019). In contrast, China's annual trade with BRI member countries is now over \$1.3 trillion and growing at 16% (*Xinhua* 2019), a pace faster than China's overall external commerce. American protectionism against mainland China's exports is also increasing the importance of other Asian locales towards whom trade is being diverted (towards the US) and which could host some of China's manufacturing industries. The BRI is one of the ways of creating new global value chains and deepening South–south interdependence.

In short, the BRI remains a vital endeavour for China's continued economic transformation and stability, but it also needs

other actors to share the risks of this grand initiative.

## India and BRI 2.0

Even before the Narendra Modi government had settled into its second term, the strategic community kick-started a conversation to review India's attitude to the BRI. Looking back, India's May 2017 position on the BRI was conceived in a very different context of intense competition in India–China relations. India's reasons extended beyond sovereignty concerns, on the China–Pakistan Economic Corridor (CPEC) passing through Pakistan-occupied Kashmir, to a blanket opposition to the entire venture. A thaw, if not a reset, since April 2018 offers both countries the opportunity to dovetail their connectivity visions and engage in a less prejudiced dialogue where overlapping interests can be perceived more objectively. As one senior official remarked, "India's [future] attitude to [BRI] has to be set in the larger picture of the relationship with China, which combines a strong economic partnership with major strategic challenges, further complicated by the global geopolitical flux" (Raghavan 2019).

India's debate is also occurring against the backdrop of new evidence on the BRI. Researchers have begun questioning the simplistic assessment of the BRI as a "debt-trap." Not only has little empirical evidence been discovered of Chinese banks "deliberately over-lending or funding loss-making projects to secure strategic advantages for China" (Brautigam 2019a, 2019b), in Latin America and Africa, research suggests that Chinese finance has not pushed borrowing countries "over the debt sustainability thresholds established by the IMF" (Ray and Wang 2019). Assuming a two-decade horizon, "an \$8 trillion investment program for BRI countries would amount to less than 1.5% of GDP per annum, and about 2.5% excluding China" (Hurley et al 2018: 5). Even the infamous case of Hambantota, a Sri Lankan port that slipped into China's hands after its commercial viability never materialised, is now seen as an outlier rather than the trend. Around 90% of Colombo's foreign debt is still held by

non-Chinese creditors (Weerakoon and Jayasuriya 2019).

India's main concern has been that the BRI is designed to stamp China's geopolitical dominance. Some argue that such a fear might be misplaced for "all great infrastructure and connectivity ventures—throughout history—have altered the prevailing geo-economic matrix, and hence the resulting geopolitical balance. While the geopolitical effects are short-lived, the geo-economic benefits survive over time" (Bhoothalingam 2019). Or, put simply, new trading linkages eventually trump geopolitics. But, it is still worth introspecting as to what extent the BRI has actually eroded India's influence or destabilised South Asia.

If we dispassionately notice the region's rhetoric, what stands out is a similar discourse being espoused by most of the smaller South Asian states. Nearly all of India's neighbours have expressed a preference for: non-alignment or strategic autonomy as a guiding principle in their foreign relations; multidirectional economic engagement with India, China, us, Japan, and other powers; and, sensitivity towards India, including publicly disavowing any move towards offering military facilities or bases to external powers and, thus, reassuring India on its vital interests. As one study recently observed, subcontinental states "largely still see India as the dominant power in South Asia, suggesting that Chinese economic activity, while welcome, will not necessarily translate into major military or strategic gains" (Samaranayake 2019: 3–4). Obviously, South Asian states have their own agency and are able to juggle foreign policies that are deferential to core Indian interests while engaging China.

### Order-building in the Subcontinent

It is widely recognised that an under-resourced and incoherent policy setting stifles India's ability to offer quality and time-bound regional infrastructure projects. Yet, overcoming such structural problems has been an elusive exercise because they are linked to a highly distorted political economy that lacks the industrial–technological repertoire and surplus finance capital of East Asian economies. The result is for all to see: merely

5% of South Asian trade is intra-regional and investment flows within the subcontinent constitute less than 1% of total investment in the region. Such a fragmented subregion with the barest forms of socio-economic interdependence is an unacceptable reality given the transformations that have occurred elsewhere in Asia.

In the meanwhile, dissuading China from altering the economic landscape is a self-defeating policy because a veto—to the limited extent that India can continue to play a spoiler's role—does little to advance India's lofty vision for the subcontinent. Instead, the aim, as underscored in India's own critique of the BRI 1.0, should be to espouse a set of norms that encourage a range of projects. Public diplomacy and Track 2 dialogues that attempt to socialise India's neighbours in more astute project choices and assessments must be part of the policy response. But, India also needs to pro-actively pursue joint ventures with Chinese companies and establish broader linkages and common standards between otherwise disparate projects in the subcontinent; in other words, prioritising ambitious order-building over the chimera of a sphere of influence.

An illustration of strategically leveraging the BRI is Russia's proposal, made at the April 2019 BRI forum and subsequently endorsed by Xi Jinping, of linking the Northern Sea Passage to China's "Polar Silk Road." This was followed by a Russia–China joint venture to provide year-round liquefied natural gas (LNG) transportation capabilities in the Arctic. For sometime now, Russia has been seeking to develop the northern shipping route to connect Europe with North East and South East Asia. For its part, China "is actively looking to both improve supply chains and shipping routes to Europe, and reduce the costs in doing so" (Devonshire-Ellis 2019). Beijing is also looking for reliable access to Russian energy resources. But, most crucially, what China seeks is a shorter geo-economic connection to Western Eurasia that is beyond the reach of the US navy. Just as Russia is drawing Chinese capital to develop new infrastructure and commercialise its maritime periphery in ways that would also be advantageous to China and to much of East Asia, India

too must draw lessons from such types of cooperation.

China's "Malacca dilemma" is generally recognised as an important motive for the BRI's manifestation in the CPEC and China–Myanmar Economic Corridor that aim to shorten lines of communication between mainland China, and South West Asia and Africa. India as the key regional power in this transit space can enable China to pursue its maritime interests, while drawing Chinese investment in strategically identified port and transport infrastructure sectors in the South Asian littoral. This would allow the subcontinent to recover its historical role as a fulcrum of Eurasia. After all, just like a millennia ago, India's wealth and power will ultimately derive from South Asia's ability to tap into the overland and maritime geo-economic links between West Asia and Africa on the one hand, and East Asia and mainland China on the other.

India's position on the CPEC, as a former foreign secretary suggests, "should not exclude working together with China on projects where there is mutual benefit and benefit to a third partner country." India's plans for the International North–South Transport Corridor through Iran "can link up most usefully with the Eurasian transport corridor which China is developing." India's plan to link its North East region with South East Asia—the trilateral highway through Myanmar and into Thailand—"could also be integrated with the north–south rail and road links which are joining southern China to the countries of Indo–China and beyond, with Mandalay as a nodal point" (Saran 2019). According to the World Bank, "BRI transport projects are estimated to increase trade by between 2.8 and 9.7 percent for corridor economies" (Ruta et al 2019). In short, it makes little sense for interregional connectivity routes to remain disconnected with each other as they collectively advance economic interdependence.

China's infrastructure projects could also increase South Asia's internal connectivity. Much of the viability of logistical networks and energy projects is linked with India's economy and access to its large market. For example, hydropower projects developed by China with India as the main eventual market could be a form of

trilateral cooperation. Another instance is projects that increase interdependence between India and its neighbours, such as the Chinese-constructed terminal at the Chittagong port, which buttressed India–Bangladesh coastal shipping cooperation (Samaranayake 2019: 13). What has been absent in Indian policy is the conceiving of creative ways of collaboration with the BRI in the immediate and extended neighbourhood to transform the region's economic geography, presumably one of the grand strategic tasks for any Indian leadership.

Although typically associated with transport connectivity, the BRI has forayed into new areas, particularly in the subcontinent. Nearly all the agreements (13 bilateral and 16 multilateral) with Myanmar, Bangladesh, Sri Lanka, Nepal, and Pakistan at the second BRI forum relate to agriculture, rural development, renewable energy, green development, disaster reduction, and science (Deepak 2019; Belt and Road Forum 2019b). What has gone unnoticed is the BRI's contribution to human capital development and technical knowledge in the global South, formerly an exclusive preserve of the West. Since the BRI's launch in 2013, the Chinese Academy of Sciences (CAS) has invested \$270 million on five research and development (R&D) facilities in China and nine in BRI partner countries in South Asia, South East Asia, South America, and Africa. The CAS has trained 5,000 students from BRI countries in science and technology courses as well as 200 PhD students each year. In 2017, nearly 40,000 students from BRI countries studied in China on the Silk Road scholarship programme, accounting for two-thirds of all Chinese scholarships (Office of the Leading Group for Promoting the BRI 2019; CAS 2019).

For one, "India should look at the possibilities of s&t cooperation with China in areas of interest using the BRI platform" (Saran 2019). Delhi could leverage the BRI to establish a regional platform for joint scientific research—a public good—as a means to transform the quality of human capital in the neighbourhood. Today, for example, "mixed Chinese-Pakistani faculty" are undertaking joint research as well as offering advanced degrees in "artificial intelligence, food technology, mineral

resources and railways" in Pakistani universities (Masood 2019). Indians and Chinese co-teaching courses for students across the subcontinent would enable India's neighbours to absorb and sustain high-quality investment in a variety of sectors like manufacturing, agriculture, and ecological protection, evaluate environmental risks of large infrastructure projects, and enhance water and disaster management. This would be another intelligent way to embed China into a common developmental agenda for the subcontinent.

There is a quixotic belief in India that a period of sustained economic growth will by itself restore Indian authority in the subcontinent. This is delusional because India's growth is, for the most part, not being accompanied by innovative institutions, scientific and industrial heft, or the socialisation strategies that rising powers have historically relied upon to cohere their regions. China's presence is a reality that cannot be wished away or held at bay through India's negative veto power over its neighbours who, albeit in a clear-eyed fashion, are deepening their geo-economic links with Beijing. Shaping this changing setting would require India to exercise leadership in more imaginative ways, recognise its domestic weaknesses, be attentive to its neighbours' desire for a better life, and tap into China's strengths.

Above all, India's policy debate must shift away from an ideological and overly securitised posture to China's geo-economic involvement, and towards an order-building approach where regional modernisation becomes the heart of India's geo-strategy. Multilateralising China's engagement through a subcontinent-wide network of norms is more likely to convert the BRI into an advantageous proposition rather than a purely competitive approach that disappoints India's recipients with her feeble outcomes, and frees China to pursue ad hoc bilateral deals with little concern for the regional political economy. Over time, a sophisticated approach propelled by bilateral and multilateral projects, including partnerships between Indian and Chinese firms, and establishing sub-regional manufacturing zones and industrial parks—all driven by an overarching vision for an open and interdependent subcontinent—will be the shrewdest

response to changing the way the BRI is operationalised in the region.

Zorawar Daulet Singh ([zorawar.dauletsingh@gmail.com](mailto:zorawar.dauletsingh@gmail.com)) is a fellow at the Centre for Policy Research and the author of *Power and Diplomacy: India's Foreign Policies during the Cold War*.

#### REFERENCES

- Baker McKenzie (2019): "Chinese FDI into North America and Europe in 2018 Falls 73% to Six-Year Low of \$30 Billion," 14 January, <https://www.bakermckenzie.com/en/newsroom/2019/01/chinese-fdi>.
- Belt and Road Forum (2019a): "Joint Communiqué of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation," 27 April, <http://www.beltandroadforum.org/english/m100/2019/0427/c36-1311.html>.
- (2019b): "List of Deliverables of the Second Belt and Road Forum for International Cooperation," 27 April, <http://www.beltandroadforum.org/english/m100/2019/0427/c36-1312.html>.
- Bhoothalingam, Ravi (2019): "India and China's Belt and Road Initiative: A Turning Point?" *Wire*, 10 May.
- (2019a): "Is China the World's Loan Shark?" *New York Times*, 26 April.
- Brautigam, Deborah (2019b): "Misdiagnosing the Chinese Infrastructure Push," *American Interest*, 4 April.
- CAS (2019): "Chinese Sciences Academy Provides 268 million Dollars for BRI Projects," Chinese Academy of Sciences, Beijing, 19 April, [http://english.cas.cn/newsroom/news/201904/t20190419\\_208623.shtml](http://english.cas.cn/newsroom/news/201904/t20190419_208623.shtml).
- Deepak, B R (2019): "It's Time for India to Rethink Its Position on BRI," *China-India Review*, Vol 31, No 4, pp 31–39.
- Devonshire-Ellis, Chris (2019): "EAEU and China Agree on 'Ice Silk Road,'" 10 May, <http://greater-europe.org/archives/6891>.
- Giles, Chris (2019): "Escalating Trade Wars Chill International Commerce," *Financial Times*, 28 May.
- Huang, Yasheng (2019): "Can the Belt and Road Become a Trap for China?" *Project Syndicate*, 22 May.
- Hurley, John, Scott Morris and Gailyn Portelance (2018): "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," Policy Paper 121, Center for Global Development, March.
- Masood, Ehsan (2019): "South Asia's Pivot towards China," *Nature*, Vol 569, No 7754, pp 24–27.
- Office of the Leading Group for Promoting the BRI (2019): "The Belt and Road Initiative: Progress, Contributions and Prospects" Belt and Road Portal, 22 April, <https://eng.yidaiyilu.gov.cn/zchj/qwfb/86739.htm>.
- Raghavan, P S (2019): "An Image Makeover of the Belt and Road Initiative," *Hindu*, 4 May.
- Ray, Rebecca and Kehan Wang (2019): "China–Latin America Economic Bulletin, 2019 Edition," Global Development Policy Center, Boston University.
- Ruta, Michele, Matias Herrera Dappe, Somik Lal and Chunlin Zhang (2019): *Belt and Road Economics: Opportunities and Risks of Transport Corridors*, Washington, DC: World Bank, <https://openknowledge.worldbank.org/handle/10986/31878>.
- Samaranayake, Nilanthi (2019): "China's Engagement with Smaller South Asian Countries," Special Report No 446, United States Institute of Peace, April.
- Saran, Shyam (2019): "China's Emergence as a Scientific Power," *Business Standard*, 7 May.
- Weerakoon, Dushni and Sisira Jayasuriya (2019): "Sri Lanka's Debt Problem Isn't Made in China," 28 February, <https://www.easiaforum.org/2019/02/28/sri-lankas-debt-problem-isnt-made-in-china/>.
- Wong, Chun Han and James T Aredy (2019): "Beijing Appeals for Foreign Funds in Belt-and-Road Adjustment," *Wall Street Journal*, 26 April.
- Xinhua (2019): "Annual Trade between China, B&R Countries Reaches 1.3 Trln USD," 24 January, [http://www.xinhuanet.com/english/2019-01/24/c\\_137771613.htm](http://www.xinhuanet.com/english/2019-01/24/c_137771613.htm).