

# China's Belt and Road Initiative: Looking Through Indian Lens

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## Abstract

**Purpose:** The purpose of this paper is to discuss China's Belt and Road Initiative with respect to its constituents, rationale, implications and challenges and also, to deliberate on India's response to the initiative. **Design/Methodology/Approach:** The research article discusses several aspects of Belt and Road Initiative on the basis of existing literature published on the topic. **Findings:** Though the BRI spells out China's economic, geopolitical and strategic ambitions, it has multi-pronged objectives. India has its own set of valid reasons for non-participation in the BRI. However, it is now time for India to have a relook at the BRI projects which bring in mutual gains to participant countries. **Research Limitations:** The research article is based on literature review, which may also be complemented by other methods of qualitative studies. **Practical Implications:** Considering that the BRI has been evolving in its objectives and geographic scope, the article proposes that India may benefit from it by having a fresh look on its stand. **Originality/Value:** The research article discusses several aspects of the BRI and more importantly, presents India's stand on the BRI.

**Keywords:** The Belt and Road Initiative, The Silk Road Economic Belt, The Maritime Silk Road, India, China, Partnering Countries

## 1 Introduction

The phrase "History repeats itself" is so very appropriate when China's Belt and Road Initiative (BRI) is looked upon as an attempt to revive the ancient Eurasian Silk Road. BRI is China's ambitious initiative to link countries in Asia, Europe and Africa to promote trade, investment and economic development through modern means of transportation. It is perceived as 'the second wave of Chinese overseas investments' or a renewed version of China's 'Going Out' policy or Chinese version of 'Marshall's Plan or as a major element of China's foreign policy. Callahan (2016) opines that the BRI marks a shift in China's foreign policy towards its immediate neighbors in Asia, drifting its erstwhile focus on the USA and Europe while a few others look at it as a new orientation

to balance China's relations with Asia, Europe, Africa and the USA as well.

It had many nomenclatures such as 'One Belt One Road (OBOR), the Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road. It urges Chinese businesses and industries to intensify internationalization through outward foreign direct investments. It is expected to affect the lives of 63 percent of the world's population (i.e., 4.4 billion) across more than 60 countries (Amighini, 2017) and involves a 40 billion dollar Silk Road Fund supported by Asian Infrastructure Investment Bank and BRICS Bank (Fallon, 2015). Xi Jinping announced the Silk Road Economic Belt during at the Nazarbayev University on September 7, 2013 during his visit to Kazakhstan, while the New Maritime Silk Road was declared by him on October 3, 2013 during his visit to Indonesia.

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OBOR is the brainchild of Chinese president Xi Jinping to improve connectivity and cooperation among all member nations. The project is given in two parts - 1. Silk Road economic belt, 2. 21<sup>st</sup> century Maritime silk road. Ever since its announcement by China's President Xi Jinping in September 2013, BRI has experienced a lot of public debate and aroused a great degree of political and academic interest. Now, Mr. Jinping claims that BRI is 'the project of Century' (The Economist). Beijing plans to invest around US \$600 to 800 billion in the OBOR/BRI across next 5 years (The Economic Times, 2017). Given the enormity of magnitude and potential impact of BRI, a few questions arise. These are: Q1. What is the rationale for launching this project? Q2. What is the scope of BRI as it seems to be evolving with time? Q3. What would be its implications for China and other partnering countries? Q4. Being a non-participant country, what is India's stand on BRI and reasons for the same?

Accordingly, this article is organized in the following way: The next section deliberates on the spoken and unspoken rationale of BRI. The second section discusses constituents and regional coverage of BRI which seems to be expanding with time. Post this, the article comments about the implications of BRI to China and key participating countries. India is one of strongest Asian economies. However, it has refrained from joining BRI. This article looks into the plausible reasons for the same and alternatives resorted to the BRI. Also, the long-term impact of this decision on Indian economy is discussed.

## 2. Rationale

It is imperative to study the rationale behind the BRI as spelt out by the official agencies of China. According to an official document, titled 'Vision and action on jointly building Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road', published by the Ministry of Foreign Affairs and the Ministry of Commerce of the People's Republic of China (PRC), BRI has following objectives:

- To promote connectivity across Asian, European and African continents and seas adjacent to them.
- To establish and strengthen partnerships across countries along the BRI areas.
- To set-up connectivity networks.
- To tap market potential in this region by promoting consumption and creating demand.
- To promote investments and job creation.

The document points out that BRI is not only about infrastructure development, but also speaks about cultural exchanges, people to people bond, and contribution to peace, economic development and betterment of mankind. It largely draws from the five Principles of Peaceful Coexistence of the UN Charter.

However, the objectives of the BRI are an area of controversy. For instance, Amighini (2017) points out that BRI is China's ambitious strategy to fulfill its security and military aspirations, often being compared with Marshall Plan and therefore, considered to be a threat to western hegemony. It is also looked upon as China's new economic strategy to connect its domestic markets with the global markets or as China's new diplomacy to strengthen its foreign relations with BRI region countries.

Chaisse and Matsushita (2018) wrote about China's four-fold motive of BRI, which are as follows:

- Internationalization of Chinese currency.
- Effective utilization of forex reserves.
- Reducing excess production capacity in China in Steel, Cement, machines and other capital goods.
- Development of China's Western Provinces.

It is also seen as a strategy for promoting overseas investment of Chinese companies particularly in the BRI countries (Du and Zhang, 2018).

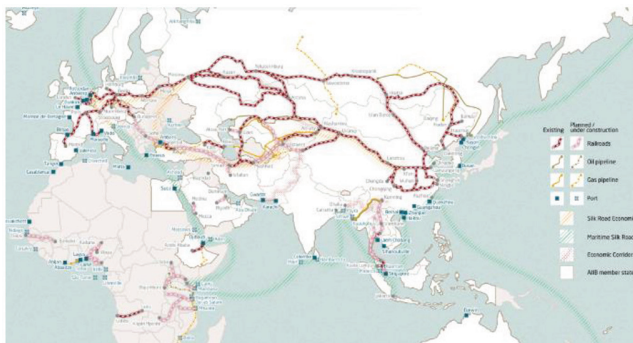
More importantly, these authors identify securing resource security as a crucial trigger as China is importer of copper, iron from African countries and oil and liquefied gas from the Arabian Peninsula which is threatened by piracy in Strait of Hormuz, the Gulf of Eden, the Strait of Malacca and the South China Sea. Moreover, the U.S. Navy has its presence in the Indian and Pacific oceans. It is also seen as an attempt by China to diversify its exports by reaching out to new markets in the light of raising protectionism and immigration restrictions in the USA and sluggish growth in the EU. The Economist (2018) talks about China's intention to strengthen Central Asian countries such as Tajikistan, Kyrgyzstan, Kazakhstan by preventing them from becoming hotbeds of Islamic terrorism.

By connecting the less developed borders of areas like Xinjiang with other countries, China expects a further surge in its economic activity. OBOR will also open up and create new markets for Chinese goods. Thus, it is evident that the BRI has a multi-pronged objective

though it largely represents China's economic, diplomatic and geopolitical interests.

### 3. Area and Framework of BRI

The BRI has a complex geography as it is much more encompassing than the original ancient route. It includes two separate routes: The Silk Road Economic Belt (SREB) and the Maritime Silk Road. The SREB, the overland part of BRI, brings together China, Central Asia, Russia and Europe connecting China to the Persian Gulf and Mediterranean Sea through Central Asia and West Asia and also with South and Southeast Asia and Indian Ocean (PRC, 2015). The Maritime Silk Road also has two routes: one starts from China's coast to Europe through South China Sea and Indian Ocean and the second from South China Sea to the South Pacific (Figure 1). There are six economic corridors proposed as a part of the land initiative with each one in some stage of planning or construction. These are: The Eurasian Land Bridge, China-Mangolia-Russia corridor, China-Central China-Western China corridor, China-IndoChina Peninsula corridor, China Pakistan corridor and Bangladesh-China-India-Myanmar corridor. These corridors would leverage existing international transport routes, core cities and key industrial parks along the belt and road. There is certain ambiguity as China claims that BRI is open to all economies across the globe. Moreover, it also speaks about Pacific Silk Road, Silk Road on Ice crossing through the Arctic Ocean and a digital silk road through cyberspace. Thus, it is difficult to chalk out the geographic scope of BRI.



Source: Mercator Institute for China Studies (2018)

**Figure 1.** The belt and road region.

## 4. Economic Implications of BRI for China and Partnering Countries

The BRI is expected to bring in strong economic gains for China through multiple channels. Firstly, with ex-reserves of US \$ 3.5 trillion, China can support infrastructure development in BRI countries which otherwise are unable to finance their infrastructure demand at mega scale. Consequently, many Asian countries have been eager to gain financial support from AIIB. This in turn will help China strengthen its bilateral trade and economic integration with Asian economies.

Secondly, Chinese companies are also expected to spread their operations globally and gain higher profits. They would be backed up under the BRI through strong incentives to invest their capital in the BRI regions. This will definitely spur economic growth of China (Yu 2015).

Thirdly, the BRI would provide China access to new export markets, wherein China can realize demand for its enormous construction capacity and manufactured goods such as iron, steel, cement, aluminum, flat panel glass, port and ship building etc.

Fourthly, China intends to speed up the growth of its land-locked western regions such as Xinjiang and Yunnan by improving inter-regional connectivity and enabling direct access to port facilities in neighboring areas.

Thus, for China, the BRI is seen as an instrument for promoting national economic development; enhancing and safeguarding access to natural resources; supporting domestic industries or relieving overcapacity in certain capital goods and construction oriented industrial sectors. It would also serve as a major source of China's economic reform process (Swaine 2015). Simply put, for China, the BRI is a means to fulfill its objectives of unimpeded trade and financial integration, thereby linked with China's 13<sup>th</sup> Five Year Plan (2016-2020) and guides national investment strategy (Swaine 2015).

The BRI offers definite economic gains for partnering countries as they would have access to finance and expertise essential for infrastructure development. However, The Economist dated July 26, 2018 warns the citizens of countries hosting BRI project about the neglect of human rights or corruption-related issues usually associated with large infrastructure projects. The BRI projects tend to employ a large number of Chinese labour, thus, questioning the job creation potential of

the BRI projects. It also cautions about the increase in debt incurred by partnering countries due to such large projects, giving China a strategic upper hand or hold over these countries and threatening their own sovereignty. We have Sri Lanka and Myanmar as appropriate examples here.

## 5. India and the BRI

India and China share a peculiar relationship. India has concerns about China due to the 1962 war, China's economic, military and political support to Pakistan, border disputes including the recent one at Doklam in 2017. While on the other hand, China is India's largest bilateral trade partner and both countries are members of BRICS, the Shanghai Cooperation Organization (SCO) (Wagner & Tripathi, 2018).

The success of BRI largely depends upon addressing the concerns raised by major powers such as India, the USA, Russia and the Europe (Yu H, 2017). India declined to participate in the BRI by not participating in the 'Silk Road Summit for International Cooperation' organized in China, May 2017. Even USA has shown its reservation on how the financing for the required infrastructure are conceived and implemented. The USA has mentioned that the financing structure of OBOR may compromise on the sovereignty of the nations where these infrastructure projects are carried out (The Economic Times, 2018). It has following two strong objections to the BRI:

1. China-Pakistan Economic Corridor (CPEC), which consists of a series of railways, highways and energy projects. An important element of this corridor is development of Gwadar as a deep-water port valued at US \$ 50 bn. India looks at CPEC as China's backing to Pakistan's illegal occupation of Pakistan Occupied Kashmir.
2. China's naval presence and construction of ports and pipelines in the Indian Ocean since India has 13 major ports and an exclusive economic zone of 2.4 million sq. miles in the Indian Ocean. It is also dependent on the Indian Ocean for its fish resources and more importantly, 95 percent of its trade by volume and 68 percent by value moves through the Indian Ocean (Ahmad, 2018).
3. China's claim to Arunachal Pradesh is also a major concern for India. After boycott of BRI, there was a

72 - days standoff at the Doklam plateau bordering India, China and Bhutan (The Diplomat, 2019).

Alternatively, India has been exploring alternatives to the BRI. For instance, Mausam project introduced in 2014 or SAGAR (Security and Growth for All in the Region) in 2015. Similarly, India proposed Asia-Africa Growth Corridors (AAGC) with the help of Japan. It aims at setting up free and open Indo-Pacific region by rediscovering ancient sea-route and creating new sea corridors linking the African continent with India and countries in South Asia and South East Asia.

India has boycotted Belt and Road Forum (BRF) hosted by China in 2017, citing the concern over China-Pakistan Economic corridor project. This project passes through India claimed but Pakistan administered parts of Kashmir raising concerns raised by Indian authorities. India continued its stance on Second BRF hosted by China in Beijing on April, 2019, thereby reinforcing their strategic concerns. India has also raised its objection on the ground that this project will push other countries involved towards a debt trap (The Economic Times, 2019). There is a question mark about Chinese transparency. Apart from this, India cannot overlook another major concern that this project will establish the Chinese domination over the communication and oil supplies in the Indian Ocean. This a looming threat not only on India but also on several countries such as USA, Japan, Indonesia, Malaysia, Vietnam and South Korea (The Hindu, 2019). As such India has less to loose from boycotting from OBOR. The investment in India from China has not declined even after the boycott.

However, another set of people maintains that there are also economic gains if India decides to take a fresh look at the BRI or adopt a flexible posture. India, as compared to China, has lesser political, economic and military resources to implement its foreign policy initiatives (Wagner & Tripathi, 2018). For the development of its North Eastern states, India should relook at BCIM, a sub-regional cooperation, which is also seen as a precursor of the BRI. BCIM proposes to link India's North Eastern states with Bangladesh, China and Myanmar. The BCIM economic corridor can become a thriving economic corridor with a focus on cross border transport, energy and telecommunication networks.



## 6. Conclusion

The BRI has gained international acceptance and could be a growth trigger for many economies across Asia. Though India has its own valid reasons for non-participation in the BRI, there could also be significant economic gains for it from participation in the BRI. India can take a flexible stand which could be specific to the BRI projects. Rather than continuing a rigid stand, it can negotiate its terms and conditions suitable to them. Amidst all this, India and China continue to cooperate in multiple Chinese projects and other investment mutually. In fact, Chinese investments in India have rapidly increased since 2014 (The Diplomat, 2019). Thus, it remains a fact that both countries are an important strategic partner and should continue on their bilateral discussion on their concerns. A mutually trusted and acceptable way should be explored to bring forth a long term sustainable relationship between them. OBOP can be a success if it can be pursued in a more transparent and market driven discussion in a responsible manner.

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