Article

Belt and Road at the Cross-Roads: Imperial Ambitions and Blowback

Sujit Dutta

Abstract

China's plan to construct the continental Economic Belt across Eurasia and a Maritime Silk Road that extends through the Pacific and the Indian Oceans under the Belt and Road Initiative (the BRI), has over the past eight years expanded to nearly 70 countries. Under the plan China has been engaged in providing large loans for connecting and integrating these countries with China's economy through cross-border roads, railways, ports, digital networks and space-based satellite communications. It is the clearest expression of China's grand strategy to create a China-centric Eurasian and Indo-Pacific order, with a new set of governance norms, institutions, technical standards, and politico-economic architecture. The plan also entails the internationalisation of the Renminbi and sustains China dominated global supply chains. The BRI is aimed to advance China's economic, political and security interests. It is paving the way for the PLA to extend its regional and global presence to protect growing Chinese interests and assets abroad. It has the potential to expand China's strategic space on land and the seas far beyond its borders. The plan, however, is facing growing criticism and opposition for its lack of transparency, imposing unsustainable debt burdens on fragile economies, and replicating a neo-colonial strategy. While Chinese loans are proposed to meet infrastructural needs in the developing world, a series of Chinese dependencies are being created with wide strategic ramifications.

In 2013, China's newly appointed all-in-one authoritarian ruler[1] Xi Jinping, unveiled his ambitious 'One Belt, One Road'(OBOR) plan as his signature foreign policy initiative. In two major speeches in 2013, Xi outlined his vision for a continental Silk Road Economic Belt and the Maritime Silk Road (MSR) – the first in Astana in Central Asia focusing on the continental dimension, and the other in Jakarta, Indonesia that outlined the plan for a Maritime Silk

Sujit Dutta is the Editor of National Security journal and a Distinguished Fellow of the VIF. He was Professor of Peace and Conflict Studies at the Jamia Millia Islamia, Central University, New Delhi, and held the M K Gandhi Chair in peace studies. He was earlier a Senior Fellow at the Institute of Defence Studies and Analyses, New Delhi.

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Road (MSR).[2] The OBOR, or the Belt and Road Initiative (BRI) as it is also called, would connect China and Asia with Europe and Africa via land and maritime networks with the aim of promoting regional integration, increasing trade and stimulating economic growth. The grand plan for building a new China-centric economic order was presented as Beijing's contribution to global development, economic growth, and governance. Xi promised to create a "community of common destiny" marked by cooperation and integration rather than old style power politics, blocs and cold war.

Under the initiative, China proposed to fund and help build roads, high-speed railway, ports, hydro and thermal power projects, digital networks across Asia, Europe and Africa to meet the rising demand for investment capital and infrastructure development. Stressing the benefits that would accrue to the partner countries, Xi told his international audience at the inaugural Belt and Road Forum in Beijing in May 2017: "In pursuing the Belt and Road Initiative, we should focus on the fundamental issue of development, release the growth potential of various countries and achieve **economic integration and interconnected development** and deliver benefits to all."[3] Xi promised to spend up to $ 1 trillion to fund BRI projects over the next decade and more.

The continental Economic Belt specifically aims to deepen China's relations with Central Asian nations and Russia through road and railways from China. Meeting China's energy needs and coordinating 'counter-terrorism' measures against Uighur opposition groups are important goals. It also seeks to integrate China's interests with those of the Russia led Eurasian Economic Union. The land bridge from China to the west is aimed at expanding rail and freight connectivity with Europe. Many of these connectivity projects are already in place. Towards the South-west and South, the China-Pakistan Economic Corridor and proposed corridors through Myanmar and Indo-China were planned to connect the continental belt with the maritime Silk Road in the Indian Ocean. On the maritime front, China has frenetically engaged in port constructions in Southeast and South Asia, expanded its territorial occupation and sea control in the South China Sea, and has enhanced its commercial and naval presence along the Indian Ocean shipping lanes up to the African east coast.

In effect, BRI has witnessed significant expansion over the past years. China is at present carrying out BRI projects in some 70 countries across the world— mostly in Eurasia, and Africa. Large lending for infrastructure projects has enabled Beijing to strengthen ties with Russia and crucial Eurasian states such as Turkey and Iran, deepened its strategic alliance with Pakistan, and helped persuade countries such as the Philippines to re-evaluate their military or diplomatic alliance with the United States. China began to develop strong ties with countries in Central Asia, and increasingly in Southern, Central and Eastern Europe. China's "16+1" framework brings together a diverse set of European countries for doing business. BRI has been producing both economic and political dividends for China.

Xi's grand initiative could not have been timed better. With the global economy battered by the financial crisis, there was an acute scarcity of large financial flows on easy terms for infrastructure development across the developing world and struggling western economies such as Greece, Italy, Portugal, Spain and the East European states. The ADB in 2019 estimated that some $ 26 trillion would be needed for infrastructure building in Asia alone till 2030, or $1.7 trillion per year, including climate change mitigation and adaptation costs. The emerging and developing economies need to spend around 5% of their GDP annually to meet this demand, according to the report.[4] China's proposal to provide loans to build substantial number of projects in road, rail, port, power and the digital sectors promised to fill part of the demand. Xi's proposal was therefore greeted with much enthusiasm by most countries. The emerging and developing economies saw in it the promise for accessing large scale infrastructure project funding while the developed countries visualised immense opportunities for their firms to secure large contracts in project consultancy, implementation, and technical and managerial know how.

However, eight years after the grand strategic plan was initially proclaimed by Xi the BRI faces an international blow-back. The United States and several Western states, as well as Japan, Australia, and India have criticised its lack of transparency, its debt financed project work that burdens low-income states with large debt that they cannot easily be repaid, the dependencies that emerge, the absence of environmental protection norms, the corruption, the bribery and the cosy relationship with political regimes that the Chinese state-owned companies establish in the host countries. In addition, the overpricing of many large projects, the absence of competitive bidding, the large-scale import of Chinese labour, machinery and material that undermine local job opportunities and manufacturing, and Chinese control for decades – from 30 to 99 years –over strategic assets, hubs and locations. Moreover, Chinese loans come with the unstated but important understanding that the recipient countries would back China's 'core interests' and support it diplomatically at international forums such as the UN and its agencies. Chinese project loans and credits have also been the principal source for influencing several of the small states in the South Pacific, Africa and the Caribbean to shift their diplomatic recognition from Taiwan to Beijing.

This paper assesses the BRI's aims, its operating terms, and overall politico-security impact based on fresh data that has become available in several recent studies. It thereafter briefly evaluates the development of the BRI in Southern Asia and its strategic implications.

Finally, it discusses the increasingly coordinated efforts by countries adversely affected by the BRI to contest China's grand design to dominate Asia and the Indo-Pacific. It argues that BRI is the clearest expression of China's grand strategy to create a China-centric Eurasian and Indo-Pacific order, with a new set of governance norms, institutions, technical standards, and politico-economic architecture. The plan also entails the internationalisation of the Renminbi and China dominated global supply chains. Finally, it integrates China's economic, political and security interests in a civil- military compact. A series of Chinese dependencies and hegemony are the inevitable result of this neo-imperial plan.

Drivers and Evolution

The initial scope of the BRI, as indicated in Xi Jinping's 2013 speeches, was focused on expanding trade, economic, and political ties with China's neighbouring states—China's vast immediate 'periphery'. By the time the first BRI forum was convened in 2017, the vision had significantly expanded beyond its 'wider periphery' and had become a global plan. The Communist Party strategists had begun to work on the Silk Road Economic Belt idea in the final years of the Hu Jintao leadership, and many of the regional connectivity projects were already taking shape-- Xi inherited them. It was given its initial shape in the months after Xi became the Party General Secretary in 2012 as a strategic response to the Obama Administration's 'pivot to Asia' policy. However, the factors driving the enunciation of the strategy were diverse. It was required to be a grand strategy that would comprehensively address China's domestic economic challenges while simultaneously advancing its politico-economic and security interests.[5] Underpinning it were three drivers that were shaping China's emerging relationship with the world: One, a rising surplus of capital, labour and industrial production capacities such as steel, cement, construction materials, power generating equipment, and engineering capacities that needed to be productively exported to new markets as global and Chinese growth and exports began to falter and stagnate. Two, the need to open and develop new markets for sustaining exports, deploy its large foreign reserves, as well as source vital resources such as oil, gas, minerals, that could be securely accessed by China. Three, the need to put all that together under a policy that would secure not only China and its immediate and wider periphery but also the cross-border roads, railways and critical supply chains and markets, from possible disruption by the United States and other potential rivals. The BRI would help build a broad economic and security zone surrounding China, spread across Eurasia and the Indo-Pacific.

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The BRI strategy brought together several important strands that were developing under President Jiang Zemin in Chinese domestic and foreign policy in the 1990s as the Cold War ended and the Soviet Union disintegrated. Expansion of trade, economic and political ties with neighbouring states – the periphery – became important to China's emerging security and economic policy by the late 1990s. Economic, diplomatic and security ties with the neighbours were to be comprehensively improved by either resolving or 'setting aside differences' as Deng Xiaoping had suggested. The engagement would also simultaneously promote trade-led economic growth in the land-locked border provinces in the west and south-west such as Yunnan, Xinjiang, Tibet, Inner Mongolia that were falling behind the rapidly growing Chinese coastal provinces. The idea was developed through its 'new periphery policy', 'western development strategy', `go out', 'going global' policy, and the subsequent 'march west' policy that were enunciated during former leaders – Jiang Zemin and Hu Jintao. They led to expansion of trade and Chinese state-owned and private companies entering and enlarging their operations in Southeast Asian, South, Central Asian, and African markets. China's trade-led cross border development and security strategy was already becoming pan-Eurasian and global. Mohan Malik in his study on the evolution of the idea of a corridor through Myanmar observes: 'Under President Hu Jintao, Beijing began to plan and spend large amounts on building trade and economic corridors with highways, railways, oil and gas pipelines with Central, Southwest and Southeast Asia to underdeveloped central and western regions and to help Chinese companies go global'.[6] China had already announced some of the connectivity proposals in South and Southeast Asia, including the proposal for a Bangladesh-China-India-Myanmar (BCIM) corridor in 1999 and the Gwadar port in Pakistan in 2008. The BRI, therefore, carries forward a well-considered economic and strategic plan that was being developed over a decade by successive Chinese leaderships, policy makers and think tanks before Xi made it his signature foreign policy initiative in 2013.

However, Xi Jinping's rise in Chinese leadership is marked by a distinct change in Chinese stance towards the world and the United States that also gives the BRI its specific expansive strategic character. To the Chinese leadership, the global financial crisis that began in the United States in 2007-08 had revealed an America that seemed unable to fix its internal problems and was in decline. Together with the simultaneous rapid rise of China and its ability to deal with internal challenges firmly meant that the historic moment had arrived to move from Deng Xiaoping's moderate line advising China to 'keep a low profile and bide your time' to seizing the moment and 'striving for achievement'.[7] In fact, writings on the need to think big about the emerging role of China in the global order and assert itself were in circulation for several years before Xi rose to power.[8] The BRI, was rooted in a vision that would not only safeguarding its economic and security interests, but also enable China to catch up with the US and become the leading global power under the firm guidance of the Communist Party. There was a hint of this coming transformation in thinking in Xi's first major speech delivered in November 2012 that called for China's rejuvenation as his 'China dream'.[9] But it was spelt out most clearly in his 19th Party Congress speech on 18th October 2017: "It is time for us to take centre stage in the world and to make a greater contribution to humankind," he said.[10] China was "standing tall and firm in the east". A "flourishing" economic model of socialism with Chinese characteristics offered a "new choice" for the developing world.' China, he said was in a 'period of strategic opportunity'.[11] The next day the Chinese Foreign Minister Wang Yi asserted; that China had now "become the most active and positive force in global governance".[12] Only a few months earlier – in May—Xi had formally presented the BRI to the world.

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BRI under Xi is underpinned by both a domestic accumulation problem that needs to be addressed as well as a pronounced confidence that China can do it and is well on its way to become the leading global power by 2049 – the centenary year of the founding of the PRC --or earlier, if possible. Xi's assertive nationalist statements, the aggressive stance on territorial disputes and repressive actions against dissidence and democracy movements in Xinjiang, Tibet and Hong Kong, the ongoing military build-up, and the sharpening technology competition with the US clearly shows the Communist leadership's intent to change the global power equation.

Strategic Design

Despite its benign developmental framing, the BRI in practice has increasingly resembled a plan that draws on both Halford Mackinder stress on the need to dominate the Eurasian 'heartland', and Alfred Thayer Mahan's 19th century strategic theory that domination of the Seas opens the door to world domination.[13] For China this means control over continental Eurasia and the Indian Ocean and the western Pacific being essential for the prosperity and security of a rising China, facilitating its trade and resource imports, its techno-economic predominance.[14] The success of this vision, for Xi and his advisers, depends on the reordering of Eurasia – the extended Chinese periphery—from a loose multi-polar system into an integrated Sino-centric order on a continental scale. China's belt and road initiatives throughout Eurasia -- extending from Southeast Asia, South and Central Asia, and Indian Ocean rim nations, are integrated in this larger scheme of constructing a China-centred order that seeks to replicate a pre-modern imperial order marked by 'tributary relationships.' Through this wide Chinese `greater periphery' Beijing is already creating an order marked by dependency, asymmetric political relationships, and deeply penetrated sovereignty. BRI is creating networks that shapes and binds this expanding order through control over communications, market domination, financial flows without World Bank conditions that appeal to many political elites, and brings the armed forces on board where needed, as in Pakistan. China also provides funds to select university departments and researchers, scholarships to scholars and journalists, and sets up Confucius Institutes that serve as propaganda outfits. A close look at China's relationships with Pakistan, Sri Lanka, Nepal, Cambodia, Laos, Tajikistan, Turkmenistan reveals how these countries are being drawn into the China crafted order. Money, networks, and influence have come together through the Belt and Road to lay the foundations on which political influence and military security integration is being constructed under Chinese tutelage.

While China has expanded the reach of the BRI to Africa, Latin America, the South Pacific islands -- it is Eurasia and the Indo-Pacific that is at the centre of its order building, its geopolitics and its economic and military strategy. The symbolism of a 'community of common destiny' increasingly used expansively by Xi, therefore, is not merely an effort to project China's benign intentions but captures its wider international ordering agenda most accurately. It is in this larger setting that China's expanding BRI footprints in Southern Asia and the growing contestation against it with the aim of forging a democratic, stable and a balanced multipolar global order is to be seen. The world is at a critical new juncture of realignment and great power contest and the Indo-Pacific will be at the centre of this churning.[15]

The choice of roads, railways and ports to bind continental Eurasia as well as the Indo-Pacific maritime states to China is an ambitious project that draws upon the symbolism of the ancient Silk routes through which China traded with Eurasia, and the legend about commander Zheng He's seven maritime expeditions across the Indian Ocean between 1405 and 1433 during the Ming empire. They provide Xi's continental Belt and the MSR their domestic appeal and legitimacy.

This Silk Road symbolism has been extensively used in both official statements and Chinese writings on the BRI. The Silk Road imagery is clearly the benign popular face of Xi's grand strategy that provides it legitimacy. However, there is a striking resemblance between Xi's ambitious strategic plan and 19th and 20th Century British imperial grand strategy to dominate the seas, its 'Great Game' to thwart Russian expansion in Eurasia, and its successful efforts to create a circle of buffer states under its influence around the

Indian empire as a security cordon. India was the core around which Britain created the continental and maritime networks to advance both trading and military-security goals. The East India Company was a private trading entity that grew into a colonial enterprise to preserve expanding markets and commercial interests. It was on the Company's back that Britain became the leading imperial power. China, in a new era, can certainly use its state-owned firms to dominate markets and advance economic, financial and foreign policy interests. The Chinese state-owned behemoths that have spread their wings across Asia and beyond are today carrying the flag of Chinese neo-imperialism.

A central element of British imperial policy was to expand its influence in the border regions of the empire, and the surrounding seas via road building at the frontiers and construction of strategic ports that stretched from Hong Kong, Singapore, Calcutta, Bombay, and Aden along the busy trading routes across the Indian Ocean. These ports served the dual purpose of trade as well as naval outposts. It is apparent that China's continental and maritime plans share an uncanny resemblance to the British imperial road, rail and port building projects in Asia and the Indian Ocean in the 19th and 20th centuries. There is much in the ideas shaping the cross-border connectivity-- central to the BRI --that could have easily drawn from Mahnaz Ispahani's ground-breaking work: *Roads and Rivals—The Political Uses of Access in the Borderlands of Asia.*[16]

Six Corridors and a 'String of Pearls'

At the inaugural OBOR Forum in 2017, Xi Jinping outlined the scope of the network that China would finance and build under OBOR to promote trade, connectivity, growth, shared values, and push forward globalisation. It would be a win-win cooperative project that would integrate markets and economies. It was proposed that six major road and rail arteries that would link China to the rest of Eurasia, and a series of ports that would facilitate trade with China across the Indo-Pacific under the Maritime Silk Road. There would also be nodes at which the continental and the maritime networks would meet – such as Karachi and Gwadar in Pakistan and Kyaukpyu in Myanmar. So far, some 70 countries spread across the world are participating in Chinese projects under BRI.

The National Development and Reform Commission (NDRC) under the Chinese Ministry of Foreign Affairs and the Ministry of Commerce in its report the '*Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*' on 28 March 2015, discussed multiple connectivity. The State Council listed out the following over-land corridors:

i) ***The Road and Rail Continental Belt***:

- China-Pakistan Economic Corridor (CPEC) linking Kashgar in Xinjiang to Karachi and Gwadar ports in the Arabian Sea.
- Bangladesh-China-India-Myanmar (BCIM) that would link Kunming in China's Yunnan province by road and rail to Kolkata port in India and thence to Chittagong in Bangladesh and to Kyaukpyu. However, the proposal was announced without any official agreement among parties as the issues raised by India had not been resolved. It remains on paper and has become unfeasible after BRI was rejected by India. Instead, China is now working on an alternative route to reach the Bay of Bengal through the China-Myanmar Economic Corridor (CMEC) that is expected to connect by road and rail Kunming to Kyaukpyu port to be built by China. The road and railway projects, however, have not yet fructified.
- China-Mongolia- Russia Economic Corridor --Road and Railway corridor
- China-Eurasian Land Bridge
- China-Central Asia-West Asia Economic Corridor, includes the China-Kyrgyzstan-Uzbekistan international highway
- China-Indo-China Peninsula Economic Corridor: a road and railway trade and economic corridor that would connect southeast China to Hanoi in Vietnam and from there to Ho Chi Minh City port; and the China-Laos Economic Corridor.

The continental Economic Belt aims to integrate China's trading, industrial, digital, financial, transportation, energy and security systems with the entire Eurasia. It is planned to balance China's dependence on the Seas where the United States is still the dominant power. Strong ties with Russia, Iran, Turkey, and the states of Central Asia, and Europe are being forged through these long inter-continental corridors financed and built by China. Bilateral diplomatic, economic and security ties with all these states are being strengthened to secure the corridors as well as China's growing interests in these states. Trade as well as Chinese transportation, power, real estate, oil and gas pipelines, and telecom projects, have rapidly grown throughout the vast Eurasian region, bolstering Chinese growth and state-owned companies amidst the global financial crisis and economic downturn.

ii) ***The Maritime 'Silk Road'*** (MSR) is the other wing of the Belt and Road initiative. It is linking China's busy east coast ports though a series of Chinese funded and built ports in the Indian Ocean leading up to Africa, the Middle East and Europe on the west, and to Australia, New Zealand and the Pacific islands in the Indo-Pacific. The China built and operated ports will be under its influence or direct control along the busy maritime SLOCs of the Indian Ocean through which the bulk of China's as well as the Indo-Pacific region's trade and energy imports take place. In the Indian Ocean region Chinese built and operated ports are planned or under construction in Thailand and Malaysia, in Kyaukpyu in Myanmar on the Bay of Bengal, Hambantota and Colombo Port Terminal in Sri Lanka on the Indian Ocean, Gwadar port in Pakistan next to the Gulf, and finally its military base in Djibouti at the mouth of the Persian Gulf. China's most important naval basing access in the region remains Pakistan's Karachi port. These dual use ports would not only act as landing stations for Chinese ships but enable it to exert strong commercial and economic influence in the host countries and the region. Further, Chinese controlled Special Economic Zones and commercial hubs are part of the BRI plan to promote Chinese exports such as the Colombo Port City.

It has increasingly become evident that beyond its economic objective to build mass maritime infrastructure, the MSR also has significant geopolitical underpinnings. MSR symbolizes China's endeavours to expand its strategic influence 'across critical and wide maritime spaces' like the South China Sea and the Indian Ocean.[17] A 2018 study by SIPRI on the security implications of the MSR, observed that the MSR 'will expand China's maritime strategic space far beyond its adjacent waters'. Like previous and current great powers, China 'is seeking to reduce the impact of disruptive forces on key supply chains' by enhancing its own influence, it rationalises.[18] A key objective of the MSR is to enable China to secure its sea lines of communication (SLOCs) through both the Pacific and the Indian Oceans. That will require China to project maritime power in both oceans. As China's assets and investments expand across the MSR 'it would require a stronger PLAN to protect its overseas interests, citizens and assets'.[19] Hence the growing stress on becoming a strong maritime power with a blue water navy since 2013. Therefore, as 'the Road's footprint grows, the PLAN is very likely to follow suit. This dynamic is symbiotic: the PLAN needs reliable logistical chains to resupply food, fuel and armaments across the SLOCs, which in turn can be used to secure the SLOCs'.[20]

...the MSR 'will expand China's maritime strategic space far beyond its adjacent waters'.

In the South China Sea, the Maritime Silk Road has rekindled pre-existing strained relations between China and regional states. Tensions within the region have aggravated an arms build-up, it said. In the Indian Ocean Region, the report finds, the Road had 'stimulated competition over development-support and connectivity'; and triggered 'greater militarization and maritime rivalry in an already complex region'. The report argues that the Road could—in combination with the continental Economic Belt—'reshape the nature of the Indian Ocean Region as a more interconnected global commons,' from its previous status as a relatively enclosed security space.[21]

The report also observed that—over the medium and long-term—the Road may pose more security challenges than solutions for others. This particularly applies to freedom of navigation. The report, however, was optimistic that the rising challenges posed by the MSR could be redressed through greater international dialogue on the governance of strategic maritime spaces, cooperation on areas such as the blue economy, and keeping aside disputes.[22] Such optimism appears to be misplaced at this point considering the rapid Chinese naval build up, the continued forcible occupation of disputed islet territories in the Parcels and the Spratlys, the military base building on artificially built structures on occupied territories, the strengthening of military and naval ties with its MSR partner states, and construction of ports with dual use capacities across the Indo-Pacific SLOCs. China has shown little interest in brooking any restrictions under the Law of the Sea on its territorial occupations and land reclamation to set up military bases in the South China Sea (SCS) nor has it been restrained by the International Court of Arbitration's rejection of the Chinese 9-dash line territorial claim in the SCS on historical grounds.

Indeed, Chinese assertive and territorial expansion in the South China Sea has set the stage not for concert and dialogue but for a growing great power rivalry and contest with the United States in the Indo-Pacific. The US support for a "free and open Indo-Pacific" is prominent in both the U.S. National Security Strategy and National Defense Strategy. For the US, as articulated in several recent policy statements the Indo-Pacific will be the principal carrier of global trade and the primary theatre of great power competition in the 21st century.[23]

The BRI has been presented by China as a 'win-win' initiative in which all sides gain from Chinese benevolence and large infusion of surplus capital, manpower, industrial production. It has been officially described as a "transcontinental long-term policy and investment programme which aims at infrastructure development and acceleration of the economic integration of countries along the route of the historic Silk Road." However, a series of studies have now established that the BRI in fact is a hard headed and calculated global project for expanding Chinese economic, diplomatic and military-security interests.

Once countries, principally vulnerable developing states desperate for developmental aid and investment capital, get on board, it becomes difficult to get off the belt or the road. With the large projects come strong economic and political influence, security concerns, rising debt, and terms and conditions that unless complied with, invite

Chinese displeasure, tightening, delaying or cutting off flow of loans and stiffening of debt rescheduling terms.

Security Implications

A successful re-ordering centred on China in the Indo-Pacific and Eurasia would clearly have wide economic and security implications for the world, including for global supply chains. China's currency is becoming widely used in the BRI states. 'Chinese technical standards, for everything from high-speed railway systems to wireless networks, would become more widely adopted, as would Chinese preferences for environmental and social safeguards'.[24] Many of these changes are already evident and ongoing, and together they would be able to displace the United States from its central position in the global economy and bring China to the centre.

There are strong linkages between China's expanding economic footprints and its military build-up and ties across the maritime Indo-Pacific and continental Eurasian regions. China, for example, is developing ports with dual-use capacities in the South China Sea, the Indian Ocean and the Gulf. According to a significant recent study: 'These ports are "Strategic Strongpoints" close to maritime chokepoints and critical sea lanes. They are designed to support the Chinese military's logistics network and improve its ability to operate further from home. These Chinese "Strategic Strongpoints" are integrated platforms for leveraging and projecting power in support of a wide range of strategic objectives.'[25] Moreover, 'seemingly overbuilt but underutilized ports along important Indian Ocean trade routes that appear more suitable as potential naval bases than as commercial operations,' are of deep concern. Dual use "Strategic Strongpoints" can impede power projection by China's rivals such the US by complicating port access and overflight in the region. 'China's trade ties, financial leverage, and expanding engagement are having an impact on the security environment by increasing the operational constraints on the U.S. military, particularly in a crisis when third-party countries may be averse to taking actions that China would oppose.'[26]

The study points out that Beijing has 'used loans, aid, trade, disaster relief, military and high-level diplomacy, arm sales, and less respectable means to gain a strong foothold in the Indo-Pacific. The levers of influence that accrue from the BRI network enables Beijing to exercise persuasion, or coercion, to operate in a more compliant and advantageous environment.'[27] This goes together with China's efforts to enhance its influence in multilateral rule-making institutions and create new ones when necessary. 'BRI's many belts and roads seem to lead toward a regional (or even more extensive) ecosystem that structurally favours China's interests,' it states.'[28]

Civil-Military Integration

Chinese laws require that even overseas strategic infrastructure be designed to meet military standards. These laws authorize the military to commandeer ships, facilities, and other assets of Chinese-owned companies. China's push for civil-military integration builds-in dual-use commercial and military functionality in BRI infrastructure and associated technologies. Beijing's approach seeks to lay the groundwork for military utilization without raising red flags. Many BRI ports are built along a "port-parks-city" development model that integrates the port with industrial parks and support industries like shipbuilding and resupply services that enhance the port's capacity to support Chinese vessels, including navy ships. The presence of Chinese state-owned and private enterprises, often with operational control of port management, augment the potential military utility of the port.[29]

BRI in Space

A new dimension has been added to the BRI, underling China's comprehensive strategy, by the initiation of the BRI Space Information Corridor using the Beidou Satellite Network and expanding into the digital space through the Digital Silk Road.[30] Through the BRI digital networks China is providing surveillance, communications, "Smart Cities," and other technologies. These Chinese technologies enhance Beijing's intelligence and surveillance capabilities, while also gathering "big data" that is useful to military planners. China's provision of digital services creates dependencies and its collection of "big data" provides economic and military advantages.[31]

The trend is toward an increasingly Chinese-dominated political, economic, technological, and strategic ecosystem in the Indo-Pacific. The BRI enables Beijing to project its sovereignty, rules, or undue influence based on a unilateral assertion of 'core interests.'

Financing and Debt Traps

BRI has been described by many analysts and states such as India and the United States as an opaque arrangement that leads to a debt trap for weak economies. What do we know about the BRI projects and contracts that can shed light on some of the details on its terms and conditions? What is so problematic about it and why nations need to be cautious and aware of all the economic, environmental, diplomatic and security implications before they engage with it? Neither China nor the BRI partner states provide official data on projects approved sector-wise, loans committed and released, debt, etc. Recent studies have made significant advances in unravelling some of the closely guarded information by the principal

Chinese development finance banks and their project partners under compulsory secrecy clauses.

As per the Boston University data set, which traced China's development finance between 2008 and 2019, 'Chinese overseas development finance amounted to nearly half a trillion dollars – $462 billion'. This includes the loans under BRI designated projects. This is nearly as much as the World Bank lent in this period-- $467 billion. Of this, over half the commitments or $ 249 billion was for infrastructure construction projects, especially in transportation (roads, railways, ports and airports), and power generation (hydro and thermal) and distribution. Another $114 billion was allocated for oil, gas, and mining extraction, including pipelines. After the 2013 announcement of the Belt and Road Initiative, China's lending grew significantly for several years, and then tapered dramatically as China's growth slowed in the last few years. China's loans post-2013 peaked in 2016 and then began to decline sharply. The data set further reveals that: 'China's overseas development finance may bring significant economic benefits, however, there is also the potential for significant social and ecological risks. The database highlights where some of these risks may be present, based upon the projects' overlap with social and ecological features that are sensitive to development activities. Of the 615 physical projects, 124 are within national protected areas, 261 are within critical habitats, and 133 are within indigenous peoples' land. 150 projects, particularly those in Southeast Asia and the Amazon basin, overlap with multiple categories of sensitive territories.'[32]

Opacity in Terms and Conditions

For a global scheme such as the BRI it is a matter of concern that there is no official data available either on the total number of projects undertaken, the value of the projects, the amounts of loans released, interest charged, the project details, debt payments due, etc. By an essential clause in all BRI agreements both parties to the contract swear to secrecy thereby hiding the amount of loan being taken, the rate of interest at which it is taken, the terms at which it is given, etc., from the people and the Parliaments of the loan recipient countries as well as Chinese people. There is no public scrutiny, questioning or debate on the projects and the terms and conditions—as has been the case in the Maldives, Pakistan, Sri Lanka, Cambodia, Laos, Kirgizstan, Tajikistan – all debt trapped Asian countries engaged in the BRI.

A path-breaking recent study of 100 Chinese debt funding contracts signed between 2000-2020[33] draws three key conclusions: 'First, the Chinese contracts contain unusual confidentiality clauses that bar borrowers from revealing the terms or even the existence of the debt. Second, Chinese lenders seek advantage over other creditors, using collateral arrangements such as lender-controlled revenue accounts and promises to keep the debt out of collective restructuring ("no Paris Club" clauses). Third, cancellation, acceleration, and stabilization clauses in Chinese contracts potentially allow the lenders to influence debtors' domestic and foreign policies.' [34]

Beijing confidentiality clauses prevent borrowers from disclosing the terms of debt, and sometimes its very existence. This makes it extremely difficult for borrowing entities to seek relief. China also inserts cross-default and stabilization clauses that enables it to demand immediate repayment should a host country take an action deemed contrary to Chinese interests.[35]

Moreover, most of the contracts specify Chinese governing law and arbitration in China.[36] Some 50 percent of China Development Bank (CDB) contracts in the sample of 100 contracts include cross-default clauses that can be triggered by actions ranging from expropriation to actions by the sovereign debtor adverse to the interests of a PRC entity. 'These terms seem designed to protect a wide swath of Chinese direct investment and other dealings inside the borrowing country, with no apparent connection to the underlying CDB credits.'[37]

Restricted Bidding for Contracts

In his testimony to the U.S.-China Economic and Security Review Commission Jonathan Hillman of the CSIS, observed that of all the contractors participating in Chinese-funded projects in BRI partner countries, for which information was available in the Connect Asia database of the CSIS, '89 percent are Chinese companies, 7.6 percent are local companies (companies headquartered in the same country, many of them Chinese local entities or joint ventures), and 3.4 percent are foreign companies'.[38] The BRI, hence, is undoubtedly a China-centred initiative. 'China uses several tools to boost its exports such as: national champions, credit, infrastructure, and trade agreements. Chinese state-owned enterprises (SOEs) often benefit from tremendous scale and subsidies. They have dramatically moved up the global rankings in recent years.... In 2017, seven of the ten largest construction companies in the world, by revenue, were Chinese'.[39] Chinese SOEs competing for foreign contracts gain from these advantages. Moreover, preferential terms for Chinese state owned and private companies bidding for the projects are part of the standard arrangement for BRI funding. China is 'flexible in negotiating payment terms. It is willing to accept natural resources, for example, and when loans cannot be repaid it is sometimes willing to take equity.'[40] This is possible because Chinese state companies that are working closely with the government are involved in the projects. Such settlements can be seen in oil payments in Africa and Latin America.

Another study finds Bilateral Investment Treaties (BITs) to be the standard format for Chinese project contracts with BRI countries. They provide protection to Chinese firms that operate, own and invest in the infrastructure projects. 'Through build-operate-transfer arrangements or concessions, Chinese companies construct and operate infrastructure projects for fixed periods, typically for 20–30 years or longer. One example is China Merchants Port Holdings' terminal at Sri Lanka's Port of Colombo. Under a 35-year agreement China Merchants Port Holdings first built and now operates Colombo International Terminals as a joint venture with the Sri Lanka Port Authority'.[41]

The study further observes: 'Specific Chinese bilateral investment treaty (BIT) provisions — or lack thereof — benefit Chinese companies at the expense of host states. For instance, majority of China's BITs lack security exceptions, which can waive a state's duty to comply with part or all its treaty obligations when its essential national security interests are at risk. Security exceptions allow states to balance their security and economic interests within the BIT legal framework. Without security exceptions, China's treaty partners could struggle to legally justify actions taken against Chinese firms on the basis of national security'.[42]

Commercial Lending Terms

China's principal financiers for BRI projects are the China Development Bank (CDB) and the Export-Import (Exim) Banks – both state owned banks. Infusion of large volumes of capital through high interest commercial loans and some lower interest credit that together are well beyond the capacity of the recipient country or the projects to pay back. Studies show that since 2000, Chinese bilateral lending has become increasingly commercial, with market-rate loans for large infrastructure and energy projects. Since a substantial portion of the loans has been provided to countries with weak macro fundamentals, or to unsustainable projects, for heavy borrowers in emerging and frontier markets, large borrowing from Chinese banks have compounded the stress that was building up well before the post Covid-19 economic distress.

Much of these consequences flow from two basic characteristics of the BRI—one, though undertaken as commercial projects they are almost all funded and undertaken by Chinese state-entities, and two, that the bulk of it is debt funded and only some in equity. It is in other words a Chinese state-funded, state constructed and state-operated grand scheme whose principal rationale is to advance Chinese economic and trade interests by opening new markets as domestic demand declines, and in parallel the State's strategic

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and security interests. Debt funded projects in turn ties up the weak economies to China over the long-term as they become heavily dependent on Chinese projects, machinery imports, transportation and digital networks, financial inflows, and mostly struggle to repay large loan amounts.

There is one more issue that adds to the debt problem. China's loans are not paid to the recipient countries but directly as payments to Chinese companies that are awarded the projects for implementation. The Chinese companies in turn use the funds to procure machinery, construction material, technology and labour and technicians from China for the project. Much of this therefore shows up as imports from China creating trade deficits and balance of account stress for the recipient nation that must be repaid by earning hard currency from exports to others. Many of the BRI partners, such as those in South Asia, export little to China and constantly run large trade deficits. South Asia on the other hand is a large export market for China.

In fact, debt funded rapid economic growth and expansion has been a well-established Chinese policy to boost its domestic economy especially in the real estate, road and high-speed rail sectors with often little consideration of commercial viability or demand. The practice expanded especially as exports contracted and growth began to decline in the aftermath of the global financial crisis. Currently, these sectors suffer from high debt burdens and their economic losses are of serious concern in China. The model is being applied to build large projects around the world with little consideration for commercial viability in many cases – such as Hambantota or Gwadar --as has already been experienced within China. Recent studies show that debt renegotiations and distress among borrowing countries are common. The large volume of debt renegotiations in recent years and especially since 2020, when the pandemic hit economies around the world, give rise to serious concerns regarding sustainability of Chinese loans, and more cases of debt distress are expected over the coming years.

BRI infrastructure projects in Central Asia, Pakistan, Sri Lanka and Myanmar are projected to lose money due to underutilization and could potentially cause more harm than good. For instance, the Kara-Balta oil refinery – Kyrgyzstan's largest Chinese investment – has faced significant problems with overcapacity in recent years. Several large projects have been delayed or renegotiated to significantly cut-back original costs in Malaysia, Thailand, and Myanmar, among others. 'Many BRI projects are expected to reap benefits only over the long term but will tie up large amounts of capital in the meantime that could otherwise be more productively employed elsewhere. This has proven the case with Qinzhou port in southern China, which was slated to function as a crucial hub for trade with Southeast Asia but is still severely underused even five years after completion.'[43]

Given the above features, it is not surprising that the BRI has already created a growing number of Chinese dependencies such as Pakistan, Sri Lanka, Cambodia, Laos, Tajikistan, etc., in Asia.

Expanding Footprints in South Asia

The above analysis of the global scope, strategic underpinnings, economic dimensions and security implications of the BRI is highly relevant for appreciating the operation and impact of the Belt and Road in South Asia, and its implications for the region's central power—India. It helps explain why India has rejected the initiative from its very inception and the developing strategic competition between India and China.

Connecting China overland to South Asia's large and growing markets and then to ports on the Bay of Bengal and the Indian Ocean has been an integral part of the Chinese dream since the mid-1980s when Chinese policy makers and think tanks began to discuss and articulate such a vision. In an important opinion piece published by the official *Beijing Review* on September 2, 1985, former vice minister of communications Pan Qi articulated Beijing's thinking on this vital new theme to test the regional reactions. Entitled 'Opening to the Southwest: An Expert Opinion' Pan Qi 'outlined the significance of Myanmar's geo-strategic location for China's economic growth (and) ... expressed the desire of Chinese economic planners to reopen the old Burma Road to link up the poorer inland provinces, such as Yunnan, which lagged the booming coastal provinces, with the fast-growing economies of Southeast and South Asia. Beijing sought an overland route through Myanmar to a port from which it could export cheap consumer goods to mainland Southeast Asia, India and other developing countries farther afield. Such an outlet would reduce transport time for some of China's trade and help avoid the Malacca Strait choke point in the event of a conflict'.[44]

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As ties with India began to improve in the 1990s, the proposal expanded into a larger plan for an economic corridor to link China with India, Myanmar and Bangladesh and was presented as the BCIM (Bangladesh, China, India and Myanmar) corridor to these states.

Talks both at the official level and second track was a regular feature for over two decades but has not been concluded, principally because India has raised many issues regarding the terms and conditions of financing, and its environmental, economic and politico-security implications that have so far not been satisfactorily resolved.

It is noteworthy that Chinese Prime Minister Li Keqiang's first foreign visit in May 2013 was to India, and from there to Pakistan and Europe. In New Delhi, Li discussed the plan for a Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC)— proposed officially in 1999 when President Jiang Zemin was developing his western development strategy in China's western border provinces— and established a joint working group to take it forward. In Pakistan, Li signed a memorandum of understanding to initiate the China-Pakistan Economic Corridor (CPEC) project. 'Both corridors were the early paving stones for the Belt and Road Initiative, which Xi christened in Astana, Kazakhstan, in September 2013. The BRI went on to subsume both corridors and more under its vast reach.'[45]

However, when China included the BCIM corridor as one of the six land corridors China plans to build as part of the BRI, it failed to garner Indian support. In effect, both CPEC and BCIM – the two corridors China is planning to build across South Asia to reach the Arabian Sea, Bay of Bengal, and join up with the Indian Ocean trade routes do not have Indian backing. China nonetheless is building the CPEC, with Pakistan's enthusiastic backing, and has proposed the China-Myanmar economic Corridor (CMEC) as an alternative to BCIM corridor.

The states of South Asia in BRI are all low-income countries that need large funding for the development of infrastructure – roads, railways, airports, electricity grids, telecommunication networks and power projects—in order to grow rapidly, modernise and overcome poverty. The World Bank (WB) and the Asian Development Bank (ADB) have traditionally provided much of the funds at low interest rates. However, both impose conditionalities that are necessary-— environmental and debt sustainability, financial viability, compensation for land acquisition and displacement, and anti-corruption clauses that many of them with weak governance find difficult to meet. The volumes of funding from these development banks have therefore been far short of what the South Asian economies, and other developing economies, need. Japanese low interest Official Development Assistance (ODA) has met some of the vital funding needs of the region, especially in India, as well as Bangladesh and Myanmar. However, the entry of China with its large offers of funding – by the state-owned China Development Bank and the Exim Bank as the principal funders-- without any of the above conditionalities has changed the scenario and appeared to be an attractive and fast-track route to development and growth.

Chinese conditionalities, as has become clear over time, however, do exist and involve wide strategic, economic and political ramifications. Yet, barring India and Bhutan all the other South Asian states enthusiastically joined the first and second OBOR conferences hosted by Xi Jinping in 2017 and 2019.

The countries of the region can be divided into three categories in terms of their approach towards the OBOR. India, the leading power and dominant economy in the region-- along with closest partner Bhutan -- has rejected BRI on ground of the violation of its sovereignty by CPEC as it traverses through a portion of Jammu and Kashmir illegitimately occupied by Pakistan, the lack of transparency of Chinese terms and conditions, and the unsustainable debt burden that large projects impose on developing economies leading to dependency and exploitation. Then there are those who have joined but have been cautious and circumspect about China proposed projects. They have signed projects with caution, kept them limited in scope, and simultaneously engaged India, Japan and the ASEAN states for investments and thereby have so far avoided a debt trap and Chinese control. Bangladesh, and Myanmar fall in this category. Bangladesh has so far received only \$1.7 billion out \$7 billion approved for funding for BRI projects in roads, bridges and power plants—far short of the of \$24.6 billion agreed in the MOU signed in 2016 by Xi Jinping in Dhaka. There has not been any agreement so far on a major port project. Myanmar has similarly seen very few of the CMEC coming on board. The Mandalay-Kyaukpyu road and rail link is yet to be constructed, and a significantly truncated port project has been approved by Myanmar so far. It has not yet been implemented as shown in the article on CMEC by Chanda in this journal.[46]

However, Myanmar under Western sanctions for the past few years, is increasingly becoming dependent on China for development and diplomatic support at the United Nations and faces a difficult debt payment challenge. Myanmar's auditor general publicly cautioned government officials in June 2020 about continued reliance on Chinese loans both pre-BRI and BRI loans that come with high rates of interest. Auditor General Maw Than told a news conference in Naypyidaw that Myanmar's current national debt stood at about \$10 billion, of which \$4 billion is owed to China or 40% of its total debt. This can push Myanmar to debt trap like Sri Lanka and some African states, he said. "The truth is the loans from China come at higher interest rates compared to loans from financial institutions like the World Bank or the IMF," he said.: "I would like to remind the government ministries to be more restrained in using Chinese loans." The country needs to repay as much as \$500 million annually to China in both principal and interest.[47] This is despite Myanmar having cut back the Chinese loan for its Kyaukpyu port project from \$8 bn to 1.5 bn.

The other states are those that have actively embraced the Chinese proposal and believed that the BRI would not only bring in large Chinese loans for infrastructure projects that would rapidly transform their economies and at the same time enhance their regional roles. Pakistan, the Maldives under former President Yameen, and Sri Lanka fall in this category. The political regimes that have actively engaged with BRI have shown little concern about the possibility of losing economic sovereignty and diplomatic independence to China or the long-term negative implications on national security. Over the past decade each of them has been sucked into a spiral of rising debt from which the escape appears difficult. New debt is being taken to repay old debt at escalating unsustainable cost for their economies. However, post Yameen, the Maldives has cut back on Chinese project loans and with active Indian support is trying to turn-around its economy and repay its large debt to China.

Pakistan, Sri Lanka and the Maldives are among countries with weak macro fundamentals. All three have accumulated substantial debt to China. Exact figures are not available on their debt to China because of the secrecy clauses in the contracts. Pakistan has been reported to have had negotiations with China since 2020 for re-scheduling or deferral of some $14 billion dollars that had to be repaid or was coming up for repayment.[48] Caught in climbing debt, Islamabad has had to regularly seek fresh loans from China to pay old debt.

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Pakistan: The impact of CPEC on Pakistan has been extensive. While power production has been enhanced following the initiation of 12 Chinese built thermal power plants,[49] this has been achieved at a high cost to the economy and environment. The government must pay back $3 billion to Chinese Independent Power Producers (IPPs) alone over the next decade, besides construction costs.[50] There have been serious charges of corruption against Chinese companies and inflated costs. It now needs to import equipment from China and coal from others. Pakistan has leased the Gwadar port to the Chinese Overseas Ports Holding Company until 2059. The port has so far attracted little commercial traffic. The main CPEC highway from Kashgar to Gwadar has been upgraded, but the projects face constant threats from Baluch militants and other groups. China is building a Special Economic Zone in Gwadar but there are few signs that Gwadar or the economic Zone will be commercially succeeding any times soon. How will the debts be repaid in such circumstances given Pakistan's low growth, rising imports from China linked to project construction and low exports, and a rising debt burden? Politically CPEC has sharpened federal tensions with greater centralisation of power, uneven provincial gains from projects, and the army's control over the CPEC becoming central both for sustaining it and securing it, as desired by China.[51] As Prateek Joshi's article in this journal points out a separate CPEC administration is being created bypassing the state institutions, run by the Pakistan Army and tacitly by China.[52] There are few signs that CPEC has either improved economic prospects significantly or been a game changer so far as was expected by the Pakistani elite.

Sri Lanka: A similar situation exists in Sri Lanka which borrowed heavily from China for infrastructure projects following the end of the civil war in 2009. Two of its major China-funded projects are the Hambantota port and the nearby Mattala Rajapaksha International Airport. Both have been commercially unviable and remain virtually unused. But the port has great strategic value for China as it overlooks the world's busiest east-west shipping route in the Indian Ocean. In fact, unable to pay the debt Sri Lanka leased the port in 2017 to a state-owned China Merchants Port Holdings (CM Port) for 99 years and a 70% equity for $ 1.12 bn. Colombo also transferred 15,000 acres around the port to China for an economic zone. The debt payment for the port has been postponed to a future date. Similarly, the Colombo Port's international container terminals are also 85% owned by CM Port under a 35-year build-operate-transfer agreement with the state-owned Sri Lanka Ports Authority.[53] Finally, China has built the Colombo Port City commercial complex on land reclaimed from the sea for a Special Economic Zone. The land has been leased to China for 99 years, and the Port City is managed and operated by the state-owned China Heavy Engineering Company (CHEC). Sri Lanka has given the project tax-free status, and it will not be administered by the government but by an autonomous Colombo Port City Economic Commission that would have Chinese representation enabling CHEC to exercise required influence. As in the Pakistan case, the massive imports of Chinese construction material and equipment for China-funded projects have deepened Sri Lanka's acute balance of payments problems. Sri Lanka runs a rising trade deficit with China.[54] India is concerned that the Hambantota Port, could be used by China in future as a facility by the PLA Navy, reneging the agreement not to use it for military purposes.

The Maldivian case is even more serious. It is estimated by its former President and present Speaker of the Parliament Mohammed Nasheed that the country owes China some $3.1 billion, if government to government loans, finances to state enterprises and private sector loans guaranteed by the government are considered.[55] It is an extreme debt trap for an economy whose GDP is little more than $4.9 billion. According to Nasheed, 'the cost of projects was inflated and the debt on paper is far greater than the money actually received'.[56] The Maldives had to go in for negotiations in 2020 for repayment of $935 million due to China. An agreement was reportedly reached with the Exim Bank to defer the payment by four years to 2024.[57]

In the seas surrounding India – the Bay of Bengal and the Indian Ocean through which the China's MSR transits carrying rising volumes of Chinese container ships and naval ships-– Beijing continues to extend its footprints. It is developing strategic stakes in ports that it is constructing under the BRI along the continental seaboard and in island states such as Sri Lanka. These include Kyaukpyu in Myanmar, Hambantota and International Container Terminal at Colombo in Sri Lanka, Gwadar in Pakistan – a string of potential dual use outposts leading up to the People's Liberation Army's (PLA) naval base in Djibouti at the western end of the Indian Ocean. It has plans to access port facilities in Bangladesh, the Maldives and Mauritius. If they all come to fruition, China will be able to establish a web of strategic assets around India. It has already developed strong military ties, including naval ties, with Pakistan, Bangladesh and Sri Lanka and is the largest supplier of military equipment as well as naval ships, submarines to them as well as Myanmar. The BRI facilitates the strengthening of the PLA's contacts and operations in these countries and in the maritime domain. As a recent study observes: 'investment in infrastructure has been a central device for China to gain influence and develop a permissive environment for PLA operations and strategic advantage'.[58]

Some of these plans and projects are currently troubled and face delays, cutbacks, and internal protests and conflicts. They also face a growing challenge from India and Japan who have come forward with their own alternative developmental projects and financial aid, especially in Bangladesh and Myanmar that do not impose onerous terms and are transparent. There has been a sharp setback for the BRI in the Maldives following the electoral defeat and imprisonment for money laundering and financial irregularities of China's strong backer former President Abdulla Yameen. Bangladesh, Myanmar, Indonesia, remain cautious regarding large scale borrowing from China and potential dependency. High costs, allegations of corruption, and issues related to project implementation have led to resistance in several loan recipient countries. Myanmar, Malaysia, and Russia are among the countries that have re-evaluated infrastructure plans and renegotiated or cancelled new projects. Consequently, at the second Belt and Road Forum in 2019, Beijing had instructed China's lenders to focus on fewer, and more sustainable projects.

Nonetheless, China remains engaged in a long-term effort to remake the region as a Chinese sphere of influence encircling India, both on land and sea. China's ability and strategic goal to fund large projects continues to make it an attractive partner for many resource-starved states that are willing to overlook the financial, broader economic, environmental and politico-security consequences of such a decision.

Contestation and Push Back

India has stood out for its criticism and opposition to the BRI. It refused to join both the first and second BRI Forums in 2017 and 2019. In its strong statement on the eve of the inaugural event in Beijing, India officially stated:

> "connectivity initiatives must be based on universally recognised international norms, good governance, rule of law, openness, transparency and equality. Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer to help long-term running and maintenance of the assets created by local communities. Connectivity projects must be pursued in a manner that respects sovereignty and territorial integrity."[59]

This critique was voiced again by the Indian Foreign Secretary Harsh V Shringla in Berlin in November 2020 during his visit to Europe:

> "Threats to nation states and sovereignty can also come in other forms. The world is increasingly witnessing debt trap diplomacy in the garb of improving infrastructure and connectivity without heeding financial viability or environmental concerns. While there is no doubt that connectivity among nations needs to be improved, we have to be cautious about the terms of engagement."[60]

Further, regarding data and cyber-governance, areas in which China is taking significant initiatives, he said: "we cannot afford to trample on democratic, transparent norms, or the need for multi-stakeholder-ism. We have to be wary of initiatives on data which are not transparent and are not negotiated in multilateral forums. We are all for cyber security and use of data for greater common good, but we cannot accept non-inclusive measures to achieve it."[61] Speaking at the London think tank Policy Exchange, Shringla stressed the centrality of the Indo-Pacific in global economics and security and the need to ensure freedom of navigation and respect for sovereignty of all states. He said peace and stability in the region "depends on securing end to end supply chains in the region, no disproportionate dependence on a single country, and prosperity for all stakeholder nations. An Indo-Pacific must be guided by norms and governed by rules with freedom of navigation, open connectivity and respect for the territorial integrity of all states."[62] He said

India was working with the Quad partners – US, Japan and Australia, and regional partners such as Indonesia to ensure such an outcome.

India has been deeply concerned by the inclusion of the promotion of the BRI in the Communist Party's Constitution at the 19th Communist Party Congress in 2017 to give it political and legal sanctity, even as the CPEC runs through territory that India considers to be within its legal sovereignty. China has paid no heed to Indian protests regarding violation of its sovereignty. Simultaneously, China's deep inroads into the economies of the smaller states around India and forging of military ties with them threaten its core interests and is aimed at undermines its influence in the region. China's unilateral style of deal making in the BRI, its political and military backing and deeper involvement in Pakistan, and the dependencies that China's debt led project financing is creating have all become matters of deep concern. The strategic ties and economic enclaves, the dual use ports and the military ties that China is building in the region pose growing security challenges that need to be addressed. India has emphasised the need for a strategic rebalancing in Asia to deal with the growing threats posed by China.

New Delhi has enhanced its collaboration and economic support for the Maldives, Bangladesh and Myanmar to ensure they sustain their development and do not worsen their debt problems with China. It is undertaking major connectivity projects linking India with Bangladesh, the multi-modal road and port project in Myanmar, and the Asian Highway project linking India with Bangladesh, Myanmar and Thailand. It is also strengthening its naval forces and its tri-service base in the Andamans that sits at the junction of South and Southeast Asia on the Indian Ocean to deal with emerging security challenges.

It is simultaneously engaging the United States and the other Quad partners for coordinated new diplomatic, developmental and security initiatives in the Indo-Pacific. The annual Malabar Naval exercises in the Indian Ocean have been expanded to include all four Quad participants. India has backed the Build Back Better World (B3W) initiative promoted by the US President Joe Biden and backed by the G-7 to address "strategic competition with China and commit to concrete actions to help meet the tremendous infrastructure need in low and middle -income countries".[63] The government has also declared an ambitious $ 80 billion maritime development plan to promote growth, the blue economy, and strengthen maritime capacities.

India's ties with China hit a nadir after Chinese troops launched a large military operation to unilaterally tried to change the Line of Actual Control in Eastern Ladakh in April-June 2020, leading to clashes with Indian forces. In the process it broke the overall peace that had prevailed for 45 years despite differences and an unresolved border dispute.

The tensions along the Himalayan border remains high, even as China expands its economic and security relationships in the region under the BRI to emerge as a major Indian Ocean power with military outposts along the Indian Ocean SLOC.

Conclusion

The BRI poses a serious foreign policy challenge to India and other democracies– of dealing with a rising and expansionist China that is focused on creating its own order in Eurasia and the Indo-Pacific. It involves dealing with both economic and security issues simultaneously. Xi's ambitious initiative is still evolving, and its impact is expected to be felt fully over the next decade. China's aggressive economic and foreign policies and continued integration of the military and civilian sectors are raising increasing concerns within the international community and even among several of the BRI partner states. The BRI fills a critical void in infrastructure financing and development, but it has resulted in numerous projects that are not fiscally, commercially, socially, or environmentally sustainable as a series of recent studies have shown. However, so far, they have served China's economic and strategic interests.

For many fund-starved and poorly governed developing states China remains a vital and often the only option – despite the enormous risks-- for which they are willing to put their economic and political sovereignty in the medium to long-term at stake. A crucial political motive in several of these states, prominently in Southern Asia, is regime preservation in the more immediate time frame and its prolongation – notably Pakistan, Sri Lanka, Nepal, the Maldives under former president Abdullah Amin, Cambodia, and potentially a desperate and isolated Myanmar. That explains their reliance and even deepening dependence on a money-lending predatory China. Cosy relationships assiduously cultivated by China with the Pakistani military, politico-bureaucratic elites, the Sri Lankan People**'s** Party (SLPP) led by Prime Minister Mahinda Rajapaksa and his younger brother President Gotabaya Rajapaksa, the Nepal Communist Party led by Prime Minister Oli and large segments of the pro-China Nepali political elite, and Prime Minister Hun Sen and the ruling Cambodian People's Party are notable examples of this mutually profitable arrangement driving BRI.

For India and its strategic partners --the United States, Japan and Australia, the Quad members -- a BRI that succeeds on China's terms is a diplomatic and security threat. A Eurasian and Indo-Pacific order dominated by China and organised according to its normative, politico-economic and institutional principles would severely undermine the security and sovereignty of states in the region. It would neither be open nor inclusive and would clearly not be based on international law. A new set of regional, financial, trading, legal and security institutions backed by China's economic, political and military power, and legitimised by a series of dependent states and allies would be the inevitable basis of such an order. Reforming global governance is one of the priorities Xi Jinping has set for China's foreign policy in the 'New Era' under him, yet China has consistently thwarted moves to reform the UN Security Council. Over the next few decades, a deeply divided international system could emerge, with China leading a group of states integrated and dependent on it in a new hierarchical order built on Chinese institutional arrangements, norms and interests. Conflict and instability would only escalate if that were to happen.

Ironically, a BRI in crisis would also have huge economic, political and security implications for the world and India. Large scale loans have been advanced by China and borrowed under an optimistic assumption of continued Chinese growth and a steady economic improvement in the BRI partner states. But were this not to come about in a scenario of falling growth, instability and economic failure in China, it could lead to a series of economic and state collapses and large-scale unrest in the developing countries. Any number of unforeseen events within or outside China could lead to a significant number of these loans failing and severely impact the global political economy.

BRI poses both economic and security challenges. These are challenges that requires a regional as well as a global approach. The democracies -- the US, Japan, the European Union, and India --- need to step up their infrastructure funding to match China's BRI and provide better terms that are attractive and beneficial to the emerging, developing and low-income economies. It is necessary that the G-7 countries rapidly put in place the US backed $40 trillion B3W to meet the funding needs for infrastructure development in the developing world. The Quad was revived in 2017 to deal with the emerging challenges posed by China's assertive and aggressive rise. Significant progress has been made in the past year to strengthen it at the level of Foreign Ministers. The First Summit was held earlier this year and a second is due later in the year. It promises to focus on creating resilient and diversified global supply chains that are currently dominated by China. It is committed to an open and inclusive Indo-Pacific. Yet the Quad has so far not begun to address complex economic and security issues raised by the Economic Belt and the MSR, and the growing merger of China's economic and security interests in their operation. It needs to draw up a coordinated approach on ways to deal with China as a strategic competitor, encourage it to relinquishing its expansive territorial and military gaols, and pursue a rules-based behaviour that would also help address some of its genuine security concerns.

India needs to play an active role in the Quad with focus on economic and security measures that would promote development, stability, security and a rule-based order in the Indo-Pacific. The cooperation needs to expand to include investments, trade, technology, and sharing of intelligence and basing facilities. Engaging China where feasible and needed could be part of this effort. A coordinated response could encourage China to rethink the costs of its expansive stance and modify its grand designs and predatory nationalist behaviour. There is, however, no guarantee that this will happen under Xi.

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