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**Fledgling Sub-Regionalism in Eastern South Asia:
Reasons for China's Shift towards Bilateralism in
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Fledgling Sub-Regionalism in Eastern South Asia: Reasons for China's Shift towards Bilateralism in BCIM

Abstract

Two full decades after several rounds of Track II meetings and setting up of BCIM-Economic Corridor Inter-Governmental Joint Study Group in 2013, the Bangladesh-China-India-Myanmar (BCIM) initiative remains far from being formalised both as an idea and institution. It is still a living idea that has huge potentials surrounded by uncanny scepticism. How, why and who actually advocated the idea of BCIM-EC and its sudden introduction still remains a question. The BCIM-EC in fact provided appropriate fitting in China's grand scheme of the Belt and Road Initiative which together acquires the shape of a venture of strategic compulsion for China to access the Indian Ocean. Severely underutilised operational capacity in Hambantota port built by China reinforced this northern entry through the Eastern flank of Indian Ocean where Bangladesh and Myanmar stand to be inevitable partners. Three perceptible changes have taken place since 1999 that would make the face and proposal of the BCIM more complex and also indicate how China cautiously yet steadily has started treading the bilateral path. After realizing the first order goals of mainstreaming its south-western periphery and ensuring Yunnan's extensive neighbourhood connections, China has now entered into the more challenging second order objective of making sustained inroads into the Indian Ocean from all four directions. Regardless of BCIM, China could already make huge bilateral dent into the partner countries' markets and intend undertaking 'RMB internationalization' and 'currency regionalization' through bilateral channels and instruments. The AIIB is used as another instrument to deepen dependency which squarely exposes the commitment dilemma, participation inhibitions and engagement fatigue of India. Once a calculated threshold level leading to de-linkable inter-dependence matrix is reached, then these bilateral cooperation ventures are likely to be turned into anti-India postures to permanently create a dialogue-crevice among the neighbouring countries vis-à-vis India. At the same time, since China is the only country in the BCIM that has had protracted experience of building such cross-national corridors, other members now fear that it would unilaterally adopt bilateral route in actual negotiations, implementation and financing the identified projects thereby making BCIM redundant as a regional forum and further enhancing their strategic and economic vulnerabilities.

The Inhibitions

Even after two decades of lively discourse and debate, 13 rounds of Track II meetings and setting up of BCIM-Economic Corridor Inter-Governmental Joint Study Group (BCIM-EC JSG) in 2013, the Bangladesh-China-India-Myanmar (BCIM) initiative remains far from being formalised both as an idea and institution. It is still a living idea that has huge potentials surrounded by uncanny skepticism and in-explicit non-acceptance by the ‘member countries’ themselves. However, despite ‘state obstructions, inferior infrastructures, and the absence of authorized border crossing’, this entire geography ‘remained a briskly functioning network’ where the states ‘regulations and control mechanism have little influence’ (Schendel 2020). This region which once remained integrated as a powerful geographic-economic entity abruptly disintegrated because of various politico-historical reasons. It is now venturing to reintegrate. Reintegration at this juncture is therefore, a cumbersome and daunting task and any initiatives towards this inevitably confronts unprecedented resistance, invisible road blocks mainly emanating from a static mindset. (Lama 2016) A plethora of literature (BCIM Newsletter 2011; Das and Thomas 2019; Karim and Islam 2018; Lama 2000a; Singh and Zhu 2017; Sobhan 1999; Uberoi 2016) is available to demonstrate as to why BCIM could be one of the most attractive and rewarding sub-regional ventures. Nevertheless, in the absence of a basic document like an agreement or a Memorandum of Understanding, the BCIM project remains as fledgling and farfetched as it was imagined two decades back.

A core partner country India has demonstrated a range of apprehensions ranging from national security issues like involvement of China in cultivating and training the insurgents of the North-East region, legacy of conflict like that of 1962, Chinese economic dominance to socio-cultural disturbances, fragility of geography, ‘fragmented sovereignty’, and more critically poor level of trust and confidence. (Mishra 2019; Rahman et al. 2007, Schendel 2020) Patricia Uberoi (2014) highlights two factors that held back India’s participation in the BCIM initiative viz, ‘almost over-powering presence of China in the quadrilateral’ and India’s reservation in addressing the structural anomaly crated by China’s upfront placement of its Yunnan province as the lead in BCIM. India on the other hand, could not provide similar role to the North-East region ‘singly or severally’ in the BCIM schematic despite its ‘physical interface of overland infrastructural

connectivity with South East Asia'. The fear of wanton exploitation of rich natural resources and biodiversity hotspot of the Eastern Himalayas¹, dislocation of traditional relations based on bilateralism and loathing that it will invite permanent presence of China have seriously impinged upon this project. (Government of India 2016; MDoNER 2008; NITI Aayog 2018; Planning Commission 2010; World Bank 2007) Since the insurgency prone NER is central topography in the conduct of BCIM - it passes through Manipur and Assam - and therein the surreptitious role of China and erstwhile East Pakistan in training, arming and financing protracted violence and instability has always been an insurmountable block in officially accepting this trans-border project. (Lama 2010; Rammohan, 2005).

The conflicts extended up to the sensitive 'chicken neck corridor' through support to violent Naxalite movement that originated in the plains land of Darjeeling district and spread over to major parts of West Bengal. (Paul 2014) The halting and scarce progress of the BCIM project had therefore, been well expected since its very inception. In a way, India has never been inclined to promote the BCIM. In most cases, it hesitated even to emphatically mention BCIM as an emerging concept. For instance, the then Foreign Minister while delivering the inaugural address at the Seminar on 'Sub-Regionalism Approach to Regional Integration in South Asia: Prospects and Opportunities' hosted by Sikkim University, Gangtok in December, 2008 spoke on all the critical issues of sub-regionalism and did not even utter the term BCIM.² Coming from one of the most celebrated politicians who held portfolios of finance, defence and later became the President of India, the message was loud and clear.

Even during the 3rd Meeting of the BCIM-EC JSG held in Kolkata in April 2017, the Indian official was quite emphatic on stating that:

'even as we explore greater connectivity between BCIM countries, we should be mindful of different domestic circumstances and developmental aspirations in our respective countries. Increased connectivity would naturally lead to expanded

¹ <http://bsienvis.nic.in/files/Biodiversity%20Hotspots%20in%20India.pdf>

² <https://mea.gov.in/Speeches-Statements.htm?dtl/1772/Inaugural+Address+by+Shri+Pranab+Mukherjee+Honble+Minister+for+External+Affairs+at+the+Seminar+on+SubRegionalism+Approach+to+Regional+Integration+in+South+Asia+Prospects+and+Opportunities+hosted+by+Sikkim+University+Gangtok>

trade. However, while we focus on expanding trade volumes, equal attention should also be paid to its sustainability.’³

Noticeable Developments

Essentially there have been two noticeable developments in this sub-regional initiative that has for long been driven by Yunnan, a relatively less developed south western province of China. Firstly, the BCIM Forum has had 13 rounds of meetings during 1999-2019 in different venues of this sub-region. The last two Forums were held in Yangon in 2015 and in Kunming in 2019 alongside China-South Asia Cooperation Forum. From the very beginning Bangladesh⁴, China and Myanmar were represented by senior government officials whereas in case of India the delegations mostly consisted of think tanks, business persons and former officials-diplomats. Government of India never participated openly and directly.⁵ Even when there have been major events like Car Rally in 2013 and Kolkata – Kunming (K2K) meetings which had visible support of the Government of India, the actual official participation never happened. As against Indian camouflaged participation, China consistently maintained the spearheading by Yunnan province with its high officials as the pivot.⁶ The Forum discussed a range of issues and till at least the 11th Forum held in Dhaka in 2013, the Economic Corridor idea was hardly in the agenda.⁷

The first time, the idea of BCIM Economic Corridor floated was during the visit of the Chinese Premier Li Keqiang to India. The joint statement issued on 23 May 2013 stated that:

‘The two sides appreciated the progress made in promoting cooperation under the BCIM (Bangladesh, China, India, Myanmar) Regional Forum. Encouraged by the successful BCIM Car Rally of February 2013 between Kolkata and Kunming, the

³ <https://www.icsin.org/inaugural-remarks-by-mr-a-gitesh-sarma-additional-secretary-ministry-of-external-affairs/>

⁴ In Bangladesh the Centre for Policy Dialogue, Dhaka based prominent think tank has been the anchor point.

⁵ Except the 10th BCIM Track II meeting held in Calcutta in 2012 where the Governor of West Bengal participated and Foreign Secretary addressed the gathering on ‘India’s Look East Policy’, the governmental representations have been less conspicuous and at a much lower level.

⁶ However, the Federal Government has always been represented and given due protocol precedence by the Yunnan Government

⁷ This author has been in the Indian delegation of various BCIM Forum including the 12th Forum held in Yangon, Myanmar in 2015.

two sides agreed to consult the other parties with a view to establishing a Joint Study Group on strengthening connectivity in the BCIM region for closer economic, trade, and people-to-people linkages and to initiating the development of a BCIM Economic Corridor.’⁸

Within a course of hardly seven months the First Meeting of the Joint Study Group of Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) was held in Kunming in December 2013 which ‘marked the official launch of the intergovernmental process of BCIM-EC.’

The ‘BCIM-EC will, inter alia, advance multi-modal connectivity, harness the economic complementarities, promote investment and trade and facilitate people-to-people contacts. These would enhance mutual understanding and trust and further unlock vast economic potential, and secure lasting peace, stability and prosperity for the people in these delegations and in the region.’⁹

This meeting even had the participation of the ADB and the UNESCAP. The four delegations jointly summarized previous studies and achievements on BCIM Regional Forum since 1999 and agreed that, ‘under the Forum, fruitful and effective discussions had been conducted and a series of important consensus had been reached in promoting connectivity, economic and trade cooperation and people-to-people contacts, which have laid a solid foundation for the development of BCIM Economic Corridor.’¹⁰

‘All delegations agreed that the proposed Corridor could run from Kunming (China) in the east to Kolkata (India) in the west, broadly spanning the region, including Mandalay (Myanmar), Dhaka and Chittagong (Bangladesh) and other major cities and ports as key nodes. With the linkages of transport, energy and

⁸ Joint Statement on the State Visit of Chinese Premier Li Keqiang to India
[https://mea.gov.in/bilateral-](https://mea.gov.in/bilateral-documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India#:~:text=Manmohan%20Singh%2C%20Prime%20Minister%20of,19%20to%2022%20May%202013.)

[documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India#:~:text=Manmohan%20Singh%2C%20Prime%20Minister%20of,19%20to%2022%20May%202013.](https://mea.gov.in/bilateral-documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India#:~:text=Manmohan%20Singh%2C%20Prime%20Minister%20of,19%20to%2022%20May%202013.)

⁹ Minutes of the First Meeting of the Joint Study Group of Bangladesh-China-India-Myanmar Economic Corridor (BCIM EC). <https://www.eoibeijing.gov.in/minutes-first-meeting.php>

¹⁰ Ibid.

telecommunication networks, the Corridor will form a thriving economic belt that will promote common development of areas along the Corridor.¹¹

The key priority areas were identified as physical connectivity, energy, trade in goods, services and investment, including finance, social and human development and poverty alleviation, environmentally sustainable development and people-to-people contacts wherein the meeting decided to exploring the possibilities of initiating early-harvest projects to demonstrate beneficial impacts and build confidence in the success of the Corridor.¹²

How, why and who actually advocated the idea of BCIM-EC and its sudden introduction still remains a question. Was it a sophisticated diplomatic bargain by India to get Chinese agreed in other areas of negotiations?¹³ Was there any element of subtle advocacy of this Economic Corridor by Bangladesh and Myanmar?¹⁴ Was it essentially triggered by the Chinese desperate forays into the Indian Ocean? The pressure role of the ADB, a crucial partner in the Greater Mekong Subregion (GMS) and India's North-Eastern region cannot be discounted. Among many attributions, three plausible reasons emerge upfront.

Firstly, the BCIM-EC provided appropriate fitting in China's grand scheme of the Silk Road Economic Belt and the 21st Century Maritime Silk Road announced for the first time in September-October 2013. Later known as Belt and Road Initiative (BRI), this blended well with the BCIM project which could act as a major entry point for China - a non-Indian Ocean

¹¹ Ibid.

¹² Ibid

¹³ India's Foreign Secretary while addressing the 10th BCIM Forum meeting in Calcutta in 2012 had given subtle hint when he said "Therefore, India stands for greater cooperation and exchange between the countries of the region. Sub-regional constructs such as BCIM complement our Look East Policy and are, therefore, equally important and significant for us. Since this is the case we are ready to move forward at a faster pace in enhancing and promoting our interactions in the BCIM forum", https://www.mea.gov.in/Speeches-Statements.htm?dtl/18855/Speech_by_Foreign_secretary_on_Indias_Look_East_Policy_at_the_10th_Meeting_of_the_BCIM_Bangladesh_China_India_Myanmar_Cooperation_Forum

¹⁴ The Centre for Policy Dialogue, Dhaka representing Bangladesh in the BCIM-EC Joint Study Group views that 'Bangladesh is connected with the BRI through the BCIM economic corridor' which covers 1.65 million sq kms and a population of 440 million people (Khatun and Saddat 2020)

country- to this strategic geography of Indian Ocean of 68.556 million sq kms and coastline of 66,526 km. This actually provides access to Pacific through Strait of Malacca and Atlantic thereby bypassing Cape of Good Hope and Mediterranean through the Red Sea and the Suez Canal.¹⁵ Interestingly, China's conscious linking of BCIM with the BRI became amply clear in the very first Vision Document issued on 28 March 2015. It said 'the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor are closely related to the Belt and Road Initiative.' (NDRC 2015)¹⁶ Interestingly, this document pegged the CPEC - despite India's vehement opposition- with the BCIM which was just unfurling.

Myanmar remains the bridge in this 'amphibious' economic corridor route and also to the ocean route enshrined in South West China-Indo China Peninsula to the Indian Ocean under three route projects¹⁷ of Silk Road Economic Belt. On the other hand, under the two route projects¹⁸ of 21st-Century MSR also, the Indian Ocean is central in the route starting from Coastal Ports of China-South China Sea-Malacca Strait-Indian Ocean and extending to Europe. (Chau 2017; Office of the Leading Group, 2017). This is where the BCIM economic corridor strategically facilitates attaining the end objectives of both Silk Road Economic Belt and Maritime Silk Road. The Gwadar and Colombo Port in Indian Ocean 'will offer new choices for the resource transportation of China and the entire Asia-Pacific region'. (Wang 2016:60). And it will trigger a trail of cascading ramifications including likely encirclement of Indian Ocean and the littoral states.

With the BRI initiative, the BCIM thus acquires the shape of largely a venture of strategic compulsion for China to access the Indian Ocean, harness more raw materials to sustain growth as its input/output ratio has been relatively inefficient (Yunling 2010) and further release its excess capacity generated by contraction in domestic and international market, rather than idealistic goal of integrated development of a sub-region. This is in sharp contrast to the original idea of 'win win' BCIM wherein relatively laggard Kunming aimed at connecting with Kolkata

¹⁵ cia.gov/library/publications/the-world-factbook/geos/xo.html

¹⁶ http://news.xinhuanet.com/english/bilingual/2015-03/28/c_134105922.htm; Accessed 30 March 2015

¹⁷ The other two routes under the Silk Road Economic Belt are North West China and North East China- Europe-Baltic Sea via Central Asia and Russia; and North West China-Persian Gulf-Mediterranean Sea passing through Central Asia and West Asia

¹⁸ The other route in the 21st Century Maritime Silk Route is Coastal ports of China-South China Sea that extend to the South Pacific

via northern Myanmar, North East of India and Bangladesh largely for the integrated market, tourism and other activities. This shift in basic objective, though substantially camouflaged, is now conspicuous.

And secondly, the apprehension that hurriedly built Hambantota Port in Sri Lanka in 2010 with massive Chinese loan by China Harbor Engineering Company, a state-owned enterprise, had already started facing severe underutilization in its operational capacity which projected to be more serious in future. Even after the decree of the government ‘that ships carrying car imports bound for Colombo port would instead offload their cargo at Hambantota to kick-start business there, only 34 ships berthed at Hambantota in 2012, compared with 3,667 ships at the Colombo port’.¹⁹ By 2017, Sri Lanka with slightly less than 10 percent of the estimated debt stock as share of GDP, figured among the top 50 recipients of external debt to China (Horn et al 2019). Though China constituted only 10 percent of Sri Lanka’s total foreign debt in 2019 and 60 percent was lent on concessional²⁰ and 40 percent on non-concessionary terms (Weerakoon and Jayasuriya 2019), given its current risk rating, the island nation was identified as one of the 23 countries for which the risk of debt distress due to additional BRI-related financing could be quite high. (Hurley et al 2018).

Therefore, the new deep-sea ports if built in Myanmar (Kyaukpyu) and Bangladesh (Chittagong)²¹ in the Eastern flank of Indian Ocean under BCIM-EC could durably feed the Hambantota and substantially and competitively upgrade its capacity utilization. Since this would be a much shorter route, it could even attract the GMS²² countries including China to use this route and also connect with the MSR. The handing over of Hambantota port and 15,000 acres of land around it on 99 -years lease to China in 2017 partly substantiated the unexplained

¹⁹ Abi-Habib, Maria, ‘How China Got Sri Lanka to Cough Up a Port’,
<https://www.nytimes.com/2020/05/18/business/china-loans-coronavirus-belt-road.html>

²⁰ “Typically at fixed rates of 2 per cent, with other fees of 0.5 per cent and average maturity of 15–20 years”

²¹ China and Bangladesh have been discussing about a deep sea port at Sonadia near Chittagong since 2010. However, Bangladesh formally withdrew from this arrangement in 2020 on grounds of environmental-biodiversity disturbance and is now building the same at Matarbari - about 25 kms away from Sonadia - in collaboration with Japan.

<https://www.thedailystar.net/business/news/plans-deep-seaport-sonadia-nixed-1953857>;

https://www.jica.go.jp/english/our_work/social_environmental/id/asia/south/bangladesh/c8h0vm0000bikdzb.html

²² <https://greatermekong.org/about>

rationale of the proposed BCIM-EC thereby indicating a changing trajectory. After this lease given to a Sri Lanka-China joint venture - Hambantota International Ports Group (HIPG)-²³ the Chinese oil and gas giant Sinopec won the contract for bunkering services. This could transform the HIP into a bunkering hub thereby potentially competing with two already existing bunkering players - Singapore and Fujairah- in Indian Ocean. (Ranaraja 2020) As a result, the shipment volumes in all three categories (RORO - roll-on/roll-off, dry bulk and liquid bulk) hugely increased by the end of 2019.²⁴

A recent ADB report (2020) showed that by 2050 Hambantota port will handle 38 percent of non-containerized general cargo, 90 percent gateway vehicles, 100 percent transshipment vehicles, 50 percent of LNG volumes and 9 percent of gateway containers. The refinery to be built by 2025 at this port will require substantial crude oil imports. Though the newly elected Rajapaksa Government has hinted at undoing the 90-year lease in the national interest,²⁵ these ambitious figures are indicative of the massive scale of future Chinese engagement in the Indian Ocean.

However, connecting with these new ports around the Indian Ocean, considered to be traditional India stronghold, would clearly provide a permanent threat to China in accomplishing what US strategic thinkers consider as 'string of pearls' strategy (Khurana 2008). This apprehension has been one significant reason - as further demonstrated by the signing of India-Maldives-Sri Lanka tripartite agreement on maritime cooperation in 2013²⁶ (Kahangama 2013; Samatha 2015) and four trilateral meetings²⁷ held at the national security adviser level since 2011 (Yhome 2020) – that partly explains India's vehement resistance to the BRI and its MSR.

²³ While floating this joint-venture between the China Merchants Port Holdings (CMPH) and the Sri Lanka Ports Authority (SLPA) Prime Minister Ranil Wickremesinghe stated that the port would fit in with Sri Lanka's own vision of "transforming into a hub in the Indian Ocean." http://www.xinhuanet.com/english/2019-12/24/c_138655160.htm

²⁴ <http://www.hipg.lk/hambantota-international-port-reaches-1-million-mt-benchmark-for-2019/>

²⁵ <https://www.straitstimes.com/asia/south-asia/sri-lanka-wants-to-undo-deal-to-lease-port-to-china-for-99-years>

²⁶ http://www.thebricspost.com/india-sri-lanka-maldives-sign-maritime-pact/#.X1zaTtRS_IU

²⁷ The 4th Meeting held in Colombo in November 2020 also 'agreed to broad-base cooperation by expanding the scope to improve intelligence sharing and include issues like terrorism, radicalisation, extremism, drugs, arms and human trafficking, money laundering, cyber security and effect of climate change on maritime environment', Joint Press Statement issued on 28 November 2020, http://www.defence.lk/Article/view_article/2654

And finally, after protracted and engrossing engagements in the ASEAN and East Asia through Free Trade Agreements, FDIs, trade in services agreements and other instruments of exchanges (Tongzon 2002), and also cooperation with the ASEAN in non-traditional security issues²⁸ BCIM stood out to be a relatively virgin geography and attractive green fields providing cross regional synergy to China. This could be another reason for ‘unilaterally’ incorporating BCIM along with CPEC as one of the six flagship projects under the BRI.

Contradictory Postures

In the BCIM-EC agreement based Inter-Governmental Study Group, China designated National Development and Reform Commission (NDRC) - the top governmental planning and development institution under the State Council- as its lead study team. In fact, the NDRC also hosts the Office of the Leading Group for Belt and Road Initiative. Myanmar was represented by its Ministry of Foreign Affairs. In sharp contrast to China, Bangladesh and India have been represented by widely known think tanks viz., Centre for Policy Dialogue (Dhaka) and Institute of Chinese Studies²⁹ (Delhi) respectively. This itself demonstrated striking variations in the treatment of the BCIM project by China vis-a-vis other member countries. Again, unlike China’s NDRC which is also the core agency to plan and design the BRI projects, in all three other member countries the foreign ministries have been driving and monitoring this initiative. So for Bangladesh-India-Myanmar trio, BCIM has been an exclusive project not interconnected with any other commitments like the South Asian Association for Regional Cooperation (SAARC, 1985)³⁰, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC 1997)³¹ and even Indian Ocean Rim Association for Regional Co-operation (IOR-ARC 1997)³² whereas in case of China, the BCIM explicitly got entwined and articulately integrated with its far reaching BRI project.

²⁸ <https://asean.org/wp-content/uploads/2012/05/MoU-ASEAN-China-on-NTS-2017-2023.pdf>

²⁹ Though India’s team in the BCIM-EC JSG was nominated by its Ministry of External Affairs, the ICS remained the coordinating office.

³⁰ <https://saarc-sec.org/>

³¹ <https://bimstec.org/>

³² <https://mea.gov.in/in-focus-article.htm?20707/Indian+Ocean+Rim+Association+for+Regional+Cooperation+IORARC>

At the same time, since 2013 there have been confusing developments and contradictory postures within the group. A clear image of the BCIM and where does it actually stand has been reflected in various bilateral joint statements and speeches by leaders of these countries in various fora after inter-governmental BCIM-EC Study Group was set up in 2013. This oscillating trend shows that the intricacies within BCIM have become more complex, suspicions have deepened, individual country's stands have turned ambiguous and the 20-year-old initiative seems to have lost purpose, direction and ownership. In a way, this is very much in an expected line as their geography based regional affiliations vary so much, political systems of the constituent states are vastly different and sharp variation in intra-sub-regional and extra-regional threat perceptions are conspicuous. The decision-making institutions oscillate between tightly authoritarian to majorly dictated by competitive federalism. The development asymmetries are too strong to ignore and their external affiliations become a major constraint. More so China's status, image, approach and relations with the neighbouring countries have undergone metamorphic changes.

These speeches reveal that India stopped mentioning about BCIM after 2015³³ and Myanmar after 2016.³⁴ Myanmar while highlighting its border of over 2000 kilometers and special Pauk-phaw relationship with China moved to a bilateral venture China-Myanmar Economic Corridor (CMEC) in 2019. Bangladesh stated about the BCIM in its meeting with China even in 2019³⁵ and not with India after 2015.³⁶ On the other hand, during this very period China's BRI context becomes much stronger via-a-vis Bangladesh and Myanmar. This fledgling commitment of the participating countries is clearly reflected and matched by the dismal progress made in the BCIM-EC JSG Report. As per the schedule of work decided in the First Meeting of the JSG held in Kunming in December 2013, the final consolidated synthesis report had to be completed and submitted to respective governments for their consideration by end-September 2014. And by the end December 2014, the 3rd JSG meeting had to take place in India to adopt the final report and to sign the inter-governmental cooperation framework.³⁷ However, the third meeting of the JSG

³³ <https://idsa.in/resources/speech/narendra-modi-tsinghua-university-beijing-may-15-2015>

³⁴ https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1390889.shtml

³⁵ https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1679204.shtml

³⁶ https://www.mea.gov.in/bilateral-documents.htm?dtl/25346/Joint_Declaration_between_Bangladesh_and_India_during_Visit_of_Prime_Minister_of_India_to_Bangladesh_quot_N

³⁷ <https://www.eoibeijing.gov.in/minutes-first-meeting.php>

was held almost after three years in Kolkata in April 2017. It mentioned that ‘the JSG is currently working on a Joint Study Report covering all aspects related to development of BCIM-EC’.³⁸ Since then there has been no tangible move in this regard except the 13th BCIM Forum meeting held in Kunming in June 2019.

Fear of Bilateral Route

Since China is the only country in the BCIM which has had protracted experience of building such cross national corridor, ship building, port construction, an outward FDI flow of \$118 billion in 2019 alone³⁹, and foreign exchange reserves of \$ 3.40 trillion in 2020⁴⁰, and huge stock of over capacity to share with, the possibility that once the JSG report is accepted by all, China would unilaterally adopt bilateral route in actual negotiations, implementation and financing the identified projects, apparently started reeling the minds of other partners. China would then justify these bilateral exercises in order to gain quantum performance jump in operationalisation of these projects.⁴¹ The signing of an exclusive CMEC agreement with Myanmar in April 2019⁴² and its consolidation in January 2020 partially proved this right.⁴³ This

³⁸ <https://www.icsin.org/third-bangladesh-china-india-myanmar-economic-corridor-joint-study-group-meeting25-26-april-2017-kolkata>

³⁹ <https://www.policyforum.net/chinas-foreign-direct-investment-flows/>

⁴⁰ In March 2020; <https://www.investopedia.com/articles/investing/033115/10-countries-biggest-forex-reserves.asp>

⁴¹ The PRC Government established “a Leading Group” for the BRI, ‘whose office has been set up under the NDRC’. It produced a document “Building the Belt and Road: Concept, Practice and China’s Contribution” in May 2017 where it clearly stated that “following the principle of reaching consensus through consultation, China works with the countries with which it has signed MOUs in preparing bilateral cooperation plans.” <https://eng.yidaiyilu.gov.cn/zchj/qwfb/12731.htm>;
<file:///C:/Users/hp/AppData/Local/Temp/201705110537027.pdf>

⁴² In the list of the bilateral and multilateral documents signed, the NDRC of China signed a cooperation plan on CMEC including early harvest investment projects with the Ministry of Planning and Finance of Myanmar. Joint Communiqué of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation, 27 April 2019, Beijing https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1658766.shtml

⁴³ “Both sides agreed to step up the ‘Belt and Road’ cooperation, push the China-Myanmar Economic Corridor (CMEC) to transit from concept sketching into concrete development, and endeavour to promote the three pillars of the CMEC, namely the Kyauk Phyu Special Economic Zone, Myanmar-China Border Economic Cooperation Zones, and new urban development of Yangon City as well as framework infrastructure projects of connectivity such as roads, railways, electric power and energy”; Joint Statement between Myanmar-China issued on the

was further reflected in the Leaders' Roundtable of the 2nd BRI Forum held in Beijing in April 2019 wherein the BCIM was formally dropped or not mentioned from the list of 35 economic corridors and other projects full after three years.

On the other hand, India's postures vis-à-vis BCIM have been ambiguous, confusing and contradictory as demonstrated in preceding paragraphs. Even in its partnership in the China dominated Asian Infrastructure Investment Bank (AIIB) as the second highest share holder (8.36 percent) there is visible contradictions between its conspicuous opposition to the BRI and BCIM's inclusion in the BRI while at the same time joining and borrowing from the AIIB which is supposedly designed to finance the BRI projects. Though the Articles of Agreement of the AIIB⁴⁴ do not mention about its relations with the BRI, the Office of the Leading Group for Promoting the Belt and Road Initiative clearly mentions that 'in fulfilling its own purposes and missions, the bank (*AIIB*) has become one of the key multilateral platforms for building the Belt and Road, along with other multilateral development banks.'⁴⁵ Two other official publications stated that AIIB could 'invest more efficiently in the vitality and growth of Asia and better serve the Belt and Road Initiative'. (Liu) While highlighting the fact that 'to drive the execution of the Belt and Road Initiative, China has taken the initiative to establish AIIB, BRICS Development Bank, SCO Development Bank and Silk Road Fund' another document delved into more serious issue of political risk hedging with an example from Myanmar:

'AIIB and China's Belt and Road Initiative supplement each other. In fact, the financial risks associated with the execution of the Belt and Road cannot be

occasion of the State Visit of Xi Jinping, President of China to Myanmar. 18 January 2020, Nay Pyi Taw; <http://mizzima.com/article/myanmar-government-issues-statement-occasion-chinese-presidents-visit>

⁴⁴ It states that "The purpose of the Bank shall be to: (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions."

file:///C:/Users/hp/Desktop/AIIB%20Articles_of_agreement%20Feb%202020.pdf accessed on 16 February 2020 and

<https://www.aiib.org/cms/en/search/index.html?category=documents&mudium=all&query=share%20holders%20in%20AIIB>

⁴⁵ With the authorised capital stock of US \$ 100 billion, AIIB membership grew from 50 countries in June 2015 to 103 countries spread across five continents by mid 2020.

completely solved by simply depending on bilateral relations. Instead, AIIB, as a multilateral arrangement, may provide more solutions to political issues. For instance, the President of Burma, Thein Sein suddenly announced in September 2011 to unilaterally suspend the cooperation with China in building Myistone dam for the reasons of ‘respecting the will of the people’, causing heavy losses to the investment by China. Had the project been invested by AIIB, the environmental evaluation would have been strict and transparent, and would have given more thought to the interests of the local people.’ (Jin, 81-2)

On the other hand, China consciously shifted to a more bilateral framework deviating from the BCIM architecture. Just on the eve of the 2nd BRI Forum meeting in April 2019, Office of the Leading Group for Promoting the BRI raised the issues of BCIM ‘over the past five years or so, the four countries have worked together to build this corridor in the framework of joint working groups, and have planned a number of major projects....’ and continued in the same text and paragraph that ‘A Joint Committee of the CMEC has been established. The two countries have also signed a MoU on building the CMEC, as well as papers on a feasibility study for the Muse-Mandalay Railway, and the Framework Agreement on the Kyauk Phyu Special Economic Zone Deep-Sea Port Project.’ Further, in the financing projects list, the Export-Import Bank of China signed loan agreements on bridge rail link and pipeline projects with the Ministry of Finance of Bangladesh. (Office of the Leading Group 2019)

Perceptible Changes since 1999

Three perceptible changes have taken place since 1999 that would make the face and proposal of the BCIM more complex and also indicate how China cautiously yet steadily has started treading the bilateral path. These changes relate to broadly realizing the goal of mainstreaming its south-western periphery, ensuring Yunnan’s extensive neighbourhood connections and a sustained and focused entry into the Indian Ocean. It amply demonstrates that China has been able to realize the first order objective of developing its own periphery with the support of the contiguous neighboring countries partly through projects like GMS and BCIM. China has now entered into the more challenging second order objective of making sustained inroads into the

Indian Ocean from all four directions. From the Northern entry perspective, deployment of two parallel approaches viz., sub-regional channel of BCIM or the bilateral channel through Myanmar and Bangladesh are emerging to be pertinently far reaching.

I Prosperity in Western China

Firstly, a major driving force for China to open its border for more trade and investment intercourse has been the urgent need to bring its own provinces in the periphery mainly the western region to the national mainstream so that mainland China could expand its politico-military leverages over these units.⁴⁶ The western region which covers over 56 percent of the nation's territory, with a population making up nearly 23 percent of the national total,⁴⁷ comprise nine provinces and autonomous regions i.e. Gansu, Guizhou, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang and Yunnan in addition to Chongqing Municipality. This region has plenty of land and natural resources including titanium, copper, coal, oil and gas. After the Eastern China's 14000 km long coastlines brought fortunes to China in the last two decades, the western China with 3500 km land frontier lines was considered to become second golden area of reopening. (China 2002; Fu 2001)

Geographically how uneven had been the development process is partly indicated by the contributions made to national trade by administrative divisions other than that located in the western region. For instance, in the mid 1990s, Guangdong alone accounted for about 40 percent of China's total exports and imports. This along with Fujian, Zhejiang, Shanghai, Jiangsu, Shandong and Liaoning, China's seven coastal divisions, handled 75 percent of national exports, more than 90 percent of all processing exports and 67 percent of imports. (ITC 1995) In 1998, Tibet (Yuan 710) and Gansu (Yuan 939) not only had the lowest per capita rural consumption but also just a half of the national average of Yuan 1590. Shanghai's consumption expenditure was over three times higher than that of Yunnan's 1312 Yuan. (Chow 2002; Frost 2008) Similarly, out of the total foreign direct investment of \$ 229.44 billion made in China during

⁴⁶ China's 27 provinces are divided into four regions :

Northeast (3) : Liaoning, Jilin and Heilongjiang

Middle (8) : Shanxi, Hebei, Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan

Eastern (6) : Jiangsu, Zhejiang, Anhui, Fujian, Jaingxi and Shandong

⁴⁷ <http://www.china.org.cn/e-xibu/1aNew/indexban.html>

1987-97, the inland provinces (western region) hardly received 12.4 percent as against 71.2 percent of coastal provinces and 16.4 percent of major cities (Beijing, Tianjin and Shanghai) with per capita FDI of US \$ 3.8, 33.47 and 10.63 respectively. (Yang 2002)

Another study found that, China received FDI inflows US \$ 250.02 billion during 1985-98 in which the share of eastern region was over 86 percent as against western region's 3.4 percent. Within this Guangdong province received US\$ 64.23 billion as compared to Yunnan's \$ 704 million and Xinjiang's \$ 321 million. (Wei and Liu, 2001, 29) By 1999 in the cumulative number of approved enterprises, cumulative contractual FDI value and actually utilized, the shares of western region were 5.01, 3.87 and 3.22 percent as against eastern region's 82.13, 88.13 and 87.84 percent respectively. (Chow 2002, 309) Though transition from a centrally planned economy to a market oriented one has helped reduce poverty, it has led to unbalanced development between regions. (Cook 2002) However, Riskin (1993) found that three-fifths of poor individuals in his sample were located in non-western provinces though the poverty of the western region has received the lion's share of attention.

The resulting accelerated growth and development in these politically and strategically volatile provinces and regions could to a large extent quell the political dissents in much more smooth and durable manner. Therefore, provision of autonomy and flexibility in their cross-border interactions were considered vital for which several promotional measures including legislative and financial were adopted.⁴⁸ Opening the borders for more intimate commercial interactions with the immediate neighbours was a core point in these measures.

⁴⁸ Some of the major examples include (a) "Measures Concerning the Supervision and Favourable Taxation for the People-to-People Trade in Sino-Myanmar Border" of 25 January 1992, Office of Customs, PRC; (b) "Notification Concerning the Further Opening up of the Four Frontier Cities of Heihe, Shuifenhe, Hunchun and Manzhouli" of 1992, State Council; (c) "Notification Concerning the Further Opening up of the Five Frontier Cities and Towns of Nanning, Kunming, Pingxiang, Ruili, and Hekou" of June 1992, State Council; (d) "Some Favourable Policies and Economic Autonomy Authorized to the Frontier Cities of Heihe, and Shuifenhe" of June 1992, Heilongjiang; (e) "Resolution of Some Issues Concerning the Extension of Open-door and Promotion of Economic Development" of 20 April 1991, Inner Mongolia; (f) "Notification of Promoting Trade and Economic Cooperation with Neighbouring and East European Countries" of 9 February 1992, Xinjiang; (g) "Resolutions Concerning the Further Reform and Opening up to the Outside World" of 14 July 1992, Tibet; (h) "Provisional Regulations Concerning the Border Trade" of 1991, Yunnan province. Indicative compilation from *Bulletin of the State Council*, Peoples Republic of China series. (Singh, 2005)

Premier Zhu Rongji's 'Report on National Economic and Social Development during the Tenth Five Year Plan'⁴⁹ identified eight most important tasks to be achieved during the Tenth Five Year Plan period (2001-2005). These tasks included developing the western region for regionally balanced economic development and also deepening reform and the open-door policy. 'It was a part of the development strategy announced by Deng Xiaoping in the early 1980s and pursued by Premier Zhao Ziyang in the mid 1980s. To achieve the rapid national development Zhao told the people that the eastern coastal provinces should be allowed to develop first, but after the eastern provinces become rich they should help promote western development.' (Chow 2002)

Chinese government launched 'develop-the-west' campaign in 2000 with five major components of infrastructure construction, environmental protection, adjustment of the industrial structure, promotion of science technology and education and economic reforms and open-door-policy. (Chow 2002). Under this a number of preferential policies including capital input, investment environment, internal and external opening up, development of science and education and human resources were offered to the western region. The Chinese government also liberalized the labour policies for the development of western region. Ministry of Public Security issued a notice stipulating that all investors and professional working in western China can be registered where they work, and that if they wish to return to where they came from they can have their new residence registration go with them. It emphasized that the new policy is aimed at providing a better environment for the country to carry out western development strategy and encouraging reasonable and orderly population immigration.⁵⁰ While not pursuing a federal system, in the governance parlance, China moved from 'ethnic self-determination' to 'ethnic regional autonomy'. (Xie 2013)

All these measures brought significant development in the whole of western region and its provinces started intimately interacting with the neighbouring countries particularly with South East Asian countries. The old Chinese saying 'next door neighbours mean more than distant relatives' seemed to be in full operation along with 'emancipation of productive forces'. (Zheng 2011) Over the years, the original idea of opening newer markets, accessing much larger fields

⁴⁹ Delivered to the People's Congress on 5 March, 2001.

⁵⁰ As reported in *Xinhua*, 14 July 2000

of raw materials and controlling a chain of key businesses and industrial activities were all hugely accomplished.

II Development Gallops in Yunnan

Secondly, the development status of Yunnan along with Tibet Autonomous Region and Sichuan province in the south-west China have undergone visible transformation since the Kunming initiative proposal was brought to the quadrilateral table in 1999. They have moved from basics to more sophisticated interventions and infant to more pivotal roles within China. Over the years, the core rationale and objectives of ‘backward zones of the eastern South Asia and its periphery’ with which Yunnan spearheaded the entire BCIM project and idea of Kunming to Kolkata (K2K) got marginalised. As this province steadily moved to a relatively much enviable development platform leaving its counterparts like West Bengal, North East region of India and Bangladesh and Myanmar far behind in all crucial development indicators.

Till then Yunnan - a mountainous landlocked province with Myanmar in the west and Laos and Vietnam in the south- was considered to be a slow growing poverty-stricken province⁵¹ majorly dependent on cattle rearing and tobacco farming with huge infrastructural gaps and poor connectivity with other Chinese cities and development centres. (Brown et al 2002) Its overwhelming ethnic population of 24 minorities⁵² made it a sensitive zone for any major development intervention. However, Yunnan today remains transformed into one of the most vibrant provinces and an over bridge to South East Asia. During the period 1990 to 2018, the gross regional domestic product increased from US\$ 9.41 billion to 269.7 billion, per capita income recorded almost 22-fold jump and highway construction moved from 31299 kms to 115437 kms wherein 76.53 percent of the total 19.44-million-ton freight kms moved. (Table 1)

Initiatives like ‘decent lift pilot village’ under West-East (Shanghai-Yunnan) cooperation made huge investments to alleviate poverty among various ethnic minorities in Yunnan. Later in 2011

⁵¹ In 1997 there were 73 poverty stricken counties and 506 townships (out of 545) in Yunnan.

⁵² Ethnic minorities in Yunnan include Achang, Bai, Bulang, Buyi, Dai, Dulong, De’ang, Hani, Hui, Jingpo, Jino, Lahu, Lisu, Miao, Mongolian, Naxi, Nu, Pumi, Shui, Tibetan, Wa, Yao, Yi and Zhuang,

‘three prefectures helping three counties’ model was adopted with focus on aspects of production, living, education and medicine. These sharply brought down the number of poverty stricken people. (Chengwei 2014) The poverty headcount ratio in eight autonomous prefectures dropped to 0.86 percent in 2019 from 10.58 percent in 2015 thereby reaching a near zero extreme poverty in 2020⁵³ from an estimated 15 million in mid 1990s. (Ren & Tisdell 1999)

Table 1
Yunnan: Macro Development Indicators

Sectors/Indicators	1978	1990	2000	2018
Population (million)	30.9	37.3	42.4	48.29
Population Density (Person/sq km)	78.5	94.7	107.6	122.5
Households (million)	5.72 (5.4)&	8.12 (4.5)&	10.31 (4.1)&	14.05 (3.4)&
Gross Regional Product (US \$ billion)#	2.8	9.41	24.28	269.7
Per capita GDP (US\$) #	91.87	255.53	576.08	5601.21
Highway (Kms)	25494	31299	44420	115437
Freight Ton Kilometers (million)	0.62 (69)**	2.61 (63.7)***	4.79(61.8)***	19.44 (76.63)***
Employed persons (Primary Industry)	11.94 (1980) (85.0)!	15.37 (80.0)!	16.95 (73.9)!	14.49 (48.4)!
Employed persons (Secondary Industry)	1.13 (1980) (8.1)!	1.84 (9.6)!	2.10 (9.2)!	4.13 (13.8)!
Employed persons (Tertiary Industry)	0.97 (1980) (6.9)!	2.01 (10.4)!	3.89 (17.0)!	11.29 (37.8)!

Converted as per the exchange rate of Yuan: US\$ prevailing on that year.

& Average Household Size

** Share of Railway

*** Share of Highways

! Percentage share in Total Employed by Type of Industry

Source: Deduced from *Yunnan Statistical Yearbook* (various issues including 2019 No 35), Compiled by Statistical Bureau of Yunnan Province, China Statistics Press

Total trade increased from US\$ 548 million in 1990 to a hefty 29.90 billion in 2018. The border trade recorded a staggering 44 fold increase from a mere US\$ 74 million in 1990 to 3.275 billion in 2018. The trading partners have been spread over countries in Asia, Europe, North America, Latin America and Africa. The four border gates linking China with Myanmar located in Muse in northern Shan state, Lwejel in Kachin state, Chin Shwehaw in northeastern Shan state and

⁵³ http://www.xinhuanet.com/english/2020-02/17/c_138792123.htm

Kanpitem in Kachin state have flourished with Muse as the largest trade transaction zone between the two neighbours. (Kubo 2016) China's border trade through its 120 inland towns and ports has reached almost US \$ 6 billion in 2016-17.⁵⁴ The openness was clearly reflected in the FDI projects that increased from 11 to 182 thereby touching the flow of US\$ 8.28 billion in 2018 alone. The gross industrial output in the 48.3 million population recorded unprecedented increase of US\$ 220.32 billion in 2018 from 7.21 billion in 1990. (Table 2)

Table 2
Yunnan : Trade and Investment Indicators

Sectors/Indicators	1978	1990	2000	2018
Total Investment in Fixed Assets (US\$ Billion)	0.61	1.58	8.42	83.39
Total Exports (US \$ Million)	69	434	1175	12812
Total Imports (US \$ Million)	35	114	638	17083
Border Trade – Exports (US \$ Million)	-	42	278	1923
Border Trade – Imports (US \$ Million)	-	32	78	1352
Foreign Direct Investment Projects (No)	9 (1987)	11	106	182
FDI (US\$ Million)	11 (1987)	-	-	8279
Gross Industrial Output Value (US \$ Billion)	2.25	7.21	19.20	220.32

Source: Deduced from *Yunnan Statistical Yearbook* (various issues including 2019 No 35), Compiled by Statistical Bureau of Yunnan Province, China Statistics Press

Over 5.49 million foreign and 681 million domestic tourists visited Yunnan in 2018 as against 0.66 million and 38 million in 2000. The foreign exchange earnings from tourism sector increased from US\$ 339 million in 2000 to 4.41 billion and domestic tourists left behind earnings of US \$ 131.21 billion as against a mere 2.21 in 2000 respectively. (Table 3)

Yunnan is already a crucial part of the GMS. Besides oil and gas pipelines originating from Myanmar, electricity transmission lines with the neighbouring countries, a landlocked Yunnan now has four cross border highways – Kunming-Bangkok, Kunming-Hanoi, Kunming- Yangon, Kunming – Vientiane; and has been deftly connected with other parts of China including Hengyang, Shantou, Shanghai, Hangzhou, Beijing and Xining. Similarly, cross border railways

⁵⁴ http://www.xinhuanet.com/english/2017-04/20/c_136223807.htm

Table 3
Yunnan: Tourism Development Indicators

Sectors/Indicators	2000	2018
Foreign Tourists (million)	0.66	5.49
Foreign Exchange earnings from foreign tourists (US \$ million)#	339	4418
Domestic Tourists (million)#	38	681
Earnings from Domestic Tourists (US \$ billion)#	2.21	131.21

Converted as per the exchange rate of Yuan : US\$ prevailing on that year.

Source: Deduced from *Yunnan Statistical Yearbook* (various issues including 2019 No 35),

Compiled by Statistical Bureau of Yunnan Province, China Statistics Press

with Cambodia, Laos, Myanmar and Vietnam (CLMV), Thailand and Singapore all the neighbouring countries have been planned. The ongoing \$ 7 billion BRI Kunming-Vientiane railway project (415 kms) is likely to be completed in 2021 and will eventually connect to railway lines in Bangkok, further southward in Malay peninsula and Singapore.⁵⁵ Besides two dozens of land, air and water ports, the three cross border water ways – Lancang-Mekong, Lancang-Red River and Lancang-Irrawadi, are likely to be connected with oceans and ports therein.(Chen 2016) However, its South Asian access through Kunming-Kolkata highway continues to remain only a dream project. Though Yunnan as the initial flag bearer of BCIM initiative continues to push for connectivity project like K2K Road Rally, it has increasingly distanced and detached from this quadrilateral sub-regional project.

III Forays into the Indian Ocean

And finally, with the initiation of BRI in 2013, China started making massive bilateral investments, infrastructure development and trade inroads leading to unprecedented changes both in the land and maritime fronts surrounding the BCIM member countries. These are intrinsically inbuilt in the five routes coming under top level framework⁵⁶ with ‘six means of

⁵⁵ <https://www.scmp.com/business/banking-finance/article/3002518/chinas-us7-billion-railway-link-laos-almost-half-done>

⁵⁶ <file:///C:/Users/hp/AppData/Local/Temp/201705110537027.pdf>;
<https://eng.yidaiyilu.gov.cn/zchj/qwfb/12731.htm>

communication'.⁵⁷ When China unilaterally included BCIM as one of the identified 'six corridors'⁵⁸ in 2017, it further confounded doubts and chicaneries among other BCIM constituents particularly India. (Office of the Leading Group 2017) The text that accompanied this unexplained inclusion while referring to the progress made by the JSG, stated that the BCIM-EC 'connects the three sub-regions of East Asia, South Asia and Southeast Asia, and links up the Pacific and Indian Oceans.' This linking with the 'oceans' actually deepened the mystery of China's intention and heightened mistrust and suspicion particularly when India had serious reservation about the BRI and literally boycotted both the BRI Forum meetings held in Beijing in 2017 and 2019.

As the consequences of Chinese inroads into Maldives and Sri Lanka started unfurling, it dawned on India that the BCIM is likely to be used by China as a launching pad for its unbridled and unrestricted access to the Indian Ocean, as another sea route, for both commercial and strategic purposes. How dependent has been China on the sea route is indicated by the fact that over 97 per cent iron ore import, 92 per cent of its copper ore and coal imports are transported by sea. While being the world's largest trading country, sea transport constitutes 90 per cent of total transport volumes where it has been using 30 sea routes involving 1200 port spread over 150 countries. (Liang 2016)

A range of literature have emerged in China demonstrating the centrality of Indian Ocean in regional cooperation projects in South and South-East Asia and also core role of China in driving these processes. Many of them argue that entry of China into the Indian Ocean through this relatively new route could galvanize newer development dynamics that would benefit the region and also accrue advantages to China. However, these studies coming across from various institutions also confirm that BCIM project is largely aimed and likely to be used at making entry into the Indian Ocean from the northern geographies. Many of them advocate the bilateral path.

⁵⁷ Includes rail, highways, seagoing transport, aviation, pipelines, and aerospace integrated information network, which comprise the main targets of infrastructure connectivity.

⁵⁸ Other corridors are New Eurasian Land Bridge Economic Corridor; the China-Mongolia-Russia Economic Corridor, the China-Central Asia-West Asia Economic Corridor; the China-Indochina Peninsula Economic Corridor and the China-Pakistan Economic Corridor.

The MSR perspective has multimodal features including transport, trade, energy, economy, infrastructure and security. These relatively new but coveted sea lines of communications (SLOCs) for China will largely deflect both geopolitically crowded East Asia and exposures to military exercises and security pressures therein. It serves the growing economies of Asia to access the world market both in terms of critical imports like energy and also products coming out of sophisticated supply chains. At the same time, China envisages to use Gwadar as a parallel route through which oil brought from Persian Gulf would be brought to western China through CPEC built highway and railway connections. (Funaiole and Hillman 2018) This would largely facilitate the import to various provinces of Pakistan also.

The BCIM fits into Southern Silk route – Bay of Bengal stretch which starts from Chengdu passes through Tengchong (Yunnan) and moves through ports in Myanmar (Kyaukpyu), Bangladesh (Chittagong) and India (Calcutta) and also traverses through land (Southern Silk route). This connects to Sri Lanka (strategic to Europe-Asia trade route), and moves further westward to Persian Gulf, Gulf of Aden and then the coasts of East Africa. So it is China, South East Asia, South Asia and Africa integrated trade through Indian Ocean. (Zhu 2016)⁵⁹ This deflects the traditional risk prone Strait of Malacca – located between Indonesia, Malaysia, and Singapore that links the Indian Ocean to the South China Sea and to the Pacific Ocean- which has been widely used as the lifeline of energy transportation by China and Indonesia and other East and South East Asian countries.

So, the northern entry to Indian Ocean (Southern Silk Route) through BCIM is considered as the most cost efficient land passage. It will drastically cut down the 7066-km land and sea relay load distance for passenger and good transport from Guangzhou by sea to Yangon (Myanmar) via Strait of Malacca. This happens because the 1011 km Kunming to Yangon via Ruili cuts down the distance by 6055 kms. The 3316 km Ruili to Calcutta via Yangon will reduce the distance by

⁵⁹ This fits into the grand schematic of the 21st century MSR starting with South China Sea-Malacca Strait-Indian Ocean-Persian Gulf-Gulf of Aden involving 29 coastal countries that includes 9 in South East Asia (Indonesia, Malaysia, Myanmar, Singapore, Thailand, Cambodia, Vietnam, the Philippines and Brunei), 5 in South Asia (Bangladesh, India, Maldives, Pakistan and Sri Lanka), 9 in West Asia – Persian Gulf through the Arabian sea- (Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, , The UAE, Yemen and Bahrain) and 5 in East Africa – Red sea through Gulf of Aden – (Egypt , Somalia, Sudan, Djibouti and Eritrea) Source : Zhu (2016)

4720 kms. Further even 4326 kms Kunming through Ruili to Colombo transiting in Yangon would cut down the distance by 3590 kms. (Belt and Road Research Team, 2016)

Both the deep sea port (\$7.3 billion) and industrial zone within the Special Economic Zone (\$2.7 billion) in Kyaukpyu in Rakhine province are along the Bay of Bengal and constructed by China's state owned CITIC's consortia (including China Harbor Engineering Company Ltd., China Merchants Holdings, TEDA Investment Holding, and Yunnan Construction Engineering Group)⁶⁰ This port would provide a much shorter and efficient alternative route (Europe, the Middle East, Africa, and India to Kyaukpyu and Yunnan) as against the existing route through the Strait of Malacca and the South China Sea and to final ports in its southern and eastern coasts. At the same time, inter-connecting Kyaukpyu with Chittagong – 195 nautical miles (nm) towards the north- and then Calcutta - 361 nm -, Vishakhapatnam - 576 nm - and finally with Colombo - 821 nm - (a total of 1953 nm) could at the same time make South Asia – South East Asia and East Asia route and western provinces of China much faster and economical. Therefore, even if BCIM does not take off, China would strive to realize these projects through separate bilateral arrangements with Bangladesh and Myanmar.

However, protracted violence in Rakhine province and large scale exodus of Rohingya refugees to Bangladesh has triggered a fierce Bangladesh- Myanmar diplomatic imbroglio. The vehement condemnation of Myanmar for its blatant violation of humanitarian norms have further shuddered it into China camp.⁶¹ India in recent years decided not to allow any Rohingya refugees on grounds of national security.⁶²

⁶⁰ <https://thediplomat.com/2016/01/chinese-company-wins-contract-for-deep-sea-port-in-myanmar/>

⁶¹ Three major exodus of Rohingya refugees (Lama 2000b, Abrar 2017, Kipgen 2019) after a protracted clash with and violence by Tatmadaw (Myanmarese Army) have taken place from Rakhine, western state of Myanmar that borders Bangladesh to the north and Bay of Bengal to the west. The latest being in 2017. Over 1.1 million in number refugees are hosted by Bangladesh Government in Cox's Bazar area of Bay of Bengal. China launched both the humanitarian assistance at the camp sites and also rehabilitation initiative in Rakhine province and also offered to mediate between the Bangladeshi and Myanmar's Governments for the return of these refugees . See <https://www.reuters.com/article/us-myanmar-rohingya-china-insight/china-struggles-in-new-diplomatic-role-trying-to-return-rohingya-to-myanmar-idUSKBN1ZJOSY>;

<https://frontline.thehindu.com/world-affairs/article28882711.ece>

⁶² <https://www.reuters.com/article/us-myanmar-rohingya-india/india-calls-rohingya-refugees-threat-to-national-security-idUSKCN1BP24M>

The MSR intends to stringing the coastal ports, connecting them, enhancing cargo handling capacity and pulling the hinterlands into the system. This doubles the interdependence thereby making cost of conflicts higher among the partners and particularly that are aimed at China. Thus a curvilinear integration is imagined and practiced where sea routes act as smooth routes, ports as sustainable nodes and hinterland as ‘influenced areas’. Besides the physical infrastructure, the MSR could entail a chain of benefits to partner countries through maritime security cooperation including maritime scientific research, environmental protection, navigation safety, disaster mitigation, maritime search and rescue, fighting against crimes like piracy, drugs and terrorism and also dealing with religious and racial conflicts in the littoral states. It is also argued that if any conflict erupts in Indian Ocean, it will bring high degree of vulnerability and multiple potentials risks to China’s presence from both the US and India. That is why its BRI projects in Sri Lanka, Bangladesh, Maldives and Myanmar have dual use purpose as Cooper (2018) states ‘counter-piracy provides a window into the operational patterns of foreign militaries. This may be useful both from an intelligence-gathering perspective and for helping the PLA to compare its strengths and weaknesses to those of foreign militaries, including the United States, India, Japan, Australia, and others..... Mapping undersea features would be particularly beneficial in preparing for a potential wartime scenario.’

China is likely to import 9.1 million barrels per day of crude in 2020.⁶³ Despite diversification of sources to 43 countries (including Africa, the Middle East, Canada, Europe and South America), China’s dependence on crude oil imported from the nine Middle Eastern countries stands to be over 44 percent of its total imports. Saudi Arabia alone constitutes over 16 percent (US\$40.1 billion in 2019). African countries like Angola and Congo are also major exporters.⁶⁴ It is also estimated that Middle East constitutes 57 percent of the total daily oil imports to Asia in 2020.⁶⁵ For all these actions, the Indian Ocean route remains the most lucrative and relatively safer

⁶³ <https://fortune.com/longform/china-crude-oil-consumption-map/>

⁶⁴ Besides Russia being the second largest supplier : \$36.5 billion (15.3%), other Middle East countries like Iraq: \$23.7 billion (9.9%), Oman: \$16.4 billion (6.9%), Kuwait: \$10.8 billion (4.5%), United Arab Emirates: \$7.3 billion (3.1%), Iran: \$7.1 billion (3%) remained major suppliers in 2019. <http://www.worldstopexports.com/top-15-crude-oil-suppliers-to-china/>

Also see International Energy Agency (2019), Oil Information Overview, https://iea.blob.core.windows.net/assets/9faca21e-8f10-43c0-a7da-bab0c275773f/Oil_Information_2019_Overview.pdf

⁶⁵ <https://fortune.com/longform/china-crude-oil-consumption-map/>

SLOCs as against the stretches between Bab el-Mandeb, Straits of Hormuz and Malacca which have been of serious security vulnerability to China. The Myanmar-China gas and oil pipeline constructed in the mid 2010s⁶⁶ demonstrably showed China's determination to bypass Malacca Strait.

The transit chokepoints – narrow channels and straits restricting the size of the vessel that can navigate - China confronts with while undertaking overwhelming import of oil, liquefied natural gas and other liquids through sea routes has been of serious security concerns. Blocking or even temporary restrictions in these straits by any military action, piracy and terrorism, wars, political conflicts and accidents could entail huge cost thereby leading to severe cost escalation and oil spills. Among the seven chokepoints⁶⁷ identified by the US Energy Information Administration, (EIA 2017) the Strait of Hormuz – located between Oman and Iran and leading out of the Persian Gulf - and the Strait of Malacca – linking the Indian and Pacific Oceans, the shortest sea route between the Middle East and the Asian Markets - have been the most widely used routes by China and others.

A recent study by Chinese geographers revealed that troughs in oil flows witnessed in Strait of Hormuz in the last quarter of 2014 was directly related to the US sending aircrafts and artillery war ships to the Persian Gulf 'to combat the extremist armed forces during the civil wars in Iraq and Syria.' Another trough recorded in the second quarter of 2015 is 'associated with the Middle

⁶⁶ On 28 July 2013, the Myanmar-China Gas Pipeline became operational and started to deliver natural gas to the Myanmar market through its off-take stations.

<https://www.cnpc.com.cn/en/myanmarcsr/201407/f115a1cc6cdb4700b55def91a0d11d03/files/dec09c5452ec4d2ba36ee33a8efd4314.pdf>

On 10 April 2017, the Myanmar-China Crude Pipeline project was officially put into operation. The 771-kilometer long oil pipeline extends from Madè Island on the west coast of Myanmar to Ruili in the southwestern Chinese province of Yunnan, running through Rakhine State, Magwe Region, Mandalay Region, and Shan State. On 10 April 2017, the Myanmar-China Crude Pipeline project was officially put into operation

<https://www.cnpc.com.cn/en/myanmarcsr/201407/f115a1cc6cdb4700b55def91a0d11d03/files/dec09c5452ec4d2ba36ee33a8efd4314.pdf>

⁶⁷ Strait of Hormuz (18.5 million barrels per day in 2016 : over 30 % of all sea-borne traded crude oil and other liquids) , Strait of Malacca (16 MBPD), Suez Canal and SUMED Pipeline(5.5 MBPD), Bab el-Mandeb (4.8 MBPD), Danish Straits (3.2 MBPD), Turkish Straits (2.4 MBPD), Panama Canal (0.9 MBPD) and Cape of Good Hope (alternate trade route with 5.8 MBPD). In the Hormuz Strait at the narrowest point the width of shipping line is only 2 miles wide in either direction and in case of Malacca Strait, the narrowest width at Phillips Channel in Singapore is about 1.7 miles wide.

East Respiratory Syndrome (MERS) outbreak in 2015'. Both these had visible impact on the Strait of Malacca also. (Xiao et al 2020)

The Indo-Pacific initiative therefore, on the one hand strengthens the positions of the US, Japan and India in the management of these vital choke points while at the same time further enhancing the vulnerability of China. China's primary resistance of Indo-Pacific initiatives emanates from this fear and increased vulnerability perpetrated by collective rival powers. (also see National Maritime Foundation 2019)

Core Intent and Subtle Tactics

Regardless of BCIM, China could already make huge bilateral dent into the partner countries' markets capturing and constituting as high as 33, 15 and 11 percents of the global trade of Myanmar, Bangladesh and India by 2018. (Table 4)

The trade dependency has demonstrated remarkable influence ascendancy of China across all the South Asian countries. The next step is most likely to be the penetration of well planned 'RMB internationalization' and 'currency regionalization' through bilateral channels like trade agreement, currency exchange arrangement, currency swaps, settlement of trade in home currency, direct currency transaction and offshore RMB clearing mechanism. After Chinese RMB became of part of the IMF's Special Drawing Rights (SDR) reserve currency basket in October 2016, countries including Myanmar⁶⁸ and Pakistan⁶⁹ have already adopted at least the first of the three stages of RMB internationalization viz, cross border circulation and currency for trade. The ultimate goal is to introduce and practice the other two stages of pricing and settlement where RMB is used as currency for trade, finance and investment and the final stage of store of value where RMB becomes freely convertible under capital accounts and acquires the shape of a freely exchangeable foreign exchange currency to replace the existing the US dollar, Japanese Yen, the EU's Euro and Britain's pound sterling. (Jin)

⁶⁸ <https://www.centralbanking.com/central-banks/reserves/foreign-exchange/4028831/myanmar-adds-yuan-and-yen-as-trade-settlement-currencies>

⁶⁹ <https://www.aa.com.tr/en/economy/pakistan-china-agree-to-trade-in-yuan/1303426>

Table 4**China – South Asia (BCIM) Trade Volume 1990-2018**

(Million US \$)

South Asian Countries/ Region	1990	2000	2011	2018
Afghanistan	24 (3.93)	27.36 (4.89)	583.05 (8.58)	1194.34 (14.42)
Bhutan	0.03	1.95 (0.77)	19.1 (1.27)	21.48 (0.68)
Bangladesh	173.4 (3.25)	916.9 (6.35)	6874.8 (11.60)	13684.35 (15.36)
India	270.1 (0.65)	2833.6 (3.06)	74412.4 (9.64)	90156.29 (10.83)
Myanmar	372.8 (23.54)	621.2 (13.16)	3818.94 (22.69)	11796.89 (32.71)
Maldives	0.53 (0.27)	1.36 (0.29)	73.3 (4.79)	488.41 (15.55)
Nepal	47.06 (5.89)	204.52 (8.92)	700.1 (10.2)	1404.45 (10.39)
Pakistan	574.54 (4.42)	1126.26 (5.74)	8149.7 (11.81)	16057.83 (19.50)
Sri Lanka	96.67 (2.13)	456.03 (3.86)	2194.9# (7.73)	4419.51 (13.07)

2012 figure

Note : Data in parentheses indicate China's share in respective country's total global trade.

Source: Deduced from the *Direction of Trade Statistics Yearbook*, International Monetary Fund<http://data.imf.org/regular.aspx?key=61013712>

Besides gas and oil harnessing in Myanmar,⁷⁰ making dent into series of companies in Bangladesh⁷¹ and aligning with some core investment partners in India (Bhandari et al 2020; Krishnan 2020) it succeeded in including both Bangladesh and Myanmar in its crucial BRI programmes. These are the results of consistent and parallel bilateral engagements.

The other subtle bilateral engagement in the garb of multilateralism has been the steady rise in dependency of strategic pivots - in terms of both static and dynamic standards - as displayed by India, Bangladesh, Myanmar and other South Asian countries in the AIIB. Both India and

⁷⁰ <https://www.hydrocarbons-technology.com/projects/myanmar-china-pipelines/><https://www.cnpc.com.cn/en/myanmarcsr/201407/f115a1cc6cdb4700b55def91a0d11d03/files/dec09c5452ec4d2ba36ee33a8efd4314.pdf>⁷¹ <https://www.thedailystar.net/frontpage/china-funded-projects-dhaka-seeks-speed-deals-1491319>

Bangladesh have already started borrowing heavily from the AIIB for federal and province level projects in various sectors. Even in the Covid-19 management both India (US \$ 1250 million in May and June 2020) and Bangladesh (US\$ 350 million in May and August 2020) borrowed funds from the AIIB. (Table 5)

Table 5
AIIB : Approved Projects for Bangladesh, India and Myanmar
2016 – December 2020

Country	No of projects	States/provinces covered	Sector	Loan supported by AIIB (US Million \$)
Bangladesh	11#	Dhaka, Sylhet and other divisions, Government of Bangladesh	Environmental and Social Policy(ESP); Energy –natural gas production and transmission; Power generation; Water Supply and Sanitation; Transport/ Road; Other/ Public Health Infrastructure; Others / Exceptions	1829
India	20@	Andhra Pradesh, Gujarat, Madhya Pradesh, Karnataka, Maharashtra, Rajasthan, West Bengal, Tamil Nadu, Government of India	Water / Water Supply and Sanitation; Energy (Power); Transport/Urban Rail ; Transport and Roads; Financial Institution; Irrigation and Flood Protection; India Infrastructure Fund; National Investment and Infrastructure Fund; Social / Public Health Infrastructure; Others / Exceptions	5307.8
Myanmar	1	Myingyan, Mandalay	Energy	20
Total Projects Approved as of December 2020	108		Total Amount Approved As of End December 2020	21827

Many of these projects have Bangladesh Government, ADB, World Bank, DFID of UK, People's Republic of China and Private Investors as co-investors/financers

@ Many of these projects have Indian and State Governments, ADB, World Bank and other private investors as co-investors/financers.

Source: Calculated and deduced from various approved project documents of Bangladesh, India and Myanmar⁷²

Within the course of five years (2016-2020), India borrowed over US \$ 5.307 billion for 20 projects. And by 31 December 2020, India alone constituted over 18 percent of the total 108 projects and over 24 percent of the total approved loans of US \$ 21.827 billion. Even Bangladesh has already borrowed \$ 1.829 billion (8.37 per cent) for 11 projects (10 percent). This means

⁷² <https://www.aiib.org/en/projects/approved/index.html>; accessed on 02 January 2021

financial dependency on China (the highest share holder 29.78 percent in AIIB) has steadily shown an upward trend along with other deepening dependence on trade, investment and technology. This debt dependency on China on the one hand, and withdrawal syndrome from the BCIM on the other, squarely expose and highlight the commitment dilemma, participation inhibitions and engagement fatigue of India.

There are concerns in Myanmar also like Chinese military stranglehold, debt trap particularly when Myanmar has 30 percent (@\$2.2 billion) in the Kyaukpyu port project which could doubly enhance dependence on Chinese loans. (Poling 2018)

The core idea therefore, behind the Chinese foray into the Indian Ocean, though not explicitly pronounced, is to play down India's traditional stranglehold and influence in the neighbourhood and ultimately dislocate its pivotal position. To accomplish this, set of sophisticated instruments has been in use to influence the cream of political elites in India's neighbourhood by way of offering grandeur projects, institutions and also liberal financial support. Once the level of dependence of these neighbourhood countries on China reach a calculated threshold level leading to de-linkable inter-dependence matrix, then these bilateral cooperation ventures are likely to be turned into anti-India postures to permanently create a dialogue-crevice among the South Asian countries vis-à-vis India. How Sirisena Government in Sri Lanka even after winning the election on blatant anti-Chinese plank in 2015 gradually caved into allowing Colombo Port city project to China and how Myanmar Government aligned with and engaged China even after abandonment of the \$3.6 billion Myitsone Hydropower project⁷³ and protracted political protest against Letpadaung Copper Mine⁷⁴ are examples of this de-linkable dependence matrix.

Cuiping Zhu remarks 'most of the time, the Chinese corporations which are developing overseas are only making profits from the loans of China. When the project fails, it will become an enormous suspended project with zero yields and cause great loss'. (Zhu, 2016) These dependent countries have tried to display non-aligned postures and have started practicing balancing game

⁷³ <https://www.bbc.com/news/world-asia-48857781>; <https://thediplomat.com/2019/03/myanmars-myitsone-dam-dilemma/>

⁷⁴ [https://frontiermyanmar.net/en/left-behind-by-the-letpadaung-copper-mine](https://frontiermyanmar.net/en/left-behind-by-the-letpadaung-copper-mine;);
<https://www.amnesty.org/download/Documents/ASA1600032015ENGLISH.PDF>

vis-à-vis India and China. However, this sooner or later will turn into specifically visible alignments. Some indications have been noticed in the behavioural shifts recorded among the political elites in Sri Lanka, Nepal, Afghanistan and Maldives.

This agenda of China literally forced India to float its own projects like *Mausam*, *Cotton Route* and *Spice Route* and made it proactive in the grand joint idea of Indo-Pacific project. India's Foreign Secretary remarked that

‘India views the Indo-Pacific as a positive construct of development and connectivity, in which India can play a unique role by virtue of its geographical location and economic gravity.Our Act East Policy is at the heart of our connectivity orientation and a fulcrum of our broader approach to the Indo-Pacific.’⁷⁵

India further made a sharp departure in its traditional security-centric development strategy and no-go restrictions in its North-East region. It has opened this sensitive geography to the multilateral institutions like the UN, World Bank and ADB and bilateral partners like Japan and others. The BCIM in its original orientation, form and contents hence, seem out of alignments at this juncture. For China, the engagement tactic is inevitably becoming bilateral. This has in fact further consolidated India's traditional reliance and avowed practice of bilateralism in the neighborhood. Unless there is a major shift in the geo-political alignments including a visibly substantive role bestowed on another champion of sub-regionalism like Japan, the Kunming initiative like in the past two decades could never see the light of the day.

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⁷⁵ Address by Foreign Secretary of India at the Regional Connectivity Conference : South Asia in the Indo-Pacific Context organized by the U.S. State Department, November 01, 2018; <https://mea.gov.in/Speeches-Statements.htm?dtl/30556/address+by+foreign+secretary+at+the+regional+connectivity+conference++south+asia+in+the+indopacific+context>

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