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BRI AND BCIM-EC: OVERCOMING THE IMPEDIMENTS

Abstract

The Belt and Road Initiative (BRI) is one of the largest development plans initiated by China which includes 65 countries covering Asia, Africa and Europe. While Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) is a sub-regional cooperation that aims to introduce new impetus to economic and social development by linking the southwestern parts of China with northeastern region of India and the Bay of Bengal through Yangon and Mandalay in Myanmar, and Bangladesh. Although BCIM-EC was initiated long before the inception of BRI, China later incorporated it under BRI platform as one of the six economic corridors. Instead of analysing why BCIM-EC was incorporated within BRI, the paper attempts to focus on the impediments that BRI and BCIM-EC are facing during implementation phase. Therefore, the paper limits its scope to examine the impediments and investigate how China as a pioneer of BRI along with member countries of both BRI and BCIM-EC can overcome these emerging challenges. The paper attempts to formulate policy suggestions recommending strategies for China to overcome these impediments with the assistance and support of all the member countries of BRI and BCIM-EC.

1. Introduction

The Belt and Road initiative (BRI) is considered as the largest development plan in the modern history which includes 65 countries covering Asia, Africa and Europe. To many policy analysts, this connectivity plan is an attempt of Beijing to gain political leverage over the participating countries and might be a riposte against the United States' "pivot to Asia". However, as stated by the Chinese government, BRI will be a platform for 'common development' and 'common prosperity' of all the participating countries.¹ According to the official documents of BRI, this mega project aims to create an open, inclusive and balanced regional economic cooperation with benefits for all the countries involved.² Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC), another sub-regional initiative which was proposed in 1999 under Track II diplomacy, has been consolidated in BRI as one of the six important economic

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¹ Ravi Bhoothalingam, "The Silk Road as Global Brand", *China Report*, Vol. 52, No.1, 2016, pp. 45-52.

² Geetanjali Nataraj and Richa Sekhani, "China's One Belt One Road: An Indian Perspective", *Economic and Political Weekly*, Vol. 49, 05 December 2015, pp. 67-71.

corridors. It is expected that BCIM-EC initiative will strengthen economic and cultural ties among the member countries. The proposed BCIM-EC is supposed to connect southwestern parts of China with northeastern India and the Bay of Bengal through northern Myanmar, India's northeastern region and Bangladesh.

The BRI is an umbrella initiative under which BCIM-EC can be a platform for the member countries to access opportunities. As a member of both BRI and BCIM-EC, Bangladesh has the prospect to grasp the opportunities. Thus, Bangladesh needs to make the effort to achieve the aims and expectations of BRI and BCIM-EC which could make great impact in the country's economy.³ Instead of analysing why BCIM-EC was incorporated within BRI, the paper endeavours to look at the existing impediments that BRI and BCIM-EC are facing during implementation phase. It is increasingly evident that both BRI and BCIM-EC are facing some impediments, such as difficulties in financing infrastructural construction, security impediments in economic corridor, unwillingness of some member states in cooperating the project, economic challenges associated with tariff and non-tariff barriers, inadequate customs facilities, complex trade procedures and low-level trade facilitation, etc. The unyielding situation between China and India is another challenge. At the initial stage, India was enthusiastic in forwarding BCIM-EC further even after the inclusion of BCIM-EC within BRI. India was also ardent in making BRI successful. However, India became reticent about its stand on BRI after the inclusion of China-Pakistan Economic Corridor (CPEC).⁴ Additionally, the latest Doklam stand-off between India and China made the situation difficult. In fact, these are the results of long simmering tension between the two Asian powers over regional primacy. Such inflexible position might have a long-term undesirable impact on any regional or sub-regional initiative. Apart from that, BCIM-EC is facing institutional challenges. Likewise, BRI did not represent any concrete institutional framework so far for implementing its numerous development projects.

In this backdrop, the paper aims to examine the impediments of BRI and BCIM-EC and explore how China as a pioneer of BRI can overcome these challenges by involving all member states of these two initiatives. To address these challenges, relevant policy recommendations are also suggested in the paper. The research conducted for this paper is qualitative in nature. The paper uses both primary and secondary data and provides a brief review of literature. The second section succeeding the introduction begins with a brief discussion of the progress of BRI and BCIM-EC. Third section explores the prospects of BCIM-EC and BRI. Fourth section analyses the challenges of BRI and BCIM-EC. In the fifth section, the paper suggests possible policy recommendations. The paper ends with concluding remarks.

³ Interview with Professor Lailufar Yasmin, Department of International Relations, University of Dhaka, Dhaka.

⁴ Geetanjali Nataraj and Richa Sekhani, *op. cit.*

2. BRI and BCIM-EC: Progress So Far

BRI is an idea of the Chinese President Xi Jinping. He first shared his vision during his visit to Kazakhstan in the late 2013. At the initial stage, BRI was limited to the idea of New Silk Road Economic Belt (SREB) which spans from China to Europe, via Central Asia. Within a short period of time, this idea morphed into a major Chinese foreign policy and economic strategy and got the name “One Belt One Road (OBOR)”. Later, a maritime component known as the 21st Century Maritime Silk Road (MSR) was incorporated to it.⁵ Presently, the OBOR is known as BRI. The previous name “OBOR” has been a buzzword throughout Asia and Europe for the past three years since the Chinese President brought the idea forward. According to the Central Compilation and Translation Bureau of the Peoples’ Republic of China, and the Chinese Academy of Social Sciences, the reason behind the name change was Chinese policy makers’ realisation that the name “OBOR” does not represent the initiative clearly. For example, the name “One Belt One Road” denotes one project, but the initiative consists of several land belts and maritime routes.⁶ The word “one” attracted the stakeholders’ attention. It gave an idea that there might be one maritime route and single land belt. Supposedly, this notion of a single belt and road can create competition among regional partners. Thus, to avoid much focus on the word “One”, the new name BRI has been adopted by the policy makers. Furthermore, the word “Initiative” has been adopted to emphasise the openness of this strategy and to avoid the criticisms over “China-centred institution building” since this criticism is gaining momentum as the project progresses.⁷

To support this ambitious project, several financial institutions have already been established. The Silk Road Infrastructure Fund was established in February 2014 followed by the New Development Bank (NDB) or the BRICS Bank in July 2014 and Asian Infrastructure Investment Bank (AIIB) in October 2014. Georgia hosted the Tbilisi Silk Road Forum in 2015 which is now known as Tbilisi Belt and Road Forum. It was established to discuss issues related to trade facilitation.⁸

The 21st century MSR is another component of BRI. It was first outlined during Chinese President Xi Jinping’s speech in the Indonesian Parliament and Premier Li Keqiang’s speech at the 16th Association of Southeast Asian Nations (ASEAN)-China

⁵ Manoj Joshi, “The Belt and Road Initiative aka One Belt One Road Scheme”, *Observer Research Foundation*, January 2018.

⁶ Wade Shepard, “Beijing to the World: Don’t Call the Belt and Road Initiative OBOR”, *Forbes*, 01 August 2017, available at <https://www.forbes.com/sites/wadeshepard/2017/08/01/beijing-to-the-world-please-stop-saying-obor/#11fe551717d4>, accessed on 01 August 2017.

⁷ Una Aleksandra and Bërziņa-Čerenkova, “BRI Instead of OBOR – China Edits the English Name of its Most Ambitious International Project”, available at <http://liia.lv/en/analyses/bri-instead-of-obor-china-edits-the-english-name-of-its-most-ambitious-international-project-532>, accessed on 28 July 2017.

⁸ Tbilisi Belt and Road Forum, available at <http://www.tbilisibrf.gov.ge/>, accessed on 28 July 2017.

Summit in Brunei in October 2013.⁹ In the initial map, the MSR began in Fujian province and passed Guangdong, Guanxi and Hainan before heading south to the Malacca Strait. From the Malacca Strait, the MSR heads to Kolkata and Colombo then crosses the rest of the Indian Ocean to Nairobi. From there, it heads toward north around the Horn of Africa and moves through the Red Sea into the Mediterranean with a stop in Athens before meeting the overland Silk Road in Venice.¹⁰ In the latest map, the South Pacific has been included. There are two directions of the MSR. One is from China through the South China Sea to the Indian Ocean ports, which is extended to Europe and the second one is through the South China Sea from the Chinese Coastal ports extending eastward to the South Pacific.¹¹ Under the latest two directions, three blue economic passages will be given priority for maritime cooperation. The China-Indian Ocean-Africa-Mediterranean Sea blue economic passage will connect the China-Indochina Peninsula Economic Corridor (CICPEC), CPEC, and BCIM-EC. The second passage is the China-Oceania-South Pacific passage which will run southward via the South China Sea into the Pacific Ocean. And the third passage is envisioned to link Europe via the Arctic Ocean.¹²

To accelerate the development of BRI project, the Chinese State Council authorised an Action Plan for BRI in 2015. The action plan was released on 28 March 2015 during the Boao Forum for Asia.¹³ The two major components of BRI – the SREB and the MSR were approved in that Action Plan. The principles, framework, cooperation priorities and mechanisms of the BRI were included in the action plan. The cooperation priorities would be policy coordination, infrastructure construction, cooperation in investment and trade, financial cooperation, and promoting exchange.¹⁴ It was stated that BRI would cover 65 countries with 4.4 billion people (63 per cent of the world population) and US\$ 23 trillion worth GDP (29 per cent of world's GDP).¹⁵ It was also planned that the first BRI summit would take place in 2017. According to the plan, the two-day first BRI summit was held in Beijing in 2017. A joint communiqué was signed by 30 heads of states which adopted around 270 deliverable goals of BRI to implement plans for cooperation in trade and infrastructure programmes across Asia, Europe and Africa. However, the forum ended with only promises of joint action by participating countries and did not result in establishment of an institutional

⁹ Rajeev Ranjan Chaturvedy, "The 21st Century Maritime Silk Road", in K. Yhome, and Rajeev Ranjan Chaturvedy (eds.), *Emerging Trans-Regional Corridors: South and Southeast Asia*, New Delhi: Observer Research Foundation, 2017, pp. 34-40.

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² "China Unveiled Maritime Silk Road Plans", *The Economic Times*, 20 June 2017, available at <https://economictimes.indiatimes.com/news/defence/china-unveils-maritime-silk-road-plans/articleshow/59238384.cms>, accessed on 20 June 2017.

¹³ "China Maps out Belt and Road with Action Plan", *The Global Times*, 04 May 2017, available at <http://www.globaltimes.cn/content/1045361.shtml>, accessed on 21 July 2017.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

framework for implementing the planned construction programme. The signatories to the joint communiqué also pledged their support for promoting a rules-based, open and multilateral trading system with the World Trade Organization (WTO) at its core. To speed up this mega project, China has taken the first step to institutionalise the Belt and Road Forum (BRF) by announcing that the next edition of BRF would be held in Beijing in 2019.¹⁶

On the other hand, BCIM-EC is a sub-regional initiative for economic cooperation. It was founded in 1999 based on some proposals from China's Yunnan province which was then supported by the participating countries – Bangladesh, China, India and Myanmar. This was initially known as the Kunming Initiative. Though it was coordinated by the Track II diplomacy, the initiative received official acceptance in 2013 and morphed into Track I diplomacy. After that, the initiative received high-level endorsements. The big powers in the group – China and India signed a joint statement on establishing a joint study group to promote cooperation. Although, this sub-regional initiative has made some notable achievements breaking a long impasse after its inception, it is apparent that this has had faced dilemmas associated with challenges.¹⁷ Particularly, after being incorporated within BRI project as one of the six economic corridors, BCIM-EC might face new challenges and predicaments in coping with the new platform in future.

3. Prospects for BCIM-EC Region under BRI

The proposed BCIM-EC region has many untapped resources. Member countries of BCIM-EC have the opportunities to unlock economic potential. The geographical position of Bangladesh signifies its importance in BCIM-EC under BRI project. Once BCIM-EC is developed, Bangladesh can facilitate the access of the landlocked northeast Indian states and China's Yunnan province. Both the region can save time and enormous amount of transportation cost by availing the land and water corridor making good use of port facilities in Bangladesh.¹⁸ BCIM-EC will not only connect Kolkata and Kunming but also help to connect all principal routes, nodes, ports and growth centres along the hinterland. The primary plank of BCIM's engagement will be "people's development". Geographical proximity, similar income levels, huge internal markets, and comparative advantages among BCIM countries can create better conditions for the production network and generate huge potential for trade development within the region. BCIM-EC countries have similar

¹⁶ Shanon Tiezzi, "What did China Accomplish at the Belt and Road Forum?", *The Diplomat*, 16 May 2017, available at <https://thediplomat.com/2017/05/what-did-china-accomplish-at-the-belt-and-road-forum/>, accessed on 20 May 2017.

¹⁷ K. Yhome, "The BCIM Economic Corridor: Prospects and Challenges", in K. Yhome and Rajeev Ranjan Chaturvedy (eds.), *op. cit.*

¹⁸ Sayed Kamaluddin, "BCIM-EC in Hibernation while Gwadar Deep Sea-Port Nearing Completion", *The Financial Express*, Dhaka, 21 May 2017.

demand. For example, all the four countries have demand for infrastructure, home appliances, communications, automotive, textiles and clothing, and each has its own advantageous industrial sectors, which set a solid trading foundation. Once BCIM-EC project is operationalised under BRI, these regions will be benefited through BRI's projected overland and maritime transportation, energy and communication infrastructure.¹⁹ It is expected that through BRI, member countries will have a win-win cooperation and can have more fruitful projects under BCIM-EC.²⁰

Different endowment of the member countries is another important potential. The four member countries have comparative advantages due to endowment differences. China has capital and technological advantages over labour abundance. It focuses on capital and technology-intensive industries, such as metallurgy, petrochemical engineering, heavy equipment and infrastructure. Bangladesh is relatively superior in labour-intensive industries such as textiles and ready-made garments. India has advantages in the fields of software, finance and agricultural products, and Myanmar has the advantageous position in forestry, agriculture, animal husbandry, energy and minerals.

Trade opportunities mostly depend on strategic trade policy.²¹ According to the strategic trade policy, strategic industries can reap higher profits through economies of scale. An integrated BCIM-EC market will create larger market for the thriving industries in the member countries, such as Bangladesh's readymade garments (RMG), China's equipment manufacturing and India's software services, and in turn, the consolidated international competitiveness of these industries will create more trade opportunities. Geographical proximity is an important factor in the development of trade. Probability of trade between neighbouring countries is significantly higher than that between non-adjacent countries. Based on geographical proximity and long boundary lines, BCIM-EC can smoothen the transportation channels in the member countries, including highway, railway, waterway, energy pipelines, and thereby release the potential of BRI.

Production networks are important in making any connectivity initiative successful. Network-based trade within the industry is a major driving force for trade growth in East Asia. BCIM-EC may contribute in accelerating the establishment of regional production networks. Under this sub-regional initiative, proposed industrial belts will be nurtured. The planned industrial zones in Bangladesh, India and Myanmar

¹⁹ Helal Uddin Ahmed, "The Origin and Prospects of the New Silk Road", *The Financial Express*, Dhaka, 10 July 2017.

²⁰ Li Mengyan, *CIISS-BIISS Workshop*, held on 18 July 2017 in Beijing, China.

²¹ Strategic trade policy refers to trade policy that affects the outcome of strategic interactions between firms in an actual or potential international oligopoly. See Barbara J. Spencer and James A. Brander, "Strategic Trade Policy", *The New Palgrave Dictionary of Economics*, available at http://www.dictionaryofeconomics.com/article?id=pde2008_S000300, accessed on 10 January 2017.

may exploit potentials of new connectivity and attract intra-regional foreign direct investment (FDI), especially outward FDI from China and India. This region may also exploit the benefits of the planned trade facilitation by simplifying customs clearance system, improving market accesses, eliminating trade barriers, simplifying foreign investment procedures and creating more free trade zones under BRI.²²

By joining BRI, member countries are likely to improve their trade scenarios. For example, Bangladesh might expect to reduce the trade gap with China and get duty-free access of 22 major Bangladeshi products to the Chinese market.²³ Bangladesh will also get an opportunity to improve its infrastructure since China is expected to invest a cumulative US\$ 4 trillion in BRI countries. On top of that, China will contribute an additional about US\$ 14.5 billion to the Silk Road fund for the upgradation of infrastructure.²⁴ There will also be room for member countries to explore new avenues through trade, investment and greater people-to-people exchanges among the BRI countries. China pledged to provide food aid to developing countries along the BRI which is worth 2 billion Yuan. It also pledged to provide US\$ 1 billion to the assistance fund for South-South Cooperation, 100 'happy home' projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along BRI. It has also promised to set up 50 joint laboratories with countries participating in BRI.²⁵

4. Impediments

Although BRI and BCIM-EC projects have many potentials, they are also facing some challenges, such as difficulties in financing infrastructural construction, security challenges in various economic corridors, unwillingness of some member states in cooperating the project, economic challenges associated with tariff and non-tariff barriers, improper customs facilities, complex trade procedures and low-level trade facilitation, etc. Furthermore, the trust deficit between China and India is another big obstacle. This section will look into the impediments that BRI and BCIM-EC need to address.

First, question arises as to whether BRI is a concept, a strategy or a slogan. It appears that BRI is more of a symbolic representation than a truthful interpretation. Since it is a mega project which includes many development projects, it looks like a large umbrella of initiative. It is a combination of existing and upcoming infrastructure projects, along with a number of bilateral and regional trade agreements. Although it is China's most ambitious foreign policy initiative, it is still difficult for member countries to understand. Organisational mechanism of BRI still gives on impression

²² Helal Uddin Ahmed, *op. cit.*

²³ Md. Shariful Islam, "China's One Belt One Road Initiative: How Bangladesh Can Be Benefitted", *The Daily Star*, Dhaka, 19 May 2017.

²⁴ *Ibid.*

²⁵ *Ibid.*

of diffuseness. It is not even an organisation with defined rules but a political vision that is flexible by nature.²⁶ The first BRI summit in May 2017 identified some 270 deliverable goals and signed a joint communiqué.²⁷ Apart from the promises of joint action, the first summit did not produce any concrete institutional framework for implementation. Also, there is a lack of transparency. The only aspect of BRI being projected is that economically it will be a “win-win” opportunity for all. The projection of any unfavourable effect has not been studied or shared with the member states. Besides, BRI represents a loose framework that can still be modified by its participants. Therefore, the full scope of BRI initiative has not been identified yet.

BCIM-EC, which predates BRI and is now incorporated within BRI, is also facing dilemmas and institutional challenges. Although BCIM-EC sub-regional initiative received enough media attention, it is not institutionalised properly. During the initial years, the idea was accepted and discussed with a varying level of interest. The idea also involved a “multi-modal transport network” aimed at boosting the sub-region’s economic activities. With the establishment of a joint study group, the initiative experienced satisfactory progress till 2015 but there was a respite in the progress afterwards. The whole idea lacks an organised institutional setup. Above all, the four member countries do not demonstrate equal commitment to the proposed projects for institutionalising BCIM-EC.

Apart from institutional challenges, some new dilemmas are also emerging regarding how to take BCIM-EC initiative forward. The first dilemma is related to two views: one group advocates for an economy-centric approach, while another group is for a “more people-centric, inclusive approach that is mindful of local social realities”. The second dilemma is the tension between centralisation and decentralisation, questioning whether increasing centralisation of the initiative is in the right direction. The third dilemma is the tension between regionalism and sub-regionalism. Clarification on this issue becomes a necessary pre-requisite because it has policy implications in terms of framing the overall objectives and coordination policies of BCIM-EC. Fourth dilemma is whether BCIM-EC should be driven by economic logic.²⁸

Challenges related to BCIM corridor are also important. The proposed economic corridor is 2,800km long trade route which is supposed to connect Kolkata via Chittagong and Sylhet of Bangladesh and Mandalay of Myanmar to China’s Yunnan province. But reality is that the proposed route is still not ready to be used as economic corridor.²⁹ The two stretches (in Myanmar and northeastern region

²⁶ Nadine Godehardt, “No End of History: A Chinese Alternative Concept of International Order”, *German Institute for International and Security Affairs*, Vol. 2, January 2016, Berlin: Germany.

²⁷ Shannon Tiezzi, *op. cit.*

²⁸ K. Yhome, *op. cit.*

²⁹ Rowshan Iyer, “BCIM-Economic Corridor: Facilitating Sub-Regional Development”, *IPCS Special Report No. 187*, New Delhi, May 2017.

of India) require additional infrastructural development. The 250km long Imphal-Jiribam-Silchar highway experiences flooding in the monsoon. On the other hand, in Myanmar, the 200km Yargi road experiences landslide and a steep, hostile terrain.³⁰ There are also infrastructural challenges. The concept of the economic corridor is still not elucidated properly. Although some development initiatives through economic corridor have been taken up, there is no clear picture of how this economic corridor will aid the development of a specific region.³¹



Source: Rowshan Iyer, *op. cit.*

Furthermore, trust deficit between India and China is a major concern. It acts as a major obstacle in making any connectivity initiative operational. Traditionally from the beginning, India has a skeptical view that China is an unfavourable rival. India remains wary of China's presence in South Asia. At present, the official Indian position on BRI is to maintain considerable caution due to its ambivalence towards China.³² India's main objection is about the CPEC initiative. China and Pakistan are jointly building CPEC, which passes through the part of Kashmir controlled by Pakistan. This corridor is one of the six economic corridors under BRI plan. India considers the location of CPEC as a violation of its sovereignty.³³ After boycotting the first BRI summit in May 2017, India's Ministry of External Affairs released a formal response stating that "BRI must be pursued in a manner that respects sovereignty and territorial

³⁰ *Ibid.*

³¹ Hans-Peter Brunner, "What is Economic Corridor Development and What Can it Achieve in Asia's Sub Regions?", *ADB Working Paper Series on Regional Economic Integration*, No. 117, Manila, Asian Development Bank, August 2013.

³² Liu Xiaoxue, "China-India Ties: Trust Deficit Fuels Trade Imbalance", *China-India Dialogue*, available at <http://chinaindiadialogue.com/china-india-ties-trust-deficit-fuels-trade-imbalance>, accessed on 11 July 2017.

³³ Atul Bhardwaj, "India's Opposition to China-Pakistan Economic Corridor is Flawed", *Economic and Political Weekly*, Vol. 52, No. 4, 2017.

integrity”³⁴ Therefore, on this ground, India is concerned about BRI. There is also a dispute between India and China over the Arunachal Pradesh. China claimed India’s Arunachal Pradesh as South Tibet. India accused China for blocking international financial support to Arunachal Pradesh. Given the political synergy between China and Pakistan, CPEC will be a political annoyance for India. Its strategic significance may not be high, but may restrict India’s maneuverability in the region.³⁵

Lack of operational detail of BRI is also a major concern for India. Experts from Indian strategic community hold the view that to get endorsement, China should show the operational detail to India which the former did not do so far. Therefore, a lack of operational detail becomes a major problem for Chinese policymakers who are interested to market this initiative. Due to the absence of operational detail, this mega project is often labelled as “more sweeping vision than an operational blueprint”. As such, India may not accept the present form of BRI.³⁶

India is also concerned about lack of proper consultation. In the past, proper consultation with member countries was made on the organisational rules of AIIB, the BRICS Development Bank and the Shanghai Cooperation Organisation (SCO). All consultations were led by China, and India was actively involved in shaping the architecture of these institutions. In the consultation process, all the member countries played active role in developing the operational policies of the SCO, BRICS and other big initiatives. But BRI did not follow this example. Since BRI is a bigger initiative than many multinational development programmes, a detail consultative process with all member states is very important.³⁷

Another concern for India is the potential debt burden. Though India is avoiding taking financial assistance from China, many of its neighbouring countries are signing deal with China. Pakistan signed deal with China worth nearly US\$ 500 million to construct airport, port and highway. Nepal joined BRI and is in talks with China to build a cross-border rail link worth US\$ 8 billion.³⁸ Reality is that this financial assistance for developing infrastructure supporting BRI is coming with a high-interest. For example, CPEC in Pakistan is a very expensive project with high-interest loan.

³⁴ Alyssa Ayres, “India Objects to China’s One Belt One Road Initiative and It Has a Point”, *Forbes*, 15 May 2017, available at <https://www.forbes.com/sites/alyssaayres/2017/05/15/india-objects-to-chinas-one-belt-and-road-initiative-and-it-has-a-point/#1684ba5db262>, accessed on 11 July 2017.

³⁵ Suhasini Haider, “Why did India Boycott China’s Road Summit?”, *The Hindu*, 20 May 2017, available at <http://www.thehindu.com/news/national/why-did-india-boycott-chinas-road-summit/article18516163.ece>, accessed on 25 May 2017.

³⁶ Peter Cai, “Why India Distrusts China’s One Belt One Road”, The Lowy Institute for International Policy, available at <https://www.loyyinstitute.org/the-interpretor/why-india-distrusts-chinas-one-belt-one-road-initiative>, accessed on 21 September 2016.

³⁷ *Ibid.*

³⁸ Wang Jiamei, “India’s Refusal to Join B&R Will Not Hamper Cooperation among Other Countries”, *The Global Times*, 14 May 2017, available at <http://www.globaltimes.cn/content/1046896.shtml>, accessed on 20 May 2017.

Security threats are important challenges for both BRI and BCIM-EC. The route of BCIM-EC under BRI has many obstacles. Of them, security challenge is an important one. The major security challenge is armed insurgencies in the participating countries. Myanmar's armed insurgent groups might hamper the interests of BCIM-EC and interrupt the movements of consignments from one place to another. There are a good number of armed insurgent groups across Myanmar. Among them, the notable ones are: the Kachin insurgents in the north, the Karenni insurgents in the east, the Karen insurgents in the south and the southeast and the Arakanese/Rohingya insurgents in the west of Myanmar. The Arakanese insurgents groups would perhaps be the biggest challenge for the part of the proposed BCIM-EC route passing through Myanmar. Another security challenge for BCIM-EC region comes from insurgency groups in northeast India, namely United Liberation Front of Assam (ULFA), National Democratic Front of Bodoland (NDFB), United People's Democratic Solidarity (UPDS), National Socialist Council of Nagaland (NSCN), and so on. The ULFA made attempts to establish a sovereign state of Assam through armed struggle. Although the organisation became weaker due to the arrest of most of its leaders, it still poses threat to the peace and security of the region.³⁹ China is also facing problems with separatist Uyghurs. During the latest terrorist attacks in China's three major cities- Beijing, Kunming and Urumki between 2013 and 2014, around 72 people died and more than 300 people were injured. Chinese government claimed that the Uyghur separatists were responsible for these attacks.⁴⁰

Despite the presence of security threats from separatist and insurgent groups, regional and sub-regional development initiatives are functioning in many places across the world. But the threats coming from separatist and insurgent groups in BCIM-EC region are crucial. There are evidences that these threats are responsible for hampering important development projects in BCIM-EC region. For example, China's proposed Myitsone Dam in Myanmar was suspended due to frequent clashes of ethnic armed groups in 2011.⁴¹ It was an important development project under BRI in Myanmar. Under BRI platform, China's another important project – Kyaukphyu deep seaport is also facing challenges. The proposed deep seaport is supposed to be built in the conflict-ridden Rakhine state. Due to unrest in muslim populated Rakhine, the overall security and peace situations are in turmoil in the Rakhine state.⁴²

³⁹ Sushil Kumar Sharma, "Insurgency in Northeast India: External Dynamics", *Journal of Defense Studies*, Vol. 8, No. 4, 2014.

⁴⁰ Marc Julienne, Moritz Rudolf and Johannes Buckow, "The Terrorist Threat in China", *The Diplomat*, 26 May 2015, available at <https://thediplomat.com/2015/05/the-terrorist-threat-in-china/>, accessed on 26 May 2017.

⁴¹ Henrik Hallgren and Richard Ghiasy, "Security and Economy on the Belt and Road", SIPRI Insights on Peace and Security, No. 2017/4, December 2017, available at https://www.sipri.org/sites/default/files/2017-12/sipriinsights1712_.pdf, accessed on 27 May 2017.

⁴² Gregory B. Poling, "Kyaukpyu: Connecting China to the Indian Ocean", CSIS Briefs, 02 April 2018, available at <https://www.csis.org/analysis/kyaukpyu-connecting-china-indian-ocean>, accessed on 27 April 2018.

Rohingya crisis is another obstacle which has already created a miserable situation for Bangladesh. Declaring them as illegal migrants, the Myanmar government, along with Buddhist extremists and Arakan nationalists, continue to brutalise Rohingyas. Bangladesh is the largest Myanmar Refugee receiving neighbouring country. The latest crisis resulted in over 500,000 Rohingya refugees' arrival into Bangladesh. Previously, Bangladesh had been sheltering over 500,000 Rohingyas. The recent persecution resulted in around one million Myanmar refugees into Bangladesh.⁴³ Large number of Rohingyas who entered Bangladesh becomes threat to local and national security of Bangladesh. This situation will be a long-term security concern for Bangladesh and it might create negative impact on BCIM-EC initiative.

Terrorism is a major challenge throughout BRI region. Experts argue that existing terrorist threats might hamper BRI's project. Some of the member countries of BRI have already started facing ISIS terrorist threats. In this situation, major projects of BRI might be targeted and affected badly.⁴⁴ Moreover, terrorist threats from the Taliban, Chechen and Uzbek radicals are also present. There are local rivalries also, for instance, in the Central Asia. Rivalries are there between Uzbekistan and Kazakhstan. Additionally, some key BRI countries, such as Pakistan are unstable. This situation poses security risks to Chinese companies as well as personnel working there. In case of Pakistan, to tackle the security impediment, its military promised to keep a special unit of 1200 soldiers to protect CPEC projects. This situation proves the vulnerable state of Pakistan. This is an important challenge for BRI.⁴⁵

One more challenge is the occasional border dispute between China and India. The two giant neighbours fought a war in 1962. The most recent border skirmish happened in Doklam in 2017. The standoff in Doklam emanated a possibility of war between these two nuclear-armed giants of the Asia-Pacific. This situation poses significant concerns among the global strategic community. Certainly, a war, which could cause thousands of casualties and decimate a substantial part of the global economy, is a pressing matter for the strategic community.⁴⁶ And this is a challenge for any development initiative such as BCIM-EC and BRI. Such relationship between China and India is a hindrance for BCIM-EC to become operational and, thereby, functional.

⁴³ "Take back Rohingyas", *The Daily Star*, Dhaka, 12 January 2017.

⁴⁴ Zhao Jun, *CISS-BIISS Workshop*, held on 18 July 2017 in Beijing, China.

⁴⁵ Peter Cai, "Understanding China's Belt and Road Initiative", Lowy Institute for International Policy, available at <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>, accessed on 25 March 2017.

⁴⁶ Rajesh Kumar, "Will the Doklam Standoff Lead to a Second India-China War?", *The Diplomat*, 18 July 2017, available at <https://thediplomat.com/2017/07/will-the-doklam-standoff-lead-to-a-second-india-china-war/>, accessed on 20 July 2017.

Lack of infrastructural facilities is another hindrance to any kind of connectivity initiative. Given that free movement of goods and services requires sound transportation and logistics infrastructure, trade is apprehended to be seriously hindered in the world's less-connected BCIM region due to various factors such as low road density, lack of backbone channels, inappropriate land and sea transportation, lack of cross-border connections, and improper customs facilities. Use of Bangladesh's roads, railways and water transportation to meet the demand for BCIM-EC is an important issue. The situation of BCIM transit in Bangladesh part hinges upon two major aspects. First, use of Chittagong and Mongla ports by the northeastern part of India and the Yunnan province of China. Second, use of Bangladesh's road, railway and water transportation as a corridor from Kolkata through the northeastern India and Myanmar to China.

For the existing roads that are supposed to be used for BCIM-EC transport, traffic congestion is a major hindrance. Virtually, 70 per cent of road transportation between India and Bangladesh passes through Benapole/Petropole border. There is only one road connecting Benapole/Petropole border to Kolkata. This road is merely 5.5 metre wide. Thus, it creates highly congested traffic. Heavily loaded trucks cannot move across the border and all freight traffic needs to be transshipped at the border point. This creates congestion which causes delay. An improved connectivity, power plants and development of deep water port facilities closer to the sea lane and other infrastructure facilities are needed.

The debt burden and financial risks are assumed to be a serious economic challenge to make BRI and BCIM-EC successful. China pledged to invest US\$ 1 trillion. To implement all the development projects, it is supposed to pay the large share of the money to the member countries. But this payment is not free of cost. Member states have to repay the loan with high interest rate. Therefore, the question arises whether member countries, especially economically weaker countries, will be able to repay the money with high interest rate.⁴⁷ Sri Lanka has recently faced debt crisis for its Hambantota port. This could be an example of debt burden.⁴⁸ Financial risks are also associated with these initiatives. When China's President Xi Jinping announced BRI, Chinese state-owned financial institutions followed with a draft of policies to support this grand vision. China Development Bank played a key role in financing BRI. The Bank of China pledged to lend US\$ 20 billion in 2015 and US\$ 100 billion between 2016 and 2018. Commercial Bank of China has been dealing with 130 commercially feasible BRI-related projects worth about US\$ 159 billion and has financed five projects in Pakistan. But despite all these pledges, many Chinese bankers and listed

⁴⁷ Bhaskar Roy, "Examining the Strategy Behind China's OBOR", Paper No. 6252, South Asia Analysis Group, available at <http://www.southasiaanalysis.org/node/2154>, accessed on 10 May 2017.

⁴⁸ Wade Shepard, "Sri Lanka's Debt Crisis", *Forbes*, 30 September 2016, available at <https://www.forbes.com/sites/wadeshepard/2016/09/30/sri-lankas-debt-crisis-is-so-bad-the-government-doesnt-even-know-how-much-money-it-owes/#7377103b4608>, accessed on 12 July 2017.

commercial banks are concerned about the feasibility of BRI projects. They are worried about different types of risks associated with the overseas loan, including political instability and economic viability of many projects. Some economic policy makers of China are also concerned that the political impetus of BRI could drive China into investing in white elephant projects abroad. Thus, China, is likely to face financial risks in implementing this mega project.

5. Possible Strategies to Address the Challenges

Challenges that have been highlighted in the above discussion are crucial to address. They need to be appropriately addressed with due consideration to their impacts on the overall BRI plan. China, in this regard, needs to take a leading role in addressing such challenges. Since, BRI is China's most ambitious development plan, it needs to engage all member states to come forward with effective ideas to activate each and every development programme under BRI mega plan. Therefore, this section recommends some possible strategies for addressing these challenges.

Clarifying BRI concept could be the first step to avoid any kind of misunderstanding. Many believe that there are confusions in the concept of BRI. The project is supposed to cover 65 countries to make a common economic zone. But the problem lies in the understanding of the whole project. Although several projects under BRI plan has been specified which are mostly infrastructural development projects and several support institutions have been created, the whole BRI plan still remains unclear in many respects. Most of the participating countries are still unaware about how to proceed with this vast project. Therefore, China needs to take a large-scale and well-coordinated strategy to clarify BRI. It needs to develop an agreed framework through consultation with all the participating countries to settle the issue of how BRI plan will take shape in concrete terms.

Uniting member states can be another important step in implementing BRI and BCIM-EC. It is increasingly evident that there is a lack of unity in making BRI successful. There are assumptions that, by BRI, China's intent is to expand its influence throughout Asia and the world. Thus, some consider this initiative as a threat. Therefore, China needs to convince the participating countries that BRI is not a threat. With a skillful development of cultural diplomacy, as one aspect of China's public diplomacy-based strategy, it may develop a distinctive approach to unite all the member states of BRI. The development vision of BRI which can provide new opportunities for local, regional and international initiatives needs to be explained properly. For this, China might think of using its soft power and cultural diplomacy to promote an image of China as a responsible global power.

Development of existing infrastructural setup is imperative for making BCIM-EC and BRI successful. The main impulse driving BRI is physical connectivity. Efficient

infrastructure enhances productivity, fosters investment and lowers the costs of trade. Effective channels for the exchange of goods and well-connected information networks accelerate growth, economic opportunity and reduce inequality. Such infrastructure can be built in an efficient and cost-effective manner. For this, the key is cooperative efforts that exploit each country's respective comparative advantage, be it capital, technological know-how, logistical or construction capabilities, raw materials, or even industrial goods. Such an approach can help emerging economies bypass the dreaded middle-income trap. To do so, China as a leader of BRI, needs to engage all the member countries of both BRI and BCIM-EC to identify all the infrastructural hurdles including poor roads, lack of backbone channels, lack of cross-border connection and improper customs facilities in all the participating countries. At the outset, by air and sea connectivity, the process of BCIM-EC must go, if it is not possible by road and inland water transportation.⁴⁹ Additionally, the ancient "Cotton Road"⁵⁰ might be an issue which China may take into consideration so that the old route can be revived again which is related to the psyche of the BRI.⁵¹

Addressing trust deficit between China and India is one of the essential issues. Although both the countries need to come forward in resolving the trust deficit issue, China needs to play the leading role in this regard. First, increasing China-India interactions in multilateral forums will improve the bilateral ties and this should guide the future of their relationship. Second, just like China, India is extremely sensitive about its core issues and expects China to understand and respect them. And finally, India also made it clear that it remains determined to continue its efforts in addressing various issues in China-India relations. It is also important to underline the fact that India now represents the largest economy and society among China's immediate neighbours. It also has had impressive economic growth rates, facilitating rapid social transformation to ease India's access to the world market, even though its influence may not be as strong as China's in determining the post-US world order. To ameliorate this problem, both the countries need to work on exploring common grounds in addressing mutual trust deficit. India might involve itself in the China-led CPEC to ensure that New Delhi does not become a prisoner of its own policy. In this

⁴⁹ Interview with A K M Abdur Rahman, Director General, Bangladesh Institute of International and Strategic Studies (BISS).

⁵⁰ The concept of Cotton Road emerged after the concept of Silk Road. The Indo-Chinese textile commerce emerged prior to the sixteenth century. During that time, India and China were the most important producers of textiles in the world. India was famous for its fine cotton and China was famous for its fine silk. China started to sell fine silk to India from the early years of the Han Dynasty. On the other hand, Indian cotton goods are known to have reached the Indianised state in Xinxiang and a certain kind of Indian cotton continued to be sold in China well after the Chinese production of cotton that blossomed in the late thirteenth and early fourteenth centuries. The knowledge of silk and cotton cultivation was transmitted to India and China, respectively, both via the Silk routes of Central Asia as well as the southeast overland route that linked Szechwan and the Chinese heartland with Burma, Assam, Bengal and the Ganges valley. See Stephen F. Dale, "Silk Road, Cotton Road or... Indo-Chinese Trade in Pre-European Times", *Modern Asian Studies*, Vol. 43, No. 1, 2009, pp. 79-88.

⁵¹ *Ibid.*

regard, China needs to come forward to resolve the problem.⁵² China also needs to understand India's reactions from the larger perspective of the unending Kashmir crisis and India's perception about the close friendship between Islamabad and Beijing.⁵³

Ensuring security of BCIM-EC sub-region is an important issue for the sustainability of BRI. As discussed in the previous section, several insurgent groups might be a threat for peaceful operation of BCIM-EC. As a leading initiator of BRI, China could take the lead to handle this issue. China might support all the four member countries to increase their surveillance capacity to counter insurgencies. Myanmar refugee issue is another aggravation which can hamper the security of BCIM sub-region. In this regard, China might come up with possible solutions to resolve the long-standing Myanmar refugee problem. On the other hand, there are some bilateral problems between India and China. Border dispute is the major one which is rooted in the disputed McMohan Line. To tackle this challenge, China might take initiatives to conduct regular flag meetings in the border. China could convince India to work together in establishing a conducive framework or making any treaty to resolve the border dispute. Additionally, China has its own problem with ethnic tensions. Therefore, the country needs to deal with this ethnic tension in a peaceful way. Furthermore, China needs to take confidence building measures to settle down disputes with India. Some steps are suggested below in this respect:

- Holding regular flag meetings between China and India
- Practicing conflict avoiding measures
- Demarcating Line of Actual Control (LAC) with security urgency
- Addressing key points of friction
- Collaborating on counter-terrorism by abandoning geopolitical and Cold War mentality⁵⁴

Additionally, China might not react harshly to the security issues, for example reacting to border dispute with India. Because China is supporting common development of the member states through executing the BRI. Now, if China reacts over any issue against any of the member countries of BRI, then it will be considered as 'against' BRI plan.⁵⁵

⁵² Interview with a senior diplomat in the Ministry of Foreign Affairs, Bangladesh.

⁵³ Swaran Singh, "China and India Need to Work on Addressing Trust Deficit", *The Global Times*, 27 February 2017, available at <http://www.globaltimes.cn/content/1035115.shtml>, accessed on 11 July 2017.

⁵⁴ Zhao Jun, *CIISS-BIISS Workshop*, *op. cit.*

⁵⁵ Interview with A K M Abdur Rahman, Director General, Bangladesh Institute of International and Strategic Studies (BIISS).

Treaty of good neighbourliness and friendly cooperation between China and India might bring stability into their relation. Ambassador Luo Zhaohui gave an idea that, to resolve China-India trust deficit, both countries may think about making the treaty of good neighbourliness and friendly cooperation. According to him, China could go for a four-step road map to implement a long-term vision for China-India relations to tackle the trust deficit between them. He proposed that the two Asian giants could “actively explore the feasibility of aligning China’s BRI and India’s “Act East Policy”. The other three points were to begin negotiation on a China-India treaty of good neighbourliness and friendly cooperation, restart talks on the China-India Free Trade Agreement and “strive for an early harvest on the border issue”. This type of friendship treaty between the two nations might bring stability into their relations.

Getting recognition from the UNESCO might bring firmness to BRI. The issue of BRI is considered as an important issue on the United Nations platform. The ideas of Trans-Atlantic Railway and BRI have been accepted by the member states of UNESCO. In this regard, China might take initiative to convince UNESCO to include BRI in its connectivity agenda. If it happens, it will be easier to implement the projects.⁵⁶ Additionally, the promotion of BRI will also help in eradicating poverty which will reduce terrorism.⁵⁷

More importantly, China needs to come forward in activating BCIM-EC operation. It is evident that India has some reservations regarding BRI. These reservations are creating tensions between India and China. The recent border skirmishes between these two powers are also accelerating the tension. Thus, it needs to take into consideration that tensions between two or more countries will sooner or later be resolved but development works should not be halted due to these tensions. Therefore, China needs to propel the necessary developmental work for functioning BCIM-EC. If India’s unwillingness continues in the operational phase, then China might play the leading role in association with Myanmar and Bangladesh to activate BCIM-EC. India as an important member of BCIM-EC can stick with it again whenever it wants to but the process should not be stalled.

Besides, China may convince India for BCIM-EC and BRI. China needs to come forward with effective idea to convince India to cooperate in activating BCIM-EC under BRI project. The stalled consultation process of BCIM-EC needs to be regularised with the participation of all member countries. Although the latest BCIM dialogue held in April 2017 in Kolkata is a progress, this consultation process needs to be regularised. Therefore, China needs to make it clear that BCIM-EC is a cooperation platform and does not involve itself in any sensitive issues that exist between China and India.

⁵⁶ *Ibid.*

⁵⁷ Zhao Jun, *CISS-BIIS Workshop, op. cit.*

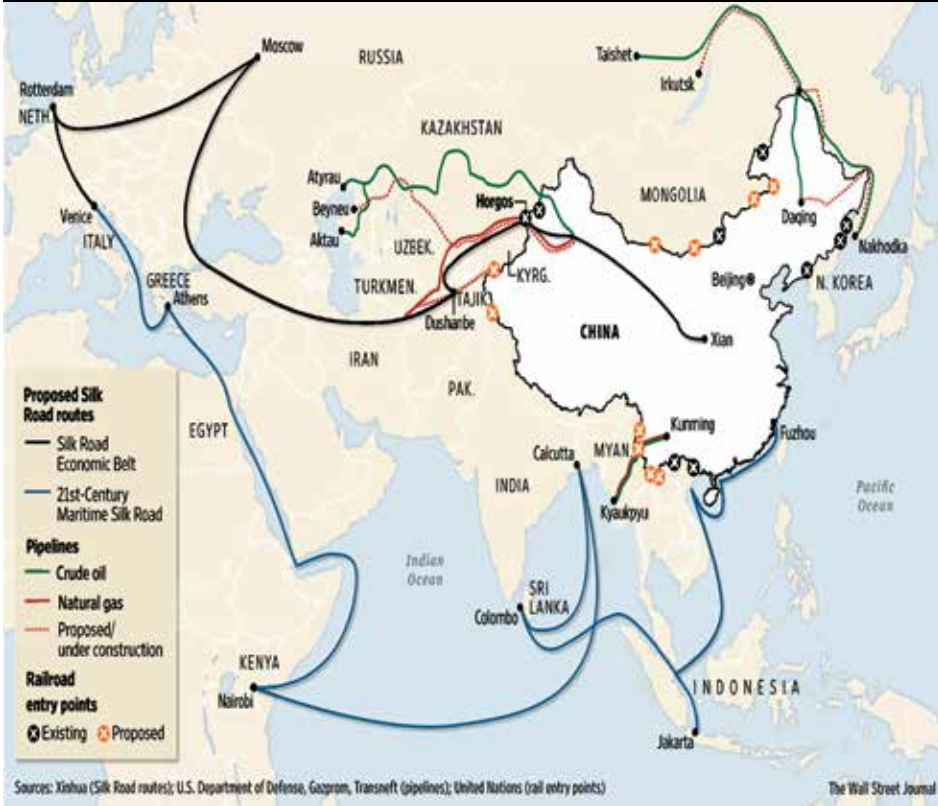
6. Concluding Remarks

BRI and BCIM-EC are two important development initiatives for development of member countries. In the BCIM-EC region, there are many untapped potentials. Due to a lack of regional connectivity, this region is still lagging behind. Therefore, BCIM-EC under BRI could be a way for developing regional connectivity. A developed connectivity promotes foreign direct investment (FDI) which is important for economic development. For better regional connectivity, successful implementation of both BCIM-EC and BRI is important.

In the present paper, it is argued that both BRI and BCIM-EC are likely to face impediments such as lack of detail interpretation of BRI, absence of institutional mechanism of BCIM-EC, infrastructural challenges of BCIM's proposed economic corridor, absence of proper consultation with member countries on detailing BRI, risk of debt burden, security challenges, lack of infrastructural facilities in the member countries, occasional border dispute between two regional powers – India and China and lack of cooperation between these two regional powers. Rohingya crisis is another issue that creates miserable situation in Bangladesh which is one of the member states of BCIM-EC. Among these impediments, the distrust and border dispute between India and China are important hindrance. But this situation will not stay forever. Dispute between two or more countries will sooner or later be resolved but development works should not be stopped. Thus, China needs to engage all member states for functioning BCIM-EC. Alongside, China needs to convince India to cooperate in activating BCIM-EC under BRI project. China as a pioneer of both BRI and BCIM-EC needs to take the leadership role in making the issue clear that both BRI and the BCIM-EC are for the betterment of the member states.

ANNEX 1

New Silk Roads: China is Assembling New Trade Routes, Binding Other Regions Closer to it



Source: Anna Bruce-Lockhart, "Why Is China Building a New Silk Road?", *World Economic Forum*, 26 June 2016, available at <https://www.weforum.org/agenda/2016/06/why-china-is-building-a-new-silk-road/>, accessed on 15 January 2017. This image also appeared in Xinhua News, US Department of Defense, Gazprom, Wall Street Journal etc. This is the provisional map of BRI which was shared in many notable sources.

ANNEX 2: Map of the BCIM-Economic Corridor



Source: Emanuel John, "Racing to a New Prosperity", *China Daily USA*, 04 June 2014, available at http://usa.chinadaily.com.cn/epaper/2014-06/04/content_17562090.htm, accessed on 11 January 2017.