

## **Bangladesh–China–India–Myanmar (BCIM) Economic Corridor: Challenges and Prospects**

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The Belt and Road Initiative (BRI), ostensibly a connectivity and developmental program, was launched by the Chinese President Xi Jinping with the primary objective of connecting the common people in Asia through trade, infrastructure and culture. The initiative is designed to enhance connectivity in areas such as trade, infrastructure, investment, capital and people. That said, since its inception, the project seems to confront certain hurdles such as regional geopolitical complexities and launching of other alternative proposals that tend to hamper its progress. As part of the BRI, the BCIM–EC proposes to connect eastern China with South Asia that will also ultimately connect Southeast Asia through different modes for better economic and cultural connectivity. This paper attempts to evaluate the challenges and opportunities of the BCIM–EC project in the context of South and Southeast Asian nations. The paper concludes that the challenges are rather overriding.

**Keywords:** Bridge and Road Initiative (BRI), Bangladesh–China–India–Myanmar (BCIM), Economic Corridor (EC), ASEAN, Maritime Silk Road (MSR), geopolitical complexities, South Asian region.

### **Introduction**

The BCIM Forum for the Regional Cooperation project which was initially known as the “Kunming Initiative,” was founded in 1999. Primarily, it was established as a Track II dialogue to create a sub-regional “cooperation zone” linking the relatively backward regions stretching from land-locked areas of Southwest China to Eastern India, along with the adjoining least developed countries (LDCs), Bangladesh, Myanmar and the northeast region of India.<sup>1</sup> The foundation of the BCIM had been set with the assumption that the project would be activated at the intergovernmental level known

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as Track I to promote trade and connectivity from Kunming to Kolkata. A Joint Study Group (JSG) was formed by all four countries with the objective of conducting further study and evaluation. Several initiatives were proposed by Bangladesh and Myanmar for enhancing regional cooperation in this project that had gained momentum for the development of the infrastructure connecting the Western Region of China with Myanmar and Bangladesh. However, major issues were still under constant debate, such as the Indian Government's disinclination to get engaged in multilateral regional forums with China, considering the long-standing sensitivity of the insurgency-prone northeast region of India.<sup>2</sup>

A series of meetings were held among all four countries over the years. During the seventh meeting of the series held in Dhaka in February 2013, the parties arranged a car rally from Kunming (China) to Kolkata (India) known as the K2K rally to ensure the road transportability of the corridor.<sup>3</sup> This K2K car rally was conducted as a symbol representing the roadway of the BCIM project. A 2,800-kilometer long economic corridor has been proposed that starts from Kolkata connecting through Benapole/Petrapole on the India–Bangladesh border to Dhaka and Sylhet before again entering India near Silchar in Assam. After entering through Imphal, the road eventually will reach Kunming via Ruili, Longling and Dali by moving through the Tamu–Kalewa friendship road in Myanmar, and then crossing Mandalay and Lashio. Encouraged by the successful launching of the BCIM–K2K car rally, JSG would conduct further study on improving economic, trade, and people-to-people contacts and strengthening regional connectivity. Conceived as a forum focusing on regional integration, the BCIM project has gone through various evolutionary trials and errors to promote and integrate its “three Ts” proposition: Trade, Transport and Tourism.<sup>4</sup>



Figure 1: Map of BCIM–EC in South and Southeast Asia.

Source: *The Daily Star*

The road map to the BCIM–EC is still under consideration. Even after a series of twelve meetings, the Forum was unable to fully institutionalize the Track I (intergovernmental) level due to India’s disinclination. However the Forum took a significant turn in September 2013 when President Xi Jinping announced the “Silk Road Economic” initiative, now known as the BRI, as mentioned. The BRI project is a grand new vision of Eurasian connectivity that aims to revive the ancient Silk Road (trade route) in its northern component, stretching northwest, from China’s coastal area, through Central Asia into Europe, while its other component, the 21st Century Maritime Silk Road (MSR), will run from China’s southern provinces to Southeast Asia, to South Asia, and then all the way to Africa, and beyond. The project aims to consolidate the set of overland economic corridors that includes the proposed BCIM–EC and the China–Pakistan Economic Corridor (CPEC), as well as the Maritime Silk Road (MSR) as mentioned earlier.

According to the Development Research Center (DRC)–Center for International Relations and Sustainable Development (CIRSD) Silk Road Forum (2015), the BRI aimed to cover 65+ countries in its project.<sup>5</sup> Over the past four years, about 100 countries and international organizations have inked deals with China to support the BRI initiatives.<sup>6</sup> Potentially the BRI involves an area that covers 63 percent of the world’s population, 30 percent of the world’s GDP and 24 percent of the world’s household consumption which contains around 75 percent of known energy reserves.<sup>7</sup>

From 2014 to 2016, China had an annual trade with BRI countries that exceeded USD 3 trillion. As a result, the country put more emphasis on boosting up its profile in global financial diplomacy by taking multiple initiatives to revive the BRI. The country aimed to re-activate the New Silk Road, one of the corridors of the BRI project, by providing reasonable resources of around USD 40 billion to promote investment through its foreign exchange reserves, government investment and lending arms.<sup>8</sup> China intended to integrate the regional economic corridor of the BCIM with the infrastructure of the China–Pakistan Economic Corridor (CPEC) as an initiation to revive the framework of the Belt and Road. The CPEC–BCIM corridor would pass through the parts of Kashmir owned by Pakistan (PoK). President Xi during his visit to Islamabad in April 2015 announced a budget of USD 46 billion for the CPEC.<sup>9</sup> China sees it fit to divert more of its burgeoning USD 3 to 4 trillion foreign currency reserves for the projects.<sup>10</sup>

In addition, China planned to invest over USD 200 billion for construction and USD 1 trillion for other projects, as envisioned in its horizon plan, thereby dwarfing U.S. foreign investment by several orders of magnitude.<sup>11</sup> The concept may be compared to the Japanese “flying geese” strategy of the 1970s when Japanese companies outsourced component production to successive tiers of lower-cost states in Southeast Asia. In 2015, under the supervision of China, the Asian Infrastructure Investment Bank (AIIB) had been formed with 21 countries with a budget of USD 100 billion for Asian energy, transport and infrastructure projects.<sup>12</sup> The China Development Bank was willing to invest almost USD 900 billion into more than 900 projects involving 60 countries to bolster the initiative.<sup>13</sup> The project is also co-sponsored by BRIC members. An initial budget of USD 22 billion had been estimated for the BCIM project, of which 55 percent

of the fund might come from various multilateral development partners.<sup>14</sup>

The BCIM economic corridor plays an essential role in revitalizing the BRI project and increases trade between countries. Despite the progress of the initiative, it was delayed due to some controversies which made India apprehensive about continuing the project. Moreover, there are other geopolitical complexities that create hurdles for establishing the BCIM. However, regardless of the many complications, the BCIM corridor can create economic and geological opportunities for its member countries as well as the surrounding smaller nations of South and Southeast Asia. Against this backdrop, the objective of this paper is to study the prospects and challenges of the BCIM–EC, an infrastructural and important pilot project of the BRI. The paper also attempts to suggest certain policy options that may facilitate moving it forward for a win-win outcome for the Asians; especially South Asia. As anticipated, the cost and benefit analysis of the BCIM identifies certain research questions. The paper will deal with the following questions.

1. Will the initiative impact the economies of the Least Developed Countries (LDCs) and developing countries in South and Southeast Asia?
2. Is China likely to dominate the South and Southeast Asian regions, at least economically, through this corridor?
3. Is India apprehensive about China's expansion lately about launching this project?

Multiple articles and reports have been published focusing on the establishment of the BCIM forum; many studies have been conducted visualizing the impact of the corridor. However, very little focus has been given to analyzing how smaller nations of South and Southeast Asia will benefit from this project. This paper primarily focuses on the geographical threats and opportunities for establishing the BCIM corridor. In addition, the paper investigates the above research questions and emphasizes how establishing the economic corridor of the BCIM will create trade and economic opportunities for its member countries and other smaller nations and what the possible threats are to the project in accomplishing its goal.

Undoubtedly, accomplishing harmony between short-term commercial returns and all-inclusive improvement or a multidimensional blend of geopolitical, tourism, pro-poor and security contemplations introduces a noteworthy conceptual experiment. However, it is a challenge to exhibit a practical implication in the locale of a scant populace, subsistence agriculture, stagnant industrial development and insufficient infrastructure. The paper will discuss the practical challenges and prospects of establishing an economic corridor in South Asia and subsequently linking the Southeast Asia region through the BCIM project in all its dimensions, especially geopolitical.

The primary research method for this study is literature review and content analysis. The paper follows the case study method as well. The paper obtains secondary data from different journals, publications, reports, and websites. Understanding the geopolitical relationship among the BCIM countries is the very first step towards assessing the “challenges and prospects” of the BCIM. This study will review the geographical

location and inter-relationship among the four member countries of the corridor. Based on this understanding, a content analysis method will be used to comprehend and identify the changes in the geopolitical relationship for the purpose of determining the development of small nations in the region. The main author has attended different international conferences on the subject that gives him insight into evaluating the initiative.

### **Regionalization of South Asia (SA) and Southeast Asia (SEA)**

Smaller nations of SEA and SA suffer from strategic dilemmas. Some of them even suffer from existential realities, both in terms of the economy and security, especially in South Asia. This is rightly known as the Asian paradox.<sup>15</sup> The paradox occurs when on one side, these nations depend on the United States for security and on the other side, they look to China for economic support. As a case in point, many of the ASEAN members, who are the claimant countries in the South China Sea, are directly aligning with the United States and Japan, and also with India for military support and capacity building. But for economic support they are heavily dependent on China. However, lately the scenario is undergoing a kind of paradigm shift especially after the election of the present U.S. President. As a matter of fact, ASEAN and China's free-trade relationship has existed for a long time and is a win-win for both with their trade volume booming as the days pass by. Both ends of the spectrum cover existential realities and vital national interests. Having said so, by and large, ASEAN has done a good job in keeping the Southeast nations united, though there are clear signs of disunity as the days pass by. Its centrality is under question now.

South Asia has a similar milieu. South Asian nations are divided so their regional cooperation stumbles. Even China–India relations stumble in South Asia over Arunachal Pradesh and the disputed territories of Kashmir. India's northeast and Myanmar are, broadly, insurgency infested. Despite having a comparative advantage of one compact geographical entity, the regional economies of the SA nations have been unable to mobilize market integration which leaves the sub-region least integrated. There is polarization between Pakistan and India. They are arch-rivals over the disputed territories of Kashmir. So unless this dispute is resolved to the satisfaction of all three parties involved, mainly the Kashmiri people themselves, there is hardly any possibility of genuine regional cooperation, let alone regional integration. As a matter of fact, the existence of the SAARC (South Asian Association for Regional Cooperation) as a regional organization, as it stands today, is under severe strain.

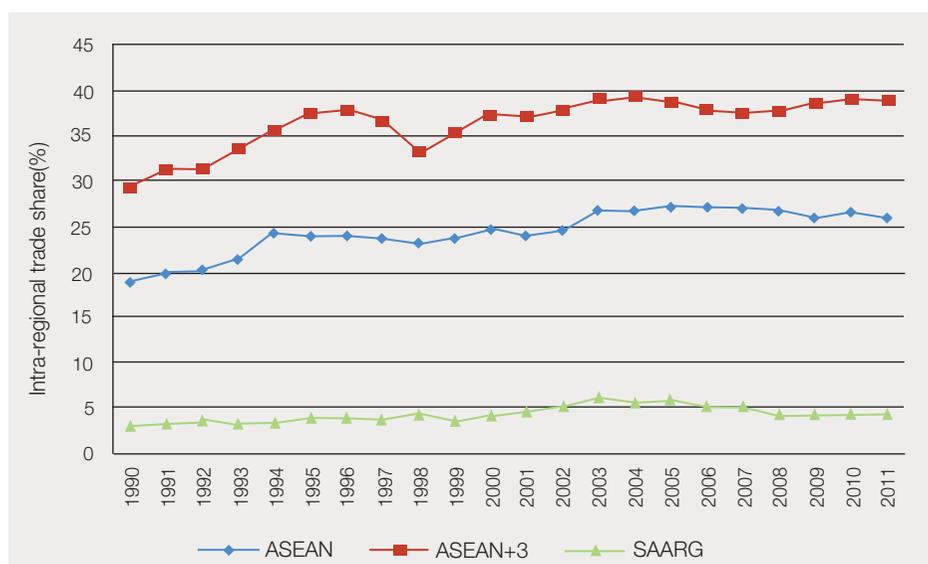


Figure 2. Intra-Regional Trade Shares of SAARC

Source: Asia Regional Integration Center (ARIC) Integration Indicators Database, <http://aric.adb.org/indicator.php>, accessed August 20, 2012.

Figure 2 provides a comparative scenario of intra-sub regional trade shares for the member states of SAARC, the Association of Southeast Asian Nations (ASEAN), and ASEAN+3. There are clear indications of SAARC trailing the other two in terms of sub-regional integration. For instance, 2011 data shows that SAARC's intra-sub regional trade volume was only 4.3 percent, compared to the corresponding figures for ASEAN and ASEAN+3 of 26 percent and 39 percent, respectively.<sup>16</sup> On top of that the export growth of SAARC countries decreased from 35.72 percent to -3.55 percent for the period 2011 to 2012 where import growth was also reduced from 31.55 percent to a modest 3.26 percent.<sup>17</sup> Though SAARC's market integration and shares are still very low compared to the corresponding figures from other regions, there is potential for regional integration. As such, policymakers and business communities in South Asia have become increasingly interested in economic integration in South Asia and the potential benefits that may come along with it. That said, the proposed BCIM is likely to spur inter-sub-regional trade and development efforts.

Having said this, there is now extensive economic cooperation and trade relations among all the countries, including India with China. The trade volume is about to cross USD 100 billion soon. But sadly enough, intra-SAARC countries' trade volume is dimly low at five percent of their total trade volume worldwide, whereas for the EU, NAFTA, and ASEAN, it is 66 percent, 48 percent, and 27 percent, respectively.<sup>18</sup> Further, intra-regional investment in South Asia is less than one percent of total investments, explaining why it costs more to do trade within South Asia compared to trade with the rest of the world. Here, both economic and geopolitical factors are considered to be valid

factors. Intra-SAARC trade is not a win-win option for the South Asian countries. So the countries of South Asia have no option but to look outward for trade and investment. Moreover, the latest findings of the Global Competitiveness Index (GCI) indicated that most South Asian countries are ranked in the lower half of the world except for India, which held the 39th position out of 138 countries.<sup>19</sup> The criteria for measuring GCI's are based on twelve "pillars" of competitiveness that include indicators such as business sophistication, market size and innovation. This justifies India having less incentive to do trade and investment in South Asia. As an extension, it is now proposed to link South Asia with Southern China.

### **BCIM EC: Current Status**

The first initiative for establishing the BCIM was through the agreement between Chinese Premier Wen Jiabao and Indian Prime Minister Monmohan Singh. Currently, the road is motor-able except for two under-constructed stretches of around 200 km each; one from Silchar to Imphal in India and another stretching from Kalewa to Monywa in Myanmar. As evident from the above discussion, since the beginning of the BCIM initiative, two prominent objectives had driven the project—the first was the economic integration of the sub-region which would also enable the integration of Asia and the other was the development of the border regions.<sup>20</sup> Though the BCIM prioritized the initial three T's agenda, including Trade, Transport, and Tourism, it evolved over time to TTE (Trade, Transport, and Energy). Apart from these, social, cultural and environmental issues were also brought to the table for discussion. After all, the connectivity route has the potential to generate huge economic benefits in trade, investment and communication linkage since it is rich in natural, mineral and other resources covering an area of 165,000 square kilometers with a population of 440 million people.<sup>21</sup>

The corridor aims to facilitate the shortest journey between China and India by reviving the trade route of the ancient Southern Silk Road. The objective was not only to focus on the physical connectivity linking the roads, railways, waterways and air; but also to emphasize digital connectivity, facilitate trade and reduce barriers encouraging the smoother mobility of products and services. According to JSG's first meeting, their suggestion was to proceed with mutual trust and respect, mutual interest, pragmatism, equitable sharing of benefits and consensus building. Earlier during the Track I and II processes, China's opinion regarding the BCIM was that it would stimulate the growth of large and medium-sized cities along the corridor. In fact, at the Boao Forum in 2013, China declared the BCIM-EC as part of the BRI as mentioned. It became the center of attention of President Xi's foreign policy and international economic and geopolitical strategy.

### **Theoretical Argument and Framework:**

The concept of an “economic corridor” refers to the linear connectivity along a physical transportation channel such as a road, rail line or waterway within a defined space or location, linking various nodes of production, distribution and consumption, and supported by programs, policies, institutions and agreements that facilitate cooperation between the economic clusters along the corridor route.<sup>22</sup> A quick review of the survey and open discussion demonstrates that an economic corridor might be required to satisfy two rather conflicting ideas. According to the first idea, referred to as the Delhi–Mumbai Industrial Corridor (DMIC) project, an economic corridor may be visualized to connect major urbanities with a view of advancing business groups by establishing and developing hubs, by building ocean, air or road gateways and consequently creating trade which will turn sub-regional distribution into a worldwide supply chain.<sup>23</sup> This strategy, in light of the statistic assumption of the rapid acceleration of country-to-urban transformation, is anticipated for the least developed countries (LDCs) and developing of the region.

On the contrary, an economic corridor might also be planned to advance the flow of trade and improve isolated regional borders, or to give the opportunity for access to external connectivity to land-locked areas and nations. The advancement of trade flow encourages innovative business feasibility that mitigates economic and financial barriers. In addition, extractive ventures such as mining, timber gathering, hydropower, and so forth may endow heavy structural investment interest in remote and underdeveloped locales and may thus create national security concerns.<sup>24</sup> Because of that, a long-haul reasonable advancement request is required mentioning profitable supply–demand interdependency between the rural and industrial sectors, the hinterland and urban hubs along the corridor.

The theory of connectivity can be a good explanation in terms of defining the BCIM roadway project. According to Oxera, connectivity theory measures how convenient it is to reach potential destinations (Ds) from the potential points of origin (Os) and vice versa. Fundamentally, connectivity means the availability and accessibility of transportation which allows goods and human capital to reach a range of destinations at a reasonable cost. The theory represents international trade as a combination of shipping Connectivity and Trade Relativity known as CTR.<sup>25</sup> The essential variables for CTR are shipping connectivity, intra-trade and extra-trade. Shipping connectivity indicates the efficiencies of logistics and transport facilities that affect trading because it may result into a higher cost if the voyage time is longer. Intra-trade (free trade) agreements are one of the most common schemes of economic integration as the member countries decide to reduce tariff-based barriers between their borders.<sup>26</sup> On the other hand, extra-trade can lead to regional integration by promoting trade beyond member countries. The BCIM–EC focuses on both intra- and extra-trade since the corridor focuses on increasing the trade between the four countries as well as developing regional integration with the surrounding nations. However, the current focus of the BCIM is an inter-regional road network since roads are the cheapest routes for trade in these prospective connecting countries.

Experimentally, economic corridors are believed to be of different types. Economic corridors might be national (such as the corridors of the “Golden Quadrilateral”), territorial (e.g., the GMS and Central Asia Regional Economic Cooperation (CAREC)), or universal (e.g., submarine telecommunications cables).<sup>27</sup> They may appear through either top-down or bottom-up based activities; or through the offices of governments, global development agencies, business associations, or civil society gatherings.<sup>28</sup> The economic corridor may provide support in accomplishing objectives of upgraded exchange and financial incorporation.<sup>29</sup> Geography definitely plays a huge part in figuring out what particular economic corridors may be reasonable, as do verifiable, political and authoritative variables.<sup>30</sup>

At the center of the Asian Development Bank (ADB)’s review of the thesis and practice regarding the economic corridor method for regional improvement, the core subject of the improvement is how (if by any means) a transport corridor can be changed into an economic corridor. It will be reviewed here that the primary concentration of the Greater Mekong Sub region (GMS) since 1992 was on the development or upgrade of the physical transportation framework along the prominent trade route.<sup>31</sup> However, it became apparent soon enough that the qualitative changes in trade volume and the true objective of sub-regional economic integration does not completely rely on the development of a transport corridor. It was in this setting, in 1998, the GMS grasped the monetary hall procedure. In one stroke, in a manner of speaking, the nine GMS transportation corridors were updated as “economic corridors”, and were invested with new highlights, capacities, and requirements. The comprehension was that a progression to facilitate trade (or “soft” framework) measures would create a “trade” or “logistic corridor,” which, as a result, would impact or catalyze the change of transportation corridors into economic corridors.<sup>32</sup>

Pradeep Srivastava has identified a foundational commitment to the ADB’s reconceptualization of the economic corridor’s methodology in his paper titled, “Territorial Corridors Development in Regional Cooperation.”<sup>33</sup> Srivastava’s proposition involves a structure comprehending and assessing the flow of the development of regional economic corridors in terms of two basic building blocks, to be specific: (i) the degree to which the corridors are national or local; and (ii) the extent to which the corridors can be thin or expansive.<sup>34</sup> Ideally, cross-border corridors such as “national projects with regional implications” would be considered a hybrid construction between regional and national. This national cross-border corridor may have a few hubs which may eventually expand their operations to spread over international borders, thus creating international trade opportunities. However, in practice, from an observer’s perceptions, national expectations for the development of the corridor may differ in shifting degrees from regional objectives. For example, at the national level, the advancement of trade and industry, the monetary improvements, may initially take priority in central areas. Distributive equity, political populism, and security prerequisites may all be the drivers in determining the corridor’s design and location. Then again, projects related to the advancement of regional economic corridors are undertaken by international financial institutions, and typically are expected to be administered by

surveys of short, mid- or long-term commercial viability. As per the ADB's current proposition regarding the survey of the GMS economic corridor, national weights within a multilateral discussion may conceivably impact the outline and direction of the economic corridor to the degree that the system itself may wind up plainly disparaged according to potential speculators.<sup>35</sup> Evidently, comparable geo-political relations and pressure is also a factor in determining national outlines.

According to the second parameter of Srivastava's model, both narrow/expansive states means the width of the corridor along with the transport supply route create trade gravity by adjoining business, mechanical and production centers within a variable bandwidth.<sup>36</sup> This means along with focusing on the width of the corridor, it is also important to identify the socio-economic impact because of the connectivity framework. Visually, this indicates either a wide or narrow "belt" including recognized hubs such as major urban focuses and satellite towns consisting of real or arranged businesses with advanced technologies. Special Economic Zones (SEZ) have been established to send out handling zones, industrial parks, learning centers, food preparing zones, and so on.

### **Impact of the BCIM in South and Southeast Asian Nations**

As mentioned earlier, the BCIM project is based on five connections: trade, infrastructure, investment, capital and people. An amendment of the ancient maritime silk route, the BCIM focuses on increasing trade and rebooting geopolitical relationships, thus establishing itself as an economic growth engine.

#### ***Challenges: Sub-Regional Complexities***

All countries of the BCIM are specialized in different sectors which have the potential to increase intra-country economic development. For instance, Myanmar has positioned itself to be a primary goods exporter and provides abundant cheap labor. India is one of the Asian countries leading in exporting services. China has the competitive advantage of being the largest manufacturing exporter in the world. Bangladesh is engaged in both service exports and low-end manufacturing goods. Additionally the region is filled with immense conventional and renewable energy sources.

That said, the trade among BCIM member states accounts for five percent of total BCIM trade in comparison to ASEAN where the total intra-regional trade is 35 percent.<sup>37</sup> One of the reasons of the low amount of trade may be due to political disputes within the region. For decades, geo-political conflicts have consistently hindered not only trade relationships but also obstructed improvements in regional economic conditions. For instance, the fight between the Myanmar Army and the Myanmar National Democratic Alliance on ethnic Kokang rebels, situated near the Chinese border, poses threats to the network. The region of South Asia is in crisis because of the historical political disputes between Pakistan and India that started with the founding of the state of Pakistan in 1947. The comparison by Saira Khan on the pattern between the Indo-Pakistan crisis in

the pre-nuclear and nuclear eras indicates that interstate crises have gradually declined in the pre-nuclear era. However, during the nuclear era, the frequency of crises has been increasing.<sup>38</sup> The BCIM project even got delayed due to the proposed connection between the BCIM–CPEC. The Sino–Pakistan’s CPEC agreement has proposed connecting the BCIM through the Kashmir occupied by Pakistan. Even China–India relations stumble in South Asia over Arunachal Pradesh, exacerbating tensions during a month-long standoff between the two armies.

From a development and connectivity perspective, the Chittagong Port in Bangladesh can turn into a hub to provide services to Northeast India, Myanmar, Southeast China, Bhutan, Nepal, and Bangladesh. The Bay of Bengal (BoB) is situated in a crucial geographic location and is important for the BCIM project which connects China with the southern Asian countries. Emphasizing the significance of the geographical location of Cox’s Bazaar, Japan has also launched the BoB industrial growth belt (Big-B) plan with Bangladesh with a view to accelerate industrial growth of Cox’s Bazaar, Chittagong and Dhaka that will eventually impact South Asian regional integration. China is trying to connect with South Asia both by road/rail, and also by sea. China is already connected with Myanmar which gives it the opportunity to move forward towards Bangladesh. However, the recent communal ferocity involving Buddhists and Rohingya Muslims in Myanmar is causing geo-political complexity between Bangladesh and Myanmar. It has caused an unimaginable refugee crisis and human trafficking in Cox’s Bazaar and also along the coastal border between Bangladesh and Myanmar. Moreover, China’s target is to connect with Chittagong or other ports in the Bay of Bengal along the Bangladesh shore. But due to high geo-politics, things are somewhat changed. India may feel it is getting encircled in its eastern flank when it is already encircled in its western flank. As such, things tend to get compounded.

### ***Opportunities***

As a case in point, Bangladesh can improve its export-capacity to China further by connecting with China through more trade, investment, foreign aid, exchange of people and intellectual pursuits. China can help Bangladesh by relocating its sunset industries to Bangladesh since it has surplus supplies of cheap labor. Bangladesh may strengthen its value chain to benefit its textile and clothing sector by reducing its cost of importing garment inputs from China. This can be done in two ways: one, by reducing the time of clearance at the Chittagong port by improving its capacity, and second, China may extend its production base of non-cotton RMG inputs by constructing relevant factories in Bangladesh. Finally, Chinese involvement in Bangladesh’s two Special Economic Zones (SEZs) and establishing a dedicated Export Processing Zone (EPZ) for China would contribute to boosting bilateral trade and increase Bangladesh’s exports to global markets.<sup>39</sup> It may be noted China’s land-locked southern region is closer to Chittagong port than it is to the Chinese port in Guangzhou. China is presently making huge investments for capacity-building at the Chittagong port. Bangladesh can also beef up its exports by taking advantage of about 5,000 products for which China has allowed

duty-free access, thus forming trade creation.<sup>40</sup> All such propositions and projections come under the purview of the Chinese-floated BRI or MSR for a win-win outcome. For such an opportunity, connectivity to the east is essential. Moreover, Bangladesh, which shares three-fourths of its border with India, can connect with the Northeastern region of India, which technically means the rest of India with which the country has a huge amount of trade. Getting deeper access to the large Indian and Chinese markets can turn Bangladesh into an attractive potential destination for foreign direct investment. In addition, Bangladesh can become a commercial hub for South and Southeast Asia by connecting China through Myanmar. Given that, the Bay of Bengal is geographically in a crucial position.

This corridor will help Indian goods as well gain access to large markets in East Asia through Myanmar. The corridor can support its member countries integrate into the regional supply chain, thus creating trade opportunities for Myanmar. In fact, due to its strategic geographical position, the Dawei port in Myanmar can increase trade. These may draw the attention of Chinese and Indian firms to Myanmar. An upgrade of the 312 kilometer stretch of Stilwell Road that connects Northeast India with Yunnan through northern Myanmar, will be able to reduce transportation costs between India and China by 30 percent and accelerate the already growing Sino–Indian trade through the BCIM Corridor. This can improve the agro-processing sectors in Yunnan and West Bengal.

In terms of conventional and renewable energy resources, BCIM sub-regional cooperation can capitalize on hydrocarbons in Bangladesh, hydro-electric and mineral resources in Northeast India, natural gas reserves in Myanmar, and coal reserves in East Indian states like Odisha, Chhattisgarh and Jharkhand and China's Yunnan province. The potential for Northeast India to export energy to power-starved Bangladesh under the auspices of the BCIM's institutional structure is particularly strong. Energy cooperation among BCIM countries will have implications for China, the largest consumer of energy. India's engagement with Myanmar will contribute to India's energy security as India is currently heavily dependent on Gulf oil imports. Myanmar will also be able to engage in export diversification, as it is currently over-reliant on China and Thailand for energy exports.

## **Is China Likely to Lead the South and Southeast Asian Region through BCIM–EC?**

### ***Economic Impact of BCIM–EC on China***

The concept of an “economic corridor” has barely been cited in the BCIM's Forum deliberation, mostly substituted by terms such as “cooperation zone,” “growth zone,” “growth pole,” “growth polygon,” etc., or simply encompassed within the BCIM “connectivity” agenda. This oversight may raise questions since China had been actively participating in the BRI project, prioritizing the economic corridor approach as its major thrust since 1998. China is likely to get more return on its investment in these projects than investing in American treasury or security bonds. Due to this, special emphasis

has been given to transportation routes, infrastructure which would facilitate trade and increase the economic conditions of the South and Southeast Asian region.

### ***Challenges***

The challenges to the corridor arose as a result of two interrelated factors based on which the Indian government was reluctant to potentially commit to the project. The first factor was seemingly the overwhelming presence of China in the project, politely disguised as a scenario where both India and China participated as the “twin pillars” on which the BCIM edifice rested. But in reality, until very recently, the two giants came to a mutually exclusionary strategy regarding regional integration with the view of attaining their respective political and economic influence over the region. However, China’s huge financial contribution in establishing the BCIM Forum showed enough geo-strategic and economic interest to gain unfettered access to the Bay of Bengal region.

The second factor was the active involvement of China’s southwestern Yunnan province in promoting the BCIM sub-regional cooperation which became a major source of grievance and suspicion based on the concept of India’s “Act Asia Policy” (ASP). India’s North East states (NER) constitute a physical interface of overland infrastructural connectivity with Southeast Asia, which encompasses historical relevance of mutual ties of trade, culture, and ethnicity. However China’s involvement raised India’s apprehension of having no formal political role and minimal influence in the articulation.

Combining the two elements’ outcomes into the Gordian mix of “country-wide security,” the mere invocation of which stalls all tries at innovative solutions, to the so-called “financial imprisonment” of the NER added by the partition of India, and to the various ethnic insurgency movements that have been rife inside the NER for decades.

### ***Opportunities and Prospects***

To take another case in point, the deep-sea Gwador port in the Arabian Sea—overlooking the Persian Gulf—has been hugely funded by China. The Gwador port in Pakistan, presumably part of the MSR, is located at the juncture of South Asia, Central Asia, and the Middle East. It is close to the Iranian border and covers the gateway to the Strait of Hormuz. This is a critical oil supply route. There are visible indications that the port might become China’s naval base. Gwador, a deep warm-water port, 470 kilometers away from Karachi, is seen as an ideal outlet for China in the Indian Ocean. Pakistan offered a “trade and energy corridor” via Gwador that runs up to Kasghar in western China. This helps China to import oil from the Middle East, store it in refineries at Gwador and eventually transport it to China via roads, railway or pipelines.<sup>41</sup> Just like the case of the combination of SAFTA, China and Myanmar, the BCIM project also had the potential to provide Full Liberalization, Moderate Liberalization and Partial Liberalization for their partner countries. Due to the tariff cuts, three different possible scenarios are assumed to occur, “total trade effect,” “trade creation and trade diversion effect” and “welfare and revenue effect,” which are shown in Table 1.<sup>42</sup>

Table 1. Scenario Definition for Simulation

Region	Scenarios	Full Liberalization	Moderate Liberalization	Partial Liberalization
BCIM		100% liner tariff cuts from existing level	75% liner tariff cuts from existing level	50% liner tariff cuts from existing level
SAFTA+China+Myanmar		100% liner tariff cuts from existing level	75% liner tariff cuts from existing level	50% liner tariff cuts from existing level

*Source:* Md. Tariqur Rahman and Muhammad Al Amin, "Prospects of Economic Cooperation in the Bangladesh, China, India and Myanmar Region: A Quantitative Assessment," no. 73 (July 2009).

Under the consideration of different scenarios, member countries are expected to increase trade within the region by diverting trade from non-member countries. Table 2 indicates that the effect of trade creation is almost double the trade diversion effect in all three scenarios.

According to the table, welfare gains for the overall BCIM region is USD 411 million, USD 281 million and USD 193 million, respectively, under full, moderate and partial tariff liberalization scenarios. The increase under full progression is 32 percent and 53 percent higher than the direct and partial liberation scenarios.<sup>43</sup>

China is also building an international airport in Gwador. Now this is seen as an Achilles heel, as highlighted by China. BCIM sub-regional cooperation can link these countries via road which is the cheapest route, can capitalize on forming power plants in these nations and create export diversification. The expectation that the BRI and the Asian Investment Infrastructure Bank (AIIB) will prompt critical business outcomes in Asia and for worldwide organizations may have substance. According to the findings of the survey conducted by Jung Joo-Youn on Chinese perception on active intervention in international issues, the majority replied that China fits the best in the role of bridging the gap between advanced and developing countries and also mediating the conflicts between them.<sup>44</sup> However, it is more complicated for China to dominate the region due to foreign policy and the implication of regional stability. However, to play geopolitics in parts of the world, China has to compete against countries such as the United States, Japan, India and Russia, which have material and contending interests.

Table 2. Effects of BCIM Economic Cooperation under Three Scenarios (USD million)

Scenario	Total Trade Effect	Trade Diversion	Trade Creation	Tariff Revenue Loss	Welfare Effect
Full Liberalization	5671	1859	3812	-3082	411
Moderate Liberalization	4157	1384	2773	-1763	281
Partial Liberalization	2727	902	1825	-989	193

*Source:* Md. Tariqur Rahman and Muhammad Al Amin, "Prospects of Economic Cooperation in the Bangladesh, China, India and Myanmar Region: A Quantitative Assessment," no. 73 (July 2009). SMART simulation technique has been used to review tariff profile of BCIM *vis-à-vis* SAFTA + China + Myanmar

## **Reasons of India's Apprehension**

Though initially the BCIM project was settled by both China and India along with consent from Bangladesh and Myanmar, eventually India seemed to be concerned about continuing the project for multiple reasons.

### ***Challenges***

One of the main reasons for the Sino–Indian conflict occurred due to India's hesitation over China's dominance in South and Southeast Asia. According to Ginesh Sharma, Indian External Affairs Ministry Additional Secretary, "We should be mindful of different domestic circumstances and developmental aspiration in our respective countries. While we focus on expanding trade volumes, equal attention should also be paid to its sustainability. Greater access to each other's markets is desirable to achieve more viable and sustainable trade cooperation in our region." This statement hints that India is seemingly suspicious that the BCIM is a mechanism designed simply to facilitate Chinese imports of natural resources and exports of processed goods to the region which would result in a massive trade deficit between India and China. As a matter of fact, India tends to sideline sub-regional development in this part of Asia for the obvious reason of dominance and economic benefit to itself. The Sino–Indian divergence worsened when India became lukewarm to the project by linking its reservation to the alliance with Pakistan

In April 2015, the China–Pakistan Economic Corridor (CPEC) was announced by President Xi during his visit to Islamabad with an investment of USD 46 billion which would pass through PoK, which was not taken kindly by India. Most infrastructure and connectivity through Central Asia, Pakistan and West Asia have been built by China's own resources, generating few employment benefits to the recipient countries. In order to dilute the BCIM initiative, India has emphasized reviving the Act East infrastructure connectivity. The objective of this connectivity is to increase the capacity of transportability that will create a connection between the east and the west. This connectivity will promote the construction in the northeastern region by eliminating the "bottleneck" which is an obstacle within ASEAN. In addition, the Indian section of the "Kaladan Multi-Modal Transit Transport (KMMTT)" aided by Japan and other countries was fully launched to connect Calcutta to the Sittwe Port of Myanmar.<sup>45</sup> Most projects included in the BRI are east–west corridors of benefit and interest principally to China. These initiatives are likely to create a hindrance for the progress of the BCIM. Projects in which the countries of Central Asia, Afghanistan, Iran and India have interest, such as the International North–South Transport Corridor from Bandar Abbas to Russia through Iran and Central Asia have not been included in the BRI. Another connecting project that will expand the Indian market would be the route linking Afghanistan and Central Asia with India via Pakistan. None of these projects are part of the BRI.

### ***Opportunities and Prospects***

For South Asia, China may handle India differently by playing a different card. Diplomacy has to play its due role here. China may also help by playing the role of an honest broker in bridging the gap between India and Pakistan or between India and Bangladesh or between India and Nepal. China may be more visible in displaying its interest in resolving contentious inter-state or humanitarian issues such as water sharing between these nations. India may be encouraged to settle its scores with its neighbors so as to better integrate itself with the Asian/South Asian regionalization/integration process. “Prosper thy neighbor” may be the hallmark of foreign relations of all Asian countries, especially for South Asia. The dynamics among Pakistan, Afghanistan, India, and Iran are critical where the ugly head of geopolitics seemingly disturbs the tranquility of the region time and again. China may be prudent to work together with both the United States and India in the Bay of Bengal and South Asian regions. India, on the other hand, may also accommodate China. The pie may be shared on a win-win basis in a tension-free environment.

### **Alternative Suggestions**

#### ***Look for Commonalities***

All stakeholders may identify possible areas of cooperation. They may separate more critical issues from relatively less conflicting ones. This was the advice of the great Chinese leader Deng to his nation and China’s neighbors. Address the less conflict-prone areas first. A pragmatic approach is to set aside the India–China border demarcation issue for the time being. This leaves space for a substantial boom in inter-country trade, and the potential for connectivity. To start with, as cases in point, concentrate more on non-traditional security issues such as climate change, drug smuggling, human trafficking, disaster management, anti-piracy, terrorism, extremism, inter-faith dialogue, defense diplomacy etc. Soft power can contribute much to such endeavors.

#### ***Bangladesh’s Alternative Proposal to BCIM: Chittagong—Yangon—Kunming and Thailand—Malaysia—Singapore Connectivity***

If the overall BCIM project does not come to fruition then an alternative option originally proposed by Bangladesh—like connecting Chittagong—Yangon—Kunming by both road and rail may be considered for implementation. This was part of the grand trunk road established by the Second Mughal Emperor of India linking India with Myanmar. This will greatly reduce the cost of construction and maintenance. This connectivity has limited geopolitical complications. However, with the new spate of the Rohingya crisis resurfacing, things may go out of control. This can easily be, subsequently, linked with India. In the south it can be extended to Thailand, Malaysia and Singapore as part of the

Trans-Asian road network. Such projects are already underway in ASEAN countries such as the Jakarta-Bandung high-speed rail project under construction while a pan-Asian railway network—including the China-Laos and China-Thailand railways—has been launched. It shows the silver lining that South and Southeast Asia will be connected by rail/road in the not too distant future. And then both the regions will be connected to China.

### ***China-Nepal Road Linkages Supplementing BCIM: China-India-Nepal-Bhutan-Bangladesh Linkages—Geopolitical Tranquility and Economic Development***

Road linkage between China and Nepal would greatly contribute to connectivity between China and South Asia. If Nepal and China are connected either by road or rail—understandably it is already in place—it then facilitates connectivity with India, Bhutan and Bangladesh. This connectivity then leads the countries to the warm water ports of Bangladesh. That should be a win-win for all the stakeholders, including the less-developed Northeast India. As mentioned, Chittagong port, if properly developed and managed, can support the entire region. And there are projects underway to construct one or two more seaports in the Bay of Bengal in Bangladesh.

### **Conclusion**

The BCIM, a connectivity project, is initiated by four Asian countries, Bangladesh-China-India-Myanmar, with a view to increase connectivity in five areas: trade, infrastructure, capital, investment and people. Although the project was initially established to spur regional integration, later the objective was directed to ameliorate the economic conditions of small and emerging nations of that region. The BCIM is one of the most complicated projects of the BRI. In fact, the BRI aims to stretch the Asian trade border all the way to Africa and Europe. The motor-able BCIM project has the potential to create many trade facilities, new innovative businesses and thus improve economic conditions of South Asian nations, especially the land-locked ones. China already has committed huge investments in BRI countries and sees the project, the BCIM, as a catalyst for increasing their export even more.

But disagreement surfaced when India expressed its apprehension about China's intentions. India (another Asian giant) perceived the corridor not as a development project for smaller nations but trade facilitation for China which would increase its export capacity and an opportunity for China to dominate the Asian market. Furthermore, the dispute between India-China deepened over Arunachal Pradesh and China's reservation on India's Look East Policy (LEP). Moreover, the proposal of connecting the BCIM with the CPEC through PoK was strongly opposed by India due to its geopolitical complexities with Pakistan. These geopolitical complexities are not only limited to China-India-Pakistan. The present strained relations between Bangladesh and

Myanmar over the Rohingya refugee crisis has further created a stumbling block. These geopolitical complexities among the member nations are creating a bottleneck for the progress of the project. The alternative proposals suggested above may serve the same objectives.

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