

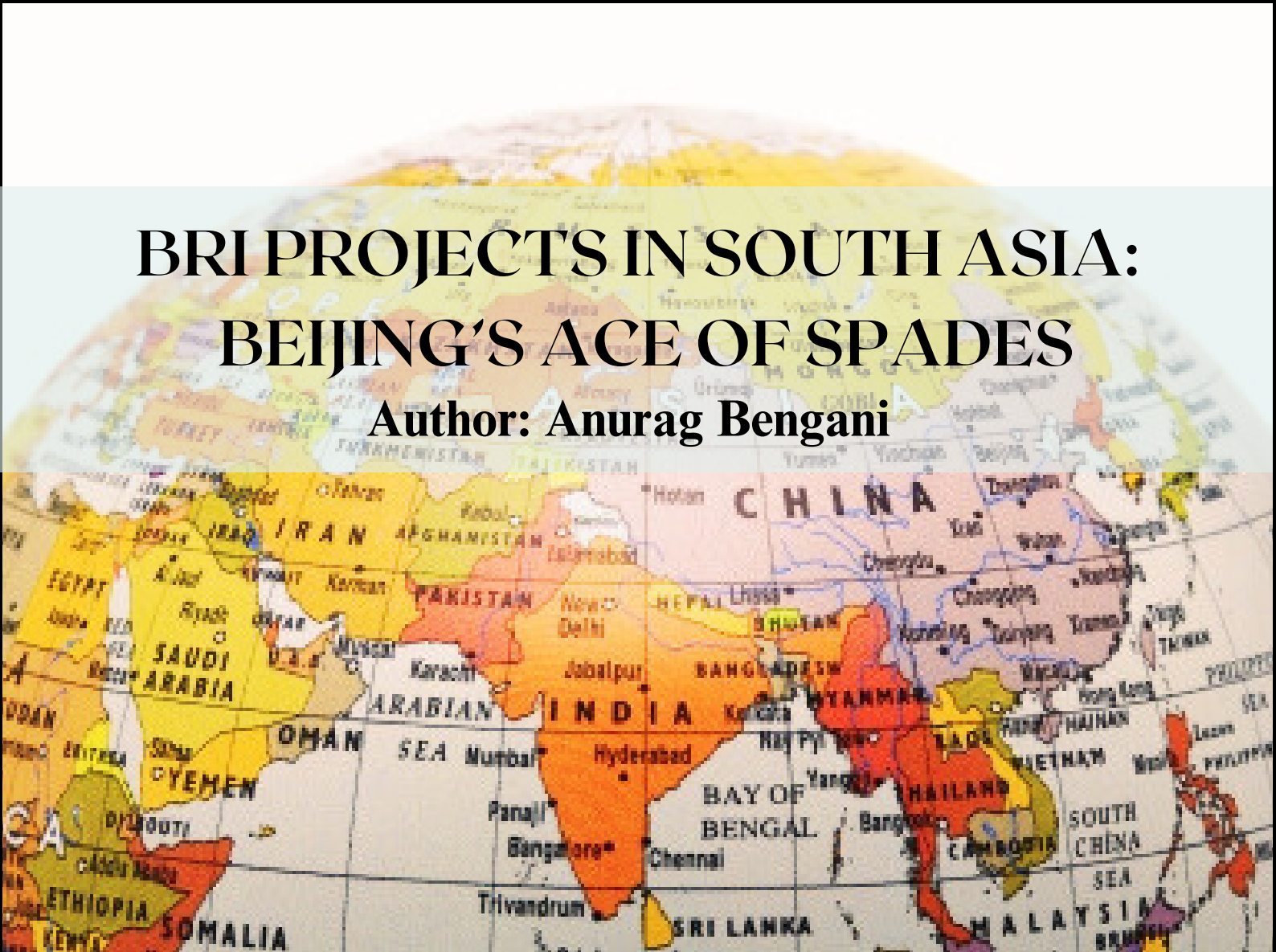


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BRI PROJECTS IN SOUTH ASIA: BEIJING'S ACE OF SPADES

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BRI PROJECTS IN SOUTH ASIA: BEIJING'S ACE OF SPADES

-Anurag Bengani

INTRODUCTION

The Belt and Road Initiative (previously known as the One Belt One Road Initiative), which was launched in 2013, is Beijing's flagship endeavour to restore ancient Chinese glory while expanding Chinese influence along the "new Silk Road". The plan was two-pronged: the overland Silk Road Economic Belt and the Maritime Silk Road. Xi envisioned the development of infrastructure projects financed by China in BRI countries, including creating a vast network of railways, energy pipelines, highways, and streamlined border crossings extending westwards through the Central Asian former Soviet republics and southwards through South and Southeast Asia.¹ According to Xi, such a network would enhance the influence of the Chinese currency globally and "break the bottleneck in Asian connectivity"². South Asia's proximity to strategic chokepoints such as the Strait of Hormuz and the Malacca Strait, as well as crucial shipping lanes passing through the Indian Ocean, makes it a critical area for maritime shipping and global trade, and therefore, it is an essential region for BRI projects. BRI projects in South Asia bring to life the 'Debt trap diplomacy' theory: Chinese state-owned banks often provide loans to the host nations of a project, under the condition that the development contract will be awarded to a Chinese firm. Due to the fiscal constraints of the host nation, repayment of the debt becomes challenging. Consequently, the project is frequently leased to a Chinese firm for an agreed-upon period to facilitate debt repayment. This arrangement effectively grants Beijing a military presence in these strategic assets. The underlying nature of BRI projects can be summarized as follows: "By the Chinese, for the Chinese, at the expense of the host."

CHINA-PAKISTAN ECONOMIC CORRIDOR, PAKISTAN

The China-Pakistan Economic Corridor (CPEC) is BRI's flagship project. It aims to bolster Beijing-Islamabad ties and boost the development of rural areas in Pakistan while giving Beijing control over a deep water port in Balochistan, thereby giving them direct access to the Arabian Sea and the Middle East. Beijing built an extensive road and rail network connecting the Gwadar Port to its Xinjiang province to bypass the traditional trade routes of Southeast Asia and its strategic chokepoints of Malacca and Lombok, aiming to enhance its energy security by offering shorter and safer maritime routes for oil and gas shipments from the Middle East and Africa.

1McBride, James, et al. "China's Massive Belt and Road Initiative." *Council on Foreign Relations*, Council on Foreign Relations, 2 Feb. 2023. [CFR](#)

2"Mapping the Belt and Road Initiative: Reach, Implications, Consequences." Edited by Harsh V Pant and Premesha Saha, *Orfonline.Org*, Observer Research Foundation, 24 Feb. 2021. [ORF](#)

CPEC was initially intended to generate jobs for over two million Pakistanis, but contracts were allocated to Chinese firms instead, and most workers involved in CPEC projects are Chinese citizens.³ A decade later, the flagship sixty-two billion dollar project seems to be in shambles.⁴ The development has been halted in many areas and projects along the proposed route connecting Gwadar and Xinjiang (Karakoram Highway) seem to be on indefinite hold. Gwadar port witnessed little to no traffic except Chinese Navy battleships over the better part of the ten years. Pakistan's financial situation is worsening (a high debt-to-GDP ratio and chronic fiscal deficits), and intensifying concerns about Islamabad's ability to pay off the Chinese debt lead to apprehensions about them falling into a debt trap.

HAMBANTOTA PORT, SRI LANKA

The Hambantota Port, located on the southern tip of Sri Lanka, is Sri Lanka's second-largest port and is situated along the vital shipping route between the Suez Canal and the Strait of Malacca. Financed by the Export-Import Bank of China, it is now leased to China Merchants Ports for ninety-nine years due to Lanka's inability to repay the Chinese corporations (a total of five loans amounting to over a billion dollars). This agreement allows Hambantota International Port Group (a joint venture between Sri Lanka Ports Authority and China Merchants Ports, with the latter being the majority owner) to operate and develop Hambantota exclusively, with a significant amount of the profit going to China Merchants Ports (if not all). To understand the dynamics at play, one must delve into the Chinese companies involved in the Hambantota project. The financiers, EXIM (Export-Import Bank of China), is a state-owned policy bank. The lessee and the current port operators, China Merchants Ports Holding Limited is owned by China Merchants Group, a state-owned enterprise operating under the Chinese Ministry of Tourism. In layman's terms, while the economic situation in Sri Lanka worsens and sinks deeper into the rabbit hole of external debt, the Chinese state leased the port to itself and will reap the profits for the next ninety-nine years, all the while using the Hambantota port for its naval uses under the disguise of it being a blooming transshipment hub in the Indian Ocean. The repeated presence of Chinese naval vessels and surveillance ships like the Yuan Wang 5 at Hambantota further solidifies suspicions of it being used as a naval base.

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3 Bhattacharjee, Dr. Dhrubajyoti. "Indian Council of World Affairs." *China Pakistan Economic Corridor (CPEC) - Indian Council of World Affairs (Government of India)*, Indian Council of World Affairs, 12 May 2015. [ICWA](#)

4 Ramachandran, Sudha. "Khurram Husain on China's Declining Interest in CPEC." *The Diplomat*, The Diplomat, 18 June 2024. [The Diplomat](#)

5 Moramudali, Umesh. "The Hambantota Port Deal: Myths and Realities." *The Diplomat*, The Diplomat, 1 Jan. 2020. [The Diplomat](#)

6 Seneviratne, Kalinga. "Sri Lanka's Hambantota Port Debunks Chinese Debt Trap Narrative with Success." *South China Morning Post*, South China Morning Post, 4 May 2024. [SCMP](#)

7 Jayasinghe, Uditha. "Chinese Military Ship Docks at Sri Lanka Port despite Indian Concern." *Reuters*, Reuters, 16 Aug. 2022. [Reuters](#)

SHEIKH HASINA NAVAL BASE AND CHITTAGONG PORT, BANGLADESH

The Port of Chittagong is Bangladesh's premier deep-water port, handling over ninety per cent of its exports. The Chittagong Port is also used for transshipment by India, Nepal, and Bhutan. The geostrategic importance of this port is unparalleled for both New Delhi and Beijing. Situated at the helm of the Bay of Bengal, it provides maritime access to Northeastern India.⁸ For Beijing, this port offers proximity to the Indian coastline and an option to blockade Northeast India. The nearly nine billion dollar Chinese investment in the port is rather less controversial. However, the Sheikh Hasina Naval Base in Cox's Bazar is a matter of concern in New Delhi. With the capacity to handle up to six submarines and eight warships at a time, the 1.2 billion dollar BNS Sheikh Hasina has got New Delhi rattled over it as Beijing has been given operational access, putting Chinese warships and submarines in India's backyard.⁹ The Bangladeshi Navy has also acquired two former Chinese navy submarines, further complicating the situation and increasing New Delhi's concern about BNS Sheikh Haseena.

KYAUKPHYU PORT, MYANMAR

Kyaukphyu Port in Myanmar is perhaps one of the lesser-known Chinese assets in India's backyard, but equally if not more lethal. The seven-billion-dollar project headed by China's state-owned CITIC Group is a maritime hub located on the western coast of Myanmar, however, it can be repurposed for military matters as and when required. The port is causing concerns in New Delhi due to its location. It is being constructed very close to India's Eastern Naval Command Headquarters in Vishakhapatnam and is in close proximity to the key under- construction Indian naval base—INS Varsha, which is reported to house New Delhi's SSNs (nuclear subs) and SSBNs (Ballistic subs).¹⁰

⁸ Bose, Sohini. "The Chittagong Port: Bangladesh's Trump Card in Its Diplomacy of Balance." Orfonline.Org, Observer Research Foundation, 17 May 2022. [ORF](#)

⁹ Siow, Maria. "Bangladesh's China-Backed Naval Dock Heightens Power Play in India's Backyard." *South China Morning Post*, South China Morning Post, 12 May 2024. [SCMP](#)

¹⁰FP Staff. "'String of Pearls': How China-Made Kyaukphyu Port in Myanmar Threatens India's Nuclear Attack Submarine Base." *Firstpost*, Firstpost, 8 Jan. 2024. [Firstpost](#)

CONCLUSION

The aforementioned BRI projects indicate that Beijing's investments in the region are driven by an underlying agenda. These projects are intended to serve as strategic assets, allowing China to strengthen its position and potentially confront India during engagements between the neighbouring superpowers. The Chinese modus operandi is as follows: a bank provides the necessary funds to the host country for the project. The development contract is awarded to a Chinese firm, and most of the workforce comprises Chinese citizens. Once the project is up and running, the bank expects debt repayment. When the host country is unable to repay the debt due to its dire financial situation, it is pressured to lease the project to a Chinese company as a means of debt repayment. The companies and banks involved are state-owned and, therefore, directly controlled by the Chinese Communist Party. The project is then exploited by the CCP for military usage, as seen with the Hambantota, Gwadar, and Kyaukphyu ports. The Chinese state's control of these assets brings to life the "String of Pearls" theory proposed by political researchers in Washington. This theory aims to encircle India and restrict the movement of the Indian Navy during times of conflict.



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