

Why Is China's Belt and Road Initiative Being Questioned by Japan and India?

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KAI NEAGLE, MAY 2 2020

The Belt and Road Initiative (BRI) is a series of economic programmes designed by the Chinese government to foster economic cooperation along the 'new Silk Road', which stretches from the Chinese coast through to Europe. Announced at the end of 2013 by Chinese President Xi Jinping, it marks the most ambitious domestic and foreign policy programme ever initiated by the Chinese Communist Party. Such is the enormity of the programme that it is often compared to a Chinese version of the post-war American Marshall Plan in terms of scale and also of motive (Cai 2017). The project has shaped the ways that India and Japan—the other two major Asian powers in the Indo-Pacific—view their foreign policies. It has affected everything from the bilateral relationships with China, the relationship between India and Japan as well as other regional powers such as the United States and Australia.

This essay begins with an overview of the BRI and how it is designed to challenge the existing liberal order. It will then outline the Japanese perspective on the BRI, and how Tokyo is managing its commitment to a 'Free and Open Indo-Pacific' while also wanting to build its own infrastructure programmes. Similarly, Indian views of the programme will also be analysed—focusing on the security concerns with the China-Pakistan Economic Corridor (CPEC) as well as a willingness to engage in multilateral institutions. The bilateral relationship between India and Japan is important and will also be discussed within the context of infrastructure and the liberal order. States do not act in a vacuum—this paper seeks to rectify an existing gap in research comparing Indian and Japanese views of the BRI. On the whole, Japan and India are hesitant to accept the BRI because they see it as a means of expanding Chinese unilateral power in the Indo-Pacific, which threatens their positions as alternate leaders in the region.

The BRI itself is composed of two smaller infrastructure programmes and associated finance institutions—the Silk Road Economic Belt, the 21st Century Maritime Silk Road Initiative (MSRI), the New Development Bank (NDB), and the Asian Infrastructure Investment Bank (AIIB). The vision for these BRI institutions is that they will include one third of the world's wealth and over four billion people, representing the largest institution of its kind in the world. These institutions are designed to focus Chinese investment and sew together the maritime and land domains in one overarching foreign policy project (Fallon 2015). The Silk Road Economic Belt is the 'road' in the BRI, having been announced by Xi Jinping during a state visit to Astana, Kazakhstan in September 2013. Initially including those geographically aligned with the historical silk road trading route, it has since expanded to include other countries such as Indonesia, the Philippines and Thailand (Li et al 2015). The economic belt intends on developing 'hard' infrastructure like roads, bridges, and infrastructure within cities along the route to act as transport hubs for land trade to and from China. In addition, the establishment of trade agreements and development of a common commercial law structure signify the economic belt's desire to also include 'soft' infrastructure initiatives (Ghiasi & Zhou 2017). Current projects include the New Eurasian Land Bridge (running from Western China to Western Russia), the China-Mongolia-Russian Corridor (spanning from Northern China to the Russian Far East), and the CPEC (from Xinjiang to Balochistan). The land component of the BRI ultimately aims to integrate China with Central Asia through Kazakhstan.

The MSRI is the sea route corridor component of the BRI and is the 'belt' of the BRI. Complimenting the Silk Road Economic Belt in the maritime domain, its intentions are aimed at investing in Southeast Asia, Oceania, and Africa through the South Pacific Ocean, Indian Ocean and the South China Sea (Liu 2014). Announced months after the

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Silk Road Economic Belt during another state visit by Xi to Indonesia, it deviates from the historical silk road and seeks to expand to new countries such as Sri Lanka, Malaysia, and the Maldives. The MSRI compliments China's String of Pearls geopolitical theory, which asserts that China is attempting to build bases in the Indian Ocean Region (IOR) in order to expand their power and secure the Strait of Malacca from potential blockade during war. This notion is fuelled by the fact that much of the investment thus far has focused on construction of naval facilities—specifically in Gwadar, Pakistan and in Hambantota, Sri Lanka (Brewster 2016). Simultaneously China is also encouraging MSRI member states to increase maritime cooperation in defence—currently met with a hesitant ASEAN, though some member states such as Cambodia are more willing to engage with a long-term friend than South China Sea claimant nations such as Indonesia and Vietnam (Tiezzi 2014). The MSRI is easily overlaid onto Chinese defence policy—with countries like the United States, Australia, and academics accusing China of offering overly favourable loans to developing nations with the intention of indebting them to China. As a result, the MSRI is the more contentious than the Silk Road Economic Belt.

Since the mid-2000s the Indian government has shunned its traditional non-alignment in favour of multialignment as a means of promoting their own national interests. Formulated under Prime Minister Manmohan Singh and continued under Narendra Modi, fundamental to this policy is an embrace of multilateral institutions, 'normative hedging' (pursuing relationships with multiple states in multiple issues) and strategic partnerships (Hall 2016). Under those principles a strong relationship with China and investment into the BRI should be obvious, however Indian national security concerns have prevented any serious investment into the infrastructure programmes. Despite this, India has an 8.3% voting share in the AIIB (as compared to China's 28.7%), making it the second-largest member state after China and contributing US\$8.4 billion. It is also an enthusiastic partner in the NDB with the other BRICS member countries (Weiss 2017). Their willingness to engage in the BRI-linked financial institutions demonstrates their desire to participate in the initiative where it is truly multilateral and not, as New Delhi views it, a unilateral foreign policy initiative. Unlike the MSRI and Silk Road Economic Belt, the AIIB does not aim to challenge the liberal trading order—indeed its structure and governance mirror most other multilateral development banks. Its attachment to the BRI appears rather loose, with only approximately one third of infrastructure funding going to initiative-backed projects (Hameiri & Jones 2018). Their commitment to multilateralism is a pillar of their multialignment strategy because it allows them to engage with multiple partners at the same time. Indeed, their approach to China is increasingly multilateral as it provides a 'neutral playground' with which they can better understand competing security interests (Singh 2011). India looks favourably upon financial institutions like the NDB and AIIB because they are truly multilateral without any overt Chinese political motif and they are the largest recipient of AIIB loans.

New Delhi views some BRI initiatives as counter to their security interests. China is a major trading partner with Pakistan, generating US\$9.2 billion in reciprocal trade in 2012-13. This expanding economic partnership is spurred by CPEC—the construction of an economic corridor aimed at connecting Xinjiang with Gwadar Port. Gwadar was transferred to the Chinese-state run China Overseas Port Holdings in February 2013, and the Chinese government claims that the port will serve as the 'primary gateway' for trade between China and the Middle East and Africa (Sial 2014). India holds many reservations about this project. First, the corridor will run through contested territory in Kashmir. The Kashmir region—claimed by Pakistan, India, and China—is of vital importance to Indian policymakers in New Delhi. Moves by China to construct an economic corridor through Kashmir to Gwadar can be seen as the Chinese recognising Pakistani claims over Kashmir, despite Chinese claims that the Indians should 'not be over concerned about that' (Bhattacharjee 2015). Territorial disputes fuel Indian dissatisfaction with Pakistan, and have sparked conflict as recently as 2019, so any move by China seen in New Delhi as recognising the legitimacy of Islamabad's claims over Kashmir would do serious damage to the China-India bilateral relationship.

Indian grievances with CPEC do not end there, however. Because Gwadar is a deep-water port, it arguably gives Islamabad and Beijing a strategic advantage in the IOR over India's role as the regional power. There are concerns in New Delhi that the port, which is owned by a Chinese state-owned enterprise (SOE), can be turned into a permanent military facility which could threaten Indian naval forces operating out of bases from the subcontinent (Ali 2016). This belief places Gwadar within the broader Indian belief in the 'String of Pearls' maritime theory. Chinese imperatives in the IOR are the protection of their sea lines of communication (SLOCs), particularly as it relates to the transport of liquified natural gas. The development of anti-access area denial weapons such as the DF-21D anti-ship ballistic missile, when compounded with the construction of ports in the IOR, poses a strategic challenge to Indian

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naval hegemony (Brewster 2014). In particular, Indian concerns with the broader MSRI stem from the construction of nearby ports such as Hambantota, Sri Lanka, Sittwe, Myanmar, and Chittagong, Bangladesh. In the case of Hambantota, China gave loans for the construction of a deep-water port knowing that Sri Lanka was not going to be able to pay it off with the 6.3% interest rate as opposed to IMF and AIIB loans which have 0.25% to 0.3% interest rates. Sri Lanka was forced to convert debt to equity and give a Chinese SOE an 80% share and a 99-year lease over the port (Var & Po 2017). India wishes to preserve her status as regional maritime hegemon and Chinese infrastructure spending is seen as a means by which Beijing can encroach on that position.

Japan has been busy creating its own alternative to the BRI, though at the same time has signalled its willingness to cooperate with the initiative as a means of increasing connectivity in the Indo-Pacific. Japanese reticence to embrace the BRI can be viewed through Prime Minister Abe Shinzo's 'Free and Open Indo-Pacific' strategy, which is inherently sceptical of Chinese intentions to expand soft power and increase hegemony through infrastructure spending. At the same time, their commitment to increasing connectivity in Southeast Asia has seen scope for cooperation between the two countries. During a state visit to China in 2018, Abe signed over five hundred business deals worth more than US\$2.6 billion and thirty infrastructure projects as a sign of warmth in the bilateral relationship between the two countries (Shi 2018). Though not going as far as joining the BRI, it demonstrates a general resolve to cooperate with China in infrastructure—especially in countries like Indonesia and Thailand. China and Japan both offer advanced high-speed rail, and it is in the interests of all parties to foster cooperation in this area. The establishment of a public-private committee on expanding rail infrastructure development in the region was created in 2018, with the intention of building a railway in Thailand together (Shimada 2018). This in contrast to the Jakarta-Bandung railway which saw Beijing undermine Tokyo's offer and get the tender for the project, leaving the Japanese accusing the Chinese consortium of offering unrealistic timings and underestimating project costs (Prasad 2018). This demonstrates a concern within Japanese companies as to the intentions and quality of Chinese tenders. Japan is willing to embrace China because it is also spending considerably on infrastructure spending, however remains concerned about underlying intentions and standards in tenders to other countries which prevents them from joining BRI.

Japan recognises the threat that the BRI faces to the liberal order and a Free and Open Indo-Pacific. They believe that the BRI is a wider political strategy to be used by Beijing to expand soft power and replace the liberal order with its own order based on subservience and obedience to Beijing—that multilateral institutions such as the AIIB are less of a demonstrative commitment by China to multilateralism and more of a conduit by which they can prevent internal economic quibbles and improve its international stature. Japan has led the charge in pushing back against the BRI by reforming its own lending practices to make it more desirable in the face of competitive Chinese tenders, increasing official development assistance, and by focusing on quality rather than cost (Harris 2019). These ideals have spurred the creation of the *Partnership for Quality Infrastructure* (PQI), seen as a direct competitor to the BRI. Established in May 2015 by Prime Minister Abe as a joint initiative with the ADB to inject US\$110 billion into infrastructure projects by 2020, it marks an ambitious project directly aimed against Chinese initiatives. Their motives include the expansion of Japanese presence in emerging markets in addition to the geopolitical manoeuvring with Beijing (Bhagawati 2016). The PQI marks Tokyo's commitment to the Free and Open Indo-Pacific, because it offers developing nations in the Indo-Pacific an alternative to China's BRI—this preserving the existing order which sees Japan and the United States as the preeminent powers. Tokyo made the judgement that the BRI could be the dominant infrastructure project in the region and created its own alternative.

Ironically, the 'threat' of the BRI has drawn India and Japan closer. India has been far more willing to jump onto the PQI and improve the bilateral relationship with Tokyo. Quality infrastructure now lies at the centre of the bilateral relationship after Modi and Abe met and issued a joint statement endorsing the principles of the PQI. The Japanese government has committed to constructing the Mumbai Ahmedabad High Speed Railway (MAHSR) and 'advancing cooperation in...smart cities, [and]information and communication technology' (Abe & Modi 2017). A further commitment to the Asia-Africa Growth Corridor—an abstract concept increasingly de-emphasised by both capitals—also demonstrates a willingness to directly challenge the BRI. Japan and India are natural partners against the BRI because they both believe in multilateral institutions and benefit from the liberal order. They both perceive the BRI as a potential threat to that order, and together understand that their large economies can be used to challenge BRI supremacy in the region.

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The BRI poses a challenge to India and Japan while at the same time an opportunity for developing nations in the Indo-Pacific. Both India and Japan are hesitant to join the BRI because they view it as a conduit for an expansionist Chinese foreign policy, while at the same time are willing to work with certain organisations in the programme and also in certain areas. In the case of India, this means working with financial institutions as a way of normative hedging. For Japan, this means cooperating in infrastructure to improve connectivity in Southeast Asian nations. The perceived threat has pushed Japan and India closer, because they have similar values and do not wish for China to hold the dominant position in the region. They have developed their own alternatives to the BRI and have promised to work together to provide a credible other option for impoverished states in the region. What is clear is that the Belt and Road Initiative has the potential to radically change the liberal order in the Indo-Pacific, however Japan and India are determined to ensure that the order remains liberal, open and free.

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