

DOI: <https://doi.org/10.54418/ca-95.232>

CHINA'S RISING INFLUENCE IN SOUTH ASIA THROUGH BELT AND ROAD INITIATIVE: OPPORTUNITIES AND CHALLENGES

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Abstract

Due to its geopolitical location and economic opportunities, South Asia, a linchpin for international powers competition, has emerged as a new arena for regional politics, as well as intra-regional conflict. Despite being the most populated region, it is least integrated, with almost 24.6% of its population living below the international poverty line. The study will explore the reasons for the lack of intra-regional integration and the socio-economic problems of the region. With China's increasing influence in the region, what economic, social, and strategic opportunities and challenges will emerge? Is Belt and Road Initiative a prospective solution for unity and integration of the region, something it has been lacking for years because of Indian domination of the decision-making of small countries? The study concludes that the initiative will provide economic growth, prosperity, and employment opportunities, however, India's action in partnership with the United States of America to disrupt the Belt and Road Initiative poses a huge challenge. The potential benefits will drive anti-Belt and Road Initiative countries to adopt an accommodating approach. The article will primarily focus on four regional countries: Bangladesh, Nepal, Pakistan, and the Maldives.

Keywords: China, CPEC, South Asia, BRI, Poverty, Interdependence

Introduction

Great power competition has persisted in South Asian international relations since 19th Century Great Game and the 20th Century Cold War. Developed

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countries, particularly the U.S., consistently prioritize the region to serve their interests. Initially, it focused on containing communism being implemented by the Union of Soviet Socialist Republics (USSR) and now the abrupt emergence of the People's Republic of China (PRC). The region's strategic importance lies in its location, large populations, potential market, land and sea routes connecting Asia, Africa, and Europe.

Regionally, India and Pakistan are two prominent powers. However, as a significant regional power, the former primarily influenced the decision-making processes of smaller countries known as the “non-nuclear five” (NN5), including Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka. Pakistan, a longstanding rival of India, has consistently attempted to maintain equilibrium but lacks the necessary resources to entice the NN5 into its alliance. In recent times, with the emergence of China on a global scale, its support for Pakistan and economic advantages in the region have transformed the situation.

The region is crucial for China's economic, social, strategic, and political objectives; therefore, it has launched four corridors in the region under the BRI, like the China-Pakistan Economic Corridor (CPEC), Maritime Silk Road Initiative (MSRI), Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, and Trans-Himalayan Corridor. China's financial, diplomatic, and strategic support under the BRI aims to empower the regional countries in their decision-making processes and reduce the influence of India. Currently, through BRI, China is creating investment and employment opportunities for the whole region, including India. However, India perceives this as a security threat and is aligning with the U.S. to hinder the project.

India's counter-BRI policy evolves around its fear of China's “string of pearls” strategy and hopes for American extraordinary support against China. Game theory suggests that the ‘Prisoner Dilemma’ influences Indian decisions against China, however, it is opting risky and irrational options. India should recall the statement of his Prime Minister Atal Bihari Vajpayee, “you can change friends but not neighbours”. In this context, China is India's neighbour, and America is an unreliable friend; as stated by Henry Kissinger “America has no permanent friends or enemies, only interests.” The Russia-Ukraine war serves as a prime example, where the U.S. initially pledged support to Ukraine but ultimately abandoned it on its own due to its domestic politics. The project has the potential to change the destiny of South Asia, but its success depends upon China's efficiency in dealing with the challenges and creating opportunities for NN5. If NN5 wants to maximize their national interests, then BRI is their best option. The study will revolve around four South Asian countries: Bangladesh, Nepal, Pakistan, and the Maldives.

Bangladesh

China and Bangladesh had a history of unfriendly relations because China vetoed Bangladesh's acceptance to the United Nations after its independence

from Pakistan in 1971. Bangladesh-India relations were cordial in this period because the latter supported the former's struggle for independence. Despite the support and friendly relations, both countries had ongoing divergences. These included the construction of the Farakka Barrage by India on the Ganga River, the transfer of the Teen Bigha Corridor, terrorist activities in both countries, illegal migration, water sharing of transboundary rivers, drug trafficking, border killing, and fake money transfers.¹

Following the assassination of Bangladesh's founder, Sheikh Mujibur Rehman, China established diplomatic relations with Bangladesh in 1976, beginning to view Bangladesh as a 'strategic partner.' Later on, their economic and military relations were improving. In 1978, Vice Premier of China Li Xiannian visited Bangladesh and signed an agreement to cooperate in the fields of science, economy, and technology. During this period, China significantly contributed defence equipment to Bangladesh, with Bangladesh importing nearly 78% of its arms from China between 1978 and 1980. From 1991 to 2008, both countries solidified themselves as reliable partners. In 2005, both observed "Bangladesh-China Friendship Year," and in 2006, China became Bangladesh's largest trading partner.

The level of relations escalated to such an extent that President Xi Jinping visited Bangladesh in 2016, during which both countries signed a memorandum of understanding (MoU) to become part of the BRI. Through BRI, their economic interdependence reached new heights. Under the BRI, China invested \$40 billion in Bangladesh through bilateral partnerships, representing approximately 10% of Bangladesh's domestic gross product (GDP)². The investment was crucial for Bangladesh, as in this phase, no country or development partner was pledging such a massive investment in Bangladesh; even a few were withdrawing their support, like the World Bank from Padma Bridge funding³. In that period, China quickly emerged as Bangladesh's top trading partner, importer, foreign direct investor, and military hardware supplier. Now, China accounts for almost 27% of Bangladesh's total imports and has become the most significant energy development partner. In 2020, it permitted duty-free access to 97% of Bangladeshi goods on its market, and in fiscal years 2021–2022, its foreign direct investment (FDI) to Bangladesh was \$940 million. All the figures indicate a rise in Chinese support and influence in Bangladesh.

In recent time, China gave Bangladesh more importance because of its strategic location at Indian Ocean, crossroads to South and Southeast Asia,

¹ Md. Ershadul Huq, "Recent Issues and Problems in Bangladesh-India Relations: A Bangladeshi Perspective," *European Scientific Journal, ESJ* 19, no. 32 (November 30, 2023): 9, <https://doi.org/10.19044/esj.2023.v19n32p9>.

² Shaikh Abdur Rahman, "The BRI in Bangladesh: 'Win-Win' or a 'Debt Trap'?", *The Diplomat*, November 9, 2021, <https://thediplomat.com/2021/11/the-bri-in-bangladesh-win-win-or-a-debt-trap/>.

³ Rahman.

economic investment and to avoid its tilt towards Anti-China camp. It is giving Bangladesh loans, infrastructure investments, trade deals to solidify its relations and to counter anti-China narrative. Bangladesh tilt to anti-China and anti-BRI camp can hinder Chinese regional and international progress. The region is becoming battle ground for influence among global powers so maintenance of Bangladesh in its camp is crucial for China.

Critics claim that the BRI solely serves Chinese interests without the involvement of member countries. However, it aligns with these countries' wishes, such as Bangladesh's strategic plan, "Vision 2041". The project aims to enhance Bangladesh's socio-economic status, transitioning it to upper-middle-income countries by 2030 and high-income countries by 2041. Liu Jianchao, during his first visit to Dhaka, expressed China's commitment to helping Bangladesh realize its vision⁴.

Following the BRI, we can evaluate the extent of their cooperation by examining the statement of Chinese President Xi Jinping's in 2023, which he made in response to U.S. criticism regarding the fairness of Bangladesh's elections. He stated, "China supports Bangladesh in safeguarding national sovereignty, independence, and territorial integrity, and in opposing external interference so that the country can maintain domestic unity and stability and achieve development and revitalization"⁵.

The statement presented an opportunity for Bangladesh in terms of the BRI, but it also instilled fear of reactionary measures from the U.S. Will China be able to support Bangladesh depend upon its own future power against its enemies, the importance of small countries, and how successful BRI will be in the future.

China's significant investment in connectivity projects under the BRI is more appealing to Bangladesh than to India, as India has a history of project delays and demands to reduce China's influence in the region. Under BRI, China is helping Bangladesh construct projects that are considered lifelines for its economy and stability. Bangladesh had a high priority in building a deep-sea port in the Bay of Bengal, and China expressed support for the Sonadia project. However, Indian pressure prevented Bangladesh from moving forward with this project. China's decision to include Bangladesh in the BCIM and MSRI shows its importance for China. It is helping Bangladesh to develop its ports like the Payra Deep Sea Port, oil storage capacity, and pipelines; road projects like the Dhaka-Ashulia elevated expressway and the 3.4 km long Bangabandhu tunnel under the Karnaphuli River; rail projects like the Padma

⁴ Nurul Islam Hasib, "Liu Jianchao: China Ready to Align BRI with Bangladesh's Vision 2041," *Dhaka Tribune*, June 25, 2024, <https://www.dhakatribune.com/bangladesh/foreign-affairs/350202/liu-jianchao-china-ready-to-align-bri-with>.

⁵ Ananth Krishnan and Kallol Bhattacharjee, "China Says Will Back Bangladesh against External Interference," *The Hindu*, August 25, 2023, <https://www.thehindu.com/news/international/china-says-will-back-bangladesh-against-external-interference/article67231493.ece>.

Bridge Rail Link Project; and energy projects like the Payra Power Plant and Banshkhali Power Plan. The projects are crucial for Bangladesh's economic success as they reduce travel time between cities and reduce poverty levels by generating employment opportunities. According to Ke Changliang, president of the Chinese Enterprises Association in Bangladesh, 670 Chinese firms have created almost 600,000 jobs. According to a report titled "The Belt and Road Initiative in Bangladesh: Achievements and Way Forward," BRI will help Bangladesh increase its real GDP growth by 2.1%, generate 2.5% to 5.1% of employment, and decrease poverty by 1.3%.

In the context of China's investment in Bangladesh, its image is improving; according to a survey conducted by a think tank in Bangladesh, 'National Image of China in Bangladesh,' "China is viewed as a friendly nation because of its people's efficiency and kindness, the non-interference foreign policy, and commitment to joint development through the Belt and Road Initiative". China's positive image prevails because of its policy of not interfering in internal affairs, unlike India and the U.S. Currently, China offers Bangladesh more economic opportunities than any other major power. Conversely, the U.S. is exerting pressure on Bangladesh due to its democratic values and human rights violations, as evidenced by its refusal to invite Bangladesh to the Biden Democracy Summit and the imposition of restrictions on its Rapid Action Battalion (RAB).

On the other hand, India, which has historically been a major supporter of Bangladesh, currently lacks the will and capacity to assist Bangladesh. In 2020, it did not deliver 30 million doses of COVID-19 vaccines to Bangladesh despite its agreement, did not resume export of onion despite multiple requests, which caused a price hike in Bangladesh, and did not discuss the Teesta river water issue, which caused a water problem downstream in Bangladesh. India's cold response, interference in internal matters, and authoritarian attitude toward small countries pull them away from India; therefore, its influence is decreasing in the region.

India's lack of will, ability, and less focus on South Asia has created space for other countries, and China is effectively filling this gap. India now perceives the rising Chinese influence in Bangladesh as a security threat. For Bangladesh, alignment with China is about picking a better, reliable, and peaceful option in contrast to India's destructive and hegemonic approach. In the short term, Bangladesh intends to create a suitable and purposeful balance between India and China because of its interdependence. In the future, if Sino-Indian tensions escalate and Indian support wanes, Bangladesh will face increasing difficulty in maintaining a balanced position, particularly if the United States continues to support India against China.

Nepal

Initially, relations between China and Nepal were unenthusiastic, but they later established diplomatic relations in 1955. In 1960, both countries signed

the Sino-Nepalese Treaty of Peace and Friendship, and Nepal became the first neighbouring country to resolve a border dispute with China. Despite the treaty, their relations remained tense due to Indian pressure on Nepal's decision-making. Sandwiched between two major rival powers, Nepal attempted to maintain balance in its relations with China and India. However, it remained heavily dependent on India due to shared marital, linguistic, cultural, and people-to-people ties.

India-Nepal laid the foundation of their relations by signing the Indo-Nepal Friendship Treaty in 1950. Since then, India has supported Nepal by allowing trade through its territory and ports and improving various sectors, such as health, agriculture, education, irrigation, infrastructure, roads, and airports. India has assisted Nepal in the construction of 21 megawatts of Trishuli Hydropower Station, Tribhuvan International Airport, Motihari-Amlekhgunj Petroleum Pipeline, the reconstruction of houses following the 2005 earthquake, and the provision of 1 million doses of the COVID-19 vaccine. India is Nepal's largest trading partner, which provides gas, oil, and all essential goods to Nepal.

Despite all this support, India did not treat Nepal as an independent state and caused stability and security concerns by supporting the Madhesi people for their independence in Nepal. When the Nepalese people or government protested against Indian ill-treatment and interference, India took advantage of Nepal's vulnerability by obstructing its transit trade, thereby exacerbating security concerns. Nepalese civil society, dissatisfied with this situation, protested in front of the Indian Embassy in Kathmandu by displaying placards that “respect our sovereignty.” In 2020, when India inaugurated an 80-kilometre road connecting Uttarakhand with Lipulekh, which passes through Nepalese land, Nepalese civil society protested, claimed it was a “unilateral act,” and responded by launching a new map. Nepal was also not pleased with India's annexation of Sikkim in 1975 and permission to use its soil to launch agitation against the Nepalese government.

Every time Nepal attempted to strengthen its ties with China, India exerted pressure through retaliatory actions. It occurred in 1989 and 2017, when India initiated an economic blockade of Nepal, leading to shortages of essential goods such as oil, medicine, and fuel and resulting in the death of a Nepalese farmer protester. All these events caused security and stability problems for Nepal. Historically, Nepal attempted to reduce its reliance on India for trade and commerce by strengthening its ties with China, but its efforts were unsuccessful. It also proposed the usage of its territory for transit trade between India and China but could not achieve the desired results because of India's insecurity with increased Chinese influence in its neighbourhood, despite Chinese clarification that actions are commercial. Although India tried to help Nepal in several ways, it did not allow it to increase its capacity and

dominate the bilateral trade. The trade deficit between Nepal and India in 2023 stood at Rs 838.85 billion.⁶

Following a series of events, Nepal has realized that it needs to redirect its trade and enhance its relations with China to avoid such challenging situations in the future. China also viewed Nepal as a crucial choice for fostering long-term stability and prosperity in its Tibet Autonomous Region (TAR), given that Tibetan separatist groups have historically exploited its territory to instigate problems in the region. To prevent such a situation in the future, China aims to develop the TAR, with Nepal playing a crucial role due to the long border shared by China. In this context, it benefited both countries to improve their relations. Since the end of the Nepali Civil War in 2006, Sino-Nepal relations have seen continuous improvement as “pro-China” Maoist leaders have joined mainstream politics. Both countries' relations improved, leading to Nepal's 2017 membership in the BRI, which created new opportunities for both countries.

There was a perception in India that Nepal relied on it for transit trade and could not trade with China due to a natural barrier in the form of the Himalayas. However, the Chinese, with their expertise in construction, have overcome these barriers. China is constructing railway and road projects under BRI to overcome all those issues. The proposed and under-construction projects in Nepal are the Beijing-Lhasa-Kathmandu train, the Trans-Himalayan Economic Corridor, the expansion of the Araniko Highway, the Sino-Nepal Friendship Bridge, an extension of a 400 KV electric transmission line, Pokhara International Airport, etc. The projects are a lifeline for Nepal, as they will help boost its local economy and promote its tourism industry.

Since the last few years, Chinese assistance and trade with Nepal have reached new heights, and it is Nepal's largest FDI source since 2015, surpassing India. China also offered Nepal alternate transit routes for trade from its land ports like Lhasa, Lanzhou, and Shigatse and from its seaports like Zhanjiang, Tianjin, Lianyungang, and Shenzhen. In 2016, Nepalese Prime Minister K. P. Sharma Oli visited China and signed a transit and trade agreement to avoid reliance on India. On January 29, 2024, the transit trade through China has been started after eight years of the agreement which will end Nepal's dependence on India for transit trade. According to Director General of Department of Customs (DoC) of Nepal Shovakanta Poudel, Nepal has exported \$11,791 worth of good to Japan using Chinese route for the first time⁷. This is a historical event and if their relations continue to improve this way, it will minimize problems for both countries.

⁶ Modnath Dhakal, “Trade Deficit Goes down by over 15%,” *The Rising Nepal*, June 23, 2023, <https://risingnepaldaily.com/news/28470>.

⁷ Dilip Paudel, “Nepali Products Reach Japan for the First Time via China Trade Route,” *Republica*, January 29, 2024, <https://myrepublica.nagariknetwork.com/news/nepali-products-reach-japan-for-the-first-time-via-china-trade->

Despite some debates suggesting that no BRI project has been implemented in Nepal since its signing in 2017, Chinese officials assert that there are three types of BRI projects in Nepal: the first is being constructed by Chinese companies, albeit with funding from the Asian Development Bank; the second is being funded by the Nepali government and contracted to Chinese companies; and the third is being funded by Chinese loans and constructed by Chinese companies. Both countries signed the BRI framework agreement in 2017 but still face delays in signing the implementation plan, which was scheduled for 2020. The COVID-19 pandemic lockdown caused the delay.

Nepal is very cautious in labelling any project under BRI to avoid any repercussions from India. It wants more projects from China but hesitates to label them as BRI projects to minimize repercussions from opponents. The former foreign minister and Nepal's ex-ambassador to China made a similar point: "Our leaders fear the reaction of other countries to accepting any help from China"⁸. Despite all these debates, one thing is sure: Nepal is creating interdependence with China in many ways. According to experts, BRI is not just about physical connectivity but has four other goals: policy coordination, unimpeded trade, financial integration, and people-to-people contact. Even if the physical connectivity under the BRI progresses slowly, efforts are still underway to achieve the remaining four goals.

On the eve of the 10th anniversary of BRI, China launched the 'Silk Roadster' platform for Nepal, which will create people-to-people exchange and practical cooperation between both countries. According to experts, BRI is about big projects like railways and road infrastructure, but 'Silk Roadster' is about small projects like training, economic empowerment at the grassroots level, building skills, scholarships, and other long-term exchanges between both countries, which again indicate their cooperation under BRI. Nepal is reaping the benefits of numerous Chinese initiatives, such as the Global Civilization Initiative (GCI) and Global Development Initiative (GDI), which was missing since few years. In this way, Nepal-China relations will reach a level where both can actively work for win-win cooperation and force India to change its hegemonic approach.

Due to the economic benefits of BRI, Nepal has shown its interest towards good relations with China. Consequently, China is investing in Nepal due to its strategic importance for its stability. China wants Nepal to remain in its own camp, reiterate its commitment to One China policy, counter Indian influence, security of Tibetan region and to not let it to be part of China containment policy.

route/#:~:text=KATHMANDU%2C%20Jan%202029%3A%20Eight%20years,third%20countries%20using%20China's%20land.

⁸ Anil Giri, "7 Years on, Nepal and China Still at Odds over BRI Execution," *The Kathmandu Post*, May 13, 2024, <https://kathmandupost.com/national/2024/05/13/7-years-on-nepal-and-china-still-at-odds-over-bri-execution>.

Pakistan

Pakistan and China have been close friends and partners since both established formal relations in 1950 when Pakistan became the first country to recognize the PRC instead of the ROC. Initially, both countries had a boundary issue, but they resolved it peacefully. Both countries provided significant support to each other during critical moments, such as China's military and economic assistance during the Indo-Pak wars of 1965 and 1971. China consistently stood by Pakistan when it faced challenges in the international arena, whether it was in wars or providing economic support following the USA's withdrawal from the War on Terror⁹. On the other, Pakistan also had history of supporting China on many occasions, like assisting it in establishing friendly relations with the U.S. in 1972, the Xinjiang controversy, the Taiwan issue, and the Tibetan issue. During the Cold War, Pakistan supported the U.S. in fighting communism but assured China it would not act against it. They have a mutual interest in helping each other.

The elite and people of both countries share a friendly view of each other and have handled the differences cooperatively. Both countries initiated strategic economic cooperation in 2013, and in 2015, they signed an agreement to build the \$46 billion CPEC, which later grew to a \$62 billion project. The timing of the project was crucial, as Pakistan was grappling with numerous economic challenges such as energy shortages, security issues, inflation, and balance of payments issues and was not receiving any support from its ally, the U.S. In just the first ten years of its establishment, the project has yielded numerous benefits for Pakistan, including increased regional connectivity, diverse investment opportunities, industrial and financial cooperation, foreign direct investment, socio-economic development, increased tourism, employment opportunities, and people-to-people contacts. All these areas help Pakistan improve its image and minimize terrorism and poverty in the country.

Both nations maintained amicable relations from the outset, with Pakistan primarily aligned with and influenced by the U.S. in its decision-making and policing practices, albeit with fluctuating trends. Pakistan did not act against China even when it was a member of the American anti-communism bloc and signed SEATO and CENTO. Pakistan and the U.S. had good military-to-military relations until the Salala incident in 2011. Since then, Pakistan has aligned itself with China, and its influence on Pakistan is increasing day by day, especially after the launch of CPEC in 2015. According to China Index 2022, a study on China's global influence put Pakistan at the top of the list. The study encompassed nine domains: economy, military, media, foreign policy, law enforcement, academia, domestic politics, society, and technology. Three indicators were used to measure China's influence:

⁹ Dr Manzoor Khan Afridi et al., "Impacts of CPEC on Political Economy of Pakistan: From Terror Victim to Regional Economic Hub," *Journal of Xi'an Shiyou University, Natural Science Edition* 19, no. 7 (July 2023): 674–85.

pressure, exposure, and effect. Pakistan received a 70% rating on exposure, 75% on effect, and 10% on pressure.¹⁰

In this scenario, China is stepping in to fill the void when Pakistan's relations with the West are deteriorating and receiving no support. China is providing Pakistan with the support it needs to maintain the balance of power in South Asia, something it cannot obtain from any other source. India is a major power in the region and tries to influence it on its terms. China proved to be Pakistan's more reliable partner than any other country. Recently, there have been voices suggesting that Pakistan should have stronger relations with China than the U.S. due to the latter's unreliable approach.

The CPEC has recently become a focal point for Pakistan's economic improvement, with numerous connectivity projects currently under development and a handful already completed. At a time when every country was categorizing Pakistan as a terrorist country, and investors were hesitant to invest in the country, the project has provided Pakistan with a breath of fresh economic benefits. Despite the government's consensus to efficiently complete the project, anti-CPEC forces are exploiting the few voices against CPEC in Baluchistan and Khyber Pakhtun Kha (KPK).

CPEC holds significant importance for Pakistan currently. Should the local community encounter any problems, the government should address them peacefully. The U.S. is taking action against the CPEC, forcing Pakistan to withdraw from the project. However, if these actions are serious, it should also provide Pakistan with other productive economic opportunities it hasn't had in a long time.

During this phase, Pakistan faced multi-layered problems and lacked the necessary skills to solve them. Pakistan required assistance that its Western ally could not provide, and China once again played a crucial role in rescuing it and guiding it towards the correct path to resolve its issues. However, there remains a debate in Pakistan about whether China-led investment is contributing to or exacerbating its problems. Currently, China-led investment is solving its problems and providing a breathing space to work on multiple issues, something it could not do on its own. Projects under the BRI could yield greater productivity for Pakistan if it addresses structural and bureaucratic issues. It should change its system quickly and adjust itself to emerging situations.

China's influence is evident in the economic sphere and other domains such as military and strategy. In the past, Pakistan's military maintained strong ties with the U.S., earning it the title of 'America's most allied ally in Asia.' However, their collaboration faced a setback when America halted all military aid to Pakistan in the 2010s. As a result, Pakistan began to rely more on China

¹⁰ Sarah Zaman, "Pakistan Is Most Exposed to Chinese Influence; New Research Shows," *VoA*, December 12, 2022, <https://www.voanews.com/a/pakistan-most-exposed-to-chinese-influence-new-research-shows/6873075.html>.

for its military equipment. Pakistan has become the biggest arms buyer from China, and it is helping Pakistan to establish ammunition factories, modernize existing facilities, and provide technical assistance. It has most recently provided Pakistan with a Chengdu J-10B fighter; it was compared to its American counterpart F-16C; joint development of JF-17 Thunder fighter aircraft; space technology; Al-Khalid tank; development of nuclear infrastructure; and submarines. It assists all Pakistani sister forces and increases their capabilities to fight against terrorism.

The U.S. invited Pakistan to the virtual Democracy Summit in 2021, but Pakistan chose not to attend, indicating the current decline in American influence on Pakistan. In the second event, the U.S. House of Representatives passed a resolution that raised questions about the credibility of Pakistan's general elections. The spokesperson for the Ministry of Foreign Affairs characterized this as 'interfering' in internal affairs, while the Defense Minister stated that 'the U.S. needs to do more to ensure transparency in its own upcoming elections later this year.' On another occasion, he reiterated that 'it has no right to interfere in Pakistan's internal matters'¹¹.

A few anti-CPEC forces are creating hurdles in its implementation, so it is essential to address them effectively. There are few forces which want Pakistan to join China containment block but shifting back to geo-politics from geo-economics in not in benefits of Pakistan. It is China's strategic interest to keep Pakistan in its own camp and not let it to be part of China containment policy.

Few countries want to invest in CPEC projects and benefit from Chinese investment, but internal conflicts prevent total implementation. The elites of Pakistan have to minimize their differences and unite their people to get the full benefits of Chinese investment in the project. If Pakistan cannot generate its own investment opportunities and fails to reap the project's benefits, this situation will not contribute to the country's stability and prosperity. With an ever-increasing population, a lack of economic opportunities can lead to instability in the country like Bangladesh. With the highest proportion of young people and limited economic power, the country may experience a brain drain, potentially intensifying its problems. To prevent this situation, it should maximize the benefits of China-led investment opportunities and establish its own initiatives.

Maldives

The Maldives is a picturesque archipelago in the Indian Ocean, sandwiched between the Gulf of Hormuz and the Strait of Malacca, as well as the trade and oil routes. China holds significant importance in the Maldives due to its

¹¹ Abid Hussain, "‘No Right to Interfere’: Pakistan Hits Back at US over Election Scrutiny," *Aljazeera*, June 27, 2024, <https://www.aljazeera.com/news/2024/6/27/no-right-to-interfere-pakistan-hits-back-at-us-over-election-scrutiny>.

ability to access the Indian Ocean, counteract Indian and American influence, and safeguard its Sea Lanes of Communication (SLOC). Despite the establishment of diplomatic relations between China and the Maldives in 1972, their relationship has historically been uneven, with India dominating the decision-making process in the Maldives. In 2009, the Maldives established its embassy in China, and China in Male in 2011, this was further indication of the slow progress in their bilateral relations. Since Maldives independence in 1966, India has had good relations and close economic, military, and strategic cooperation. However, a few Indian actions in the Maldives, such as the construction of a national college of policing and the offer to develop a coast guard harbour for Maldivian forces, deeply upset the people and government of the Maldives. These actions were perceived as an attempt to integrate the Maldives into India's security grid and as a covert attempt to manipulate Maldivian elections in India's favour. The primary event that caused harm to the Maldives' people and government was India's decision to obstruct the supply of essential goods to the country in 2018. A 1981 trade agreement exempts India's annual exports of some essential goods to the Maldives from any restrictions or prohibitions. India made a massive cut in exports of essential commodities like onions, sugar, rice, eggs, and potatoes.

President Muhammad Muizzu's statement, "If we do not have foreign troops, we do not have any problem," indicates that India did not view the Maldives as an independent, respectable, and sovereign country but rather as an uppity state. If we have the freedom to speak to ourselves in the affairs of our country and what our country has to say on other platforms in the world, then we would not have issues with any country in the world."

Ray Dalio, in his book *The Changing World Order*, asserts that a lack of respect towards others can lead to a shift in global relations. Historically, India's lack of respect towards the Maldives compelled the Maldives to align with China, which treats all countries with respect and refrains from interfering in domestic matters¹². China believes in mutual respect, peaceful coexistence, and win-win cooperation, which makes the Maldives closer to China than India. In South Asia, India forced small countries to adopt a specific policy only to favour its own interests and hegemony. It exerted pressure on them to exclude Pakistan and China, such as forcing them to skip the SAARC summit in 2019, which was scheduled to take place in Pakistan. The lack of respect for their sovereignty and interests was a long-standing issue for them. Muhammad Muizzu has objected to this Indian stance and raised a flag of self-interest rather than just working for Indian interests, and this is the only reason that Indo-Maldives relations have worsened since Muhammad Muizzu came to power in November 2023. After taking office,

¹² Ray Dalio, *Principles for Dealing with the Changing World Order: Why Nations Succeed and Fail*, Principles Ser (New York: Simon & Schuster, 2021).

he ordered Indian troops to leave the country, terminated the hydrography agreement of 2019, and reviewed almost 100 bilateral agreements¹³. Muhammad Muizzu, in his election campaign, was emphasizing the 'India out' policy, although his predecessors were either pro-India or trying to balance their relations between China and India to avoid any misadventure. Over the past few years, India's mistreatment has compelled the Maldivian government to shift its focus towards China for its long-term benefits. Muhammad Muizzu broke the tradition of the Maldivian President visiting India on his first foreign visit, instead opting to visit Turkey first, followed by a state visit to China on January 8, 2023. Currently, India is exerting pressure on the Maldives through the development of Lakshadweep Island to discourage its tourists from visiting the Maldives, given that Indian tourists make up 23% of all Maldives visitors. For this purpose, Prime Minister Modi visited the island and inaugurated a few developmental projects.

Under the circumstances, a friendly and powerful country, China is a suitable option for the Maldives. China is now extending its support to the Maldives, particularly after signing the BRI agreement in 2014. It is due to the Maldives' historical association with the ancient Silk Route, particularly the Spicy Road. Currently, China has provided funding for various projects in the Maldives, including the construction of a four-lane land bridge to connect the airport on Hulhule Island with the capital, Male, the expansion of Velana International Airport, the Laamu Link Road Project, and numerous energy projects. The project will not only assist the Maldives in eradicating poverty, boosting income, and achieving economic strength, but it will also enable them to construct infrastructure that meets international standards, thereby reaping long-term benefits and enhancing trade. The main advantage the Maldives can get from the projects is to boost its most productive tourism industry, which has been facing some problems for the past few years due to COVID-19. Good bilateral relations will attract more Chinese tourists to the Maldives, as they come in more numbers and spend more money than Indian tourists.

Recently, the U.S., through QUAD, has been attempting to counter China in the Indo-Pacific Ocean while also placing significant importance on the Maldives. In a gesture of growing Maldives' significance to the U.S., the latter opened its embassy in Male, and Australia opened its High Commission in Male. The Maldives is attempting to engage with China more than India, but the full involvement of the U.S. in the region could cause issues for smaller countries, as they may feel pressured to choose sides. Due to its entanglement in the Middle East, the U.S. finds it inefficient to entirely focus on the region, which presents an opportunity for the Maldives to gain benefits from China by participating in the BRI. One thing is for sure for the Maldives: it will not allow India to take complete control of its territory, decision-making, and

¹³ Anjana Pasricha, "India Loses Ground in Maldives," *VoA*, November 23, 2023, <https://www.voanews.com/a/india-loses-ground-in-maldives/7366971.html>.

security and will get support from China as well, which was missing historically.

Challenges

Dealing with the ‘war of narrative’ against BRI, which is being waged by some forces who do not want the project to succeed, is one of the major challenges for China and regional countries. The propaganda portrays the BRI as a debt trap due to high-rate loans, a lack of transparency, and competitive bidding. The propaganda aiming to instil fear in the minds of small states, leading them to cease their cooperation with China. India is propagating that Chinese projects are part of its ‘string of pearls’ strategy, but if it is true, then why did China invited India to be part of the ambitious project? China has invited India on many occasions and even proposed the BCIM Corridor, but India refused to join. It clearly indicates that the BRI is primarily a geo-economic project. However, India and a few anti-BRI countries are presenting it as a geo-strategic project, attempting to minimize its success and pressure small countries not to join by portraying it as a threat to their interests. Therefore, it will be a challenge for small countries and China to deal with these narratives.

The U.S. is the other power which is acting against the BRI although China had also invited it to join the project, but it declined and adopted a more assertive stance¹⁴. Despite China's positive approach towards the U.S., it has engaged in ‘long-term strategic competition’ with it and launched different counter initiative like Indo-Pacific Strategy to counter the BRI. The strategy employs multiple policies to encircle China from all angles, including technical blockade, economic encirclement, ideological suppression, military containment, and security measures. The U.S. is presenting the initiative as ‘China's Marshal Plan,’ referencing its historical adoption of global control strategies, but China's initiative stands out as a unique economic project in history

On the one hand, the U.S. is actively dissuading international organizations from participating in the BRI while simultaneously initiating its initiatives to counteract investment under the BRI. It has launched the Indo-Pacific Strategy, QUAD, Build Back a Better World (B3W), and increased funding to weak countries through Millennium Challenge Corporation (MCC), the Partnership for Global Infrastructure and Investment (PGII), and the U.S. International Development Finance Corporation (DFC) under the Better Utilization of Investments Leading to Development Act (BUILD Act) to minimize their tilt towards China¹⁵. The U.S. is also coordinating with Japan,

¹⁴ An Baijie, “China Invites US to Join Belt and Road,” *China Daily*, April 26, 2017, https://www.chinadaily.com.cn/world/2017-04/26/content_29086142.htm.

¹⁵ Vijay Prashad, “US Makes Another Stab at ‘Challenging’ China’s BRI,” *Asia Times*, July 2, 2022, <https://asiatimes.com/2022/07/us-makes-another-stab-at-challenging-chinas-bri/>.

India, and Australia to offer states in the Indo-Pacific region lower-interest-rate loans to construct ports, roads, bridges, and other infrastructure. In this case, the U.S., India, and Japan have initiated a mechanism, such as an Indo-Pacific trilateral infrastructure forum, to encourage private businesses and capital to compete with China. These countries have launched anti-BRI projects to entice smaller countries away from the BRI, even though the initiatives have yet to yield significant results. If there is something practical in the projects, China is ready to join them. As Chinese Foreign Minister Wang Yi said on February 28, 2022, in a video message, “We are ready to consider coordinating with the B3W of the United States to provide more quality public goods for the world”, but these initiatives are only to lure small countries. To achieve success, China and smaller countries must engage with these initiatives. However, the projects do not have any practical shape till this time¹⁶.

China is trying to convince anti-BRI countries in South Asia and abroad to join the project and work for a better future for the region, but it has yet to succeed. If these countries continue to implement anti-BRI measures, it could spark a regional conflict between China and anti-BRI countries. In these circumstances, it will be a significant challenge for the smaller countries in the region to avoid conflict and choose a balanced approach.

There is a debate that China, through the BRI, is importing its labour instead of relying on the local labour of the host countries. However, this is only part of the picture¹⁷. It uses local labour, but local labour cannot construct such megaprojects because the countries are unprepared and incapable of dealing with them. Therefore, China is importing its skilled labour while simultaneously attempting to enhance the capabilities of local people through technical education and scholarships.

Opportunities

China's BRI has presented numerous opportunities and benefits to the citizens of member countries, particularly those in the South Asia region. According to the World Bank report, China, through BRI, is bridging the infrastructure gap of small countries and creating intra-regional connectivity, which was the main reason for their poverty. There was a significant infrastructure gap in the region. For example, Nepal and Bangladesh needed to spend \$1 billion and \$25 billion annually, respectively, to meet their infrastructure requirements, but they lacked the resources and fiscal capacity to meet this demand. The absence of sufficient infrastructure leads to an

¹⁶ Hussein Askary, “China Invites the U.S. To Join the Belt and Road Initiative” (Belt and Road Institute in Sweden, March 4, 2022), <https://brixsweden.org/china-invites-the-u-s-to-join-the-belt-and-road-initiative/>.

¹⁷ Janiffer Hilman and Alex Tippett, “Who Built That? Labor and the Belt and Road Initiative,” *Council on Foreign Relations*, July 6, 2021, <https://www.cfr.org/blog/who-built-labor-and-belt-and-road-initiative>.

annual GDP loss of approximately 3-4% in the region and a loss of nearly \$50 billion in trade opportunities.

China, through BRI, is helping the regional countries to bridge the infrastructure gap, create links with regional and global value chains, increase connectivity, trade, investment, and tourism. Historically, small countries in the region solely relied on India, which exploited them for its gain and failed to establish any global connectivity or provide fair trade opportunities. However, after joining China through the BRI, these countries now have the opportunity to engage in bilateral trade with China through free trade agreements (FTA) and participate in the global market. Infrastructure development will provide small countries opportunities to enhance regional and international trade, improve their position in global value chains (GVCs), generate jobs, attract FDI, generate tax revenue, and reduce poverty. As part of the BRI, China is actively contributing to improve soft infrastructure among countries and fostering cooperation in areas such as education, health, technology, science, and sports, thereby fostering increased interpersonal interactions.

The region is receiving numerous renewable and non-renewable energy projects under the BRI, which they were previously unable to finance independently. The projects are helping them to solve their energy problem and increase their industrial output.

Better infrastructure through BRI in South Asian countries can boost trade flow, minimize transportation costs, and increase foreign direct investment. It can lead to job creation and economic development. One of the best examples is the minimization of poverty in Nepal's western region through BRI. Most of its parts lack connectivity with the country, so people cannot even afford their houses and remain in mud houses. China, through BRI, has not only provided connectivity but also importing electricity from Nepal, which again provides the country with a massive amount of monetary advantage that it can spend on the well-being of its people.

Small countries in the region are now resolute in their desire to explore new avenues for enhancing their bilateral relations, connectivity, trade opportunities, and access to China's and the world's major markets, which were previously unavailable due to Indian influence. Despite Sino-India trade reaching a record high of \$136.2 in 2023, It does not allow small countries to fully explore their trade potential with China, which could significantly improve their economic situation and reduce unemployment and poverty¹⁸. China is increasing bilateral trade with each South Asian country and also trying to increase intra-regional trade through creating connectivity projects. China's bilateral trade, intra-regional trade, and China-South Asia trade will

¹⁸ Suhasini Haider, "India-China Bilateral Trade Hit a New Record in 2023: Envoy," *The Hindu*, February 8, 2024, <https://www.thehindu.com/business/Economy/india-china-bilateral-trade-hit-a-new-record-in-2023-envoy/article67822802.ece>.

open avenues for small countries of the region to increase their importance and bargaining power in international arenas, reduce trust deficits, solve their conflicts and increase the opportunity cost of the war.

The South Asia region had often been neglected by great powers for intra and inter-regional connectivity and used only for their strategic benefits, like Afghanistan, which ultimately became a zero-sum game for the region. China's BRI has significantly improved the region's global standing, benefiting not only China but also other countries. The BRI has dramatically enhanced the bargaining power of smaller countries in comparison to Western powers, a development that was previously unimaginable. Chinese development in South Asia is not only providing trade opportunities but also forcing other countries like the U.S. and India to focus on their economic benefits rather than supporting and sponsoring wars and conflicts in the region. Now, the U.S. is trying to connect with South Asian countries through multiple connectivity projects under the DFC, the United States Agency for International Development and MCC. The foreign policies of India and the U.S. aims to ensure security, economic growth, stability, and status; in South Asia, only China can assist small countries in securing all these interests. India lacked the capability and depended upon the foreign support of the U.S., but it is engaged in countering Russia in Europe, so the U.S. will not be able to help India so openly and frequently.

Conclusion

Through the BRI, China is expanding its influence in South Asia by offering a unique opportunity to foster regional connectivity and interdependence. Small countries with poverty, unemployment, and less growth as their biggest challenges are welcoming the Chinese initiative. The World Bank (WB) asserts that the region's backwardness stems from a lack of intra-regional connectivity and interdependence, a problem that BRI will address and help transform into a prosperous region. China is addressing the main hindrance to regional countries' triumph under BRI: their inability to resolve their differences and fund connectivity projects. It is now up to the small countries to decide whether to collaborate with China on the project or support anti-China forces against it. Their decision will determine the future of the region.

A few anti-BRI and anti-China countries perceive and portray the initiative as a Chinese version of the Marshall Plan and are taking countermeasures to disrupt the project. Although, the U.S. had been the promotor of free trade and commerce and gained influence on the world in this way after World War II. However, regarding BRI, the U.S. is working against assumptions of liberalism, neo-liberalism and its agenda of free trade.

If the U.S. promotes free trade, commerce, and ideas, it should allow BRI to operate independently. However, on the other hand, it is pressuring other countries to avoid joining the project and has even launched anti-BRI projects,

raising questions about its double standards. It should focus on the absolute gain that BRI provides to the world rather than relative gains. The U.S. not only launched a ‘war of narratives’ against BRI but also attempted economic encirclement, military and security containment, technical blockade, and ideological suppression under its Indo-Pacific Strategy. The U.S. has initiated several economic and connectivity projects in South Asia to counter the BRI, mirroring China's success in encouraging the U.S. to prioritize the economic well-being of smaller countries over waging wars to disrupt them. The primary purpose of liberalism is to create economic activity that will ultimately minimize poverty; the BRI is on the same lines. If the U.S. is eager to minimize poverty on a global scale, then it should work in coordination with China rather than working against the initiative, as China has lifted 800 million people out of poverty through this approach. If the U.S. succeeds in countering China and minimizing its power and influence, the outcome will differ significantly from the disintegration of the USSR. The event will have a significant impact on the entire world, including the U.S., given that China is its largest exporter.

China's BRI is not an anti-U.S. initiative, so both countries should work to find ways to work together, provide public goods to the international community, and make new partnerships in the field of international development. Both can cooperate in the fields of climate change, nuclear proliferation, poverty elimination, and cyber risks. Small countries facing an urgent need for infrastructure should not be forced to choose sides and anti-BRI initiatives. India should join China's cooperation method to realize the concept of the ‘Asian Century.’ India should not heavily rely on the U.S., as its power is diminishing, and it may not be able to support India in the future. If it is imperative for India to have relations with the U.S., then it should draw some lines to avoid zero-sum games in the region. In either scenario, the loss of either China or the U.S. will significantly impact the South Asian region. Therefore, it should think and act in a regional context rather than independently, as it will have to bear the consequences of being China's trade partner and neighbour.

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