

## Understanding the BCIM Economic Corridor and India's Response

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**ABSTRACT** The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor (EC) has been receiving increased public attention in the last few months because of a strong push by China. When implemented, the project promises mega cities, infrastructure, jobs and better living standards for people living in its fold. Is the BCIM EC really a game-changer? Or will this project, like others proposed by China under its One Belt One Road (OBOR) initiative, result in the most benefit accruing only to the Chinese provinces involved? This paper discusses the issues related to OBOR and BCIM EC and attempts to chart a course for India for promoting security, peace and economic development in its northeastern region.

### INTRODUCTION

Official and media discussions on the proposed Bangladesh, China, India, Myanmar (BCIM) Economic Corridor (EC) have intensified in recent months, owing to China's strong push for the initiative. China maintains that the corridor will develop various medium and large cities and manufacturing hubs along its route, enhancing the living standards of the people inhabiting those regions. The reality, however, is not as straightforward, and China's intentions are not merely economic but also geostrategic.

### BCIM EC: CURRENT STATUS

The issue of promoting connectivity between the underdeveloped southwestern region of China, which includes Yunnan and three other provinces, and Myanmar, India and Bangladesh has been under discussion since the early 1990s in a Track-II process known as the 'Kunming Initiative'. This was formalised into the BCIM Forum for Regional Cooperation in 1999. Participants in these conversations included representatives from academia, think-tanks, civil society, business people, technical experts, and tourism officials.

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The subject was broached by Chinese President Xi Jinping with Prime Minister Narendra Modi at their first official meeting in Fortaleza, Brazil at the BRICS Summit in July 2014. It again found mention during meetings between the two leaders in September 2014 in New Delhi and in May 2015 in Beijing. The seed was in fact first planted in 2012 by then Chinese Premier Wen Jiabao with his Indian counterpart, Prime Minister Manmohan Singh. A decision was then made to set up a joint study group (JSG) to further examine the issues related to the pursuit of connectivity in the sub-region. The group has met thrice, once each in Kunming, China, in December 2013, in Cox's Bazar, Bangladesh, in December 2014 and in Kolkata in December 2015.

The proposed 2,800-km long EC will traverse from Kolkata via Benapole/Petrapole on the India-Bangladesh border to Dhaka and Sylhet before again entering India near Silchar in Assam. After coursing through Imphal, it moves to the Tamu-Kalewa friendship road in Myanmar. After crossing Mandalay and Lashio the road will reach Kunming via Ruili, Longling and Dali.

The road is currently motorable except for two stretches of around 200 km each, one from Silchar to Imphal in India and the other from Kalewa to Monywa in Myanmar. Both sectors are under repair. Two car rallies, one in 2011 and the other in 2013, from Kolkata to Kunming have demonstrated the transport-worthiness of the road. China would like the Kaladan Multi-modal Transit Transport Project connecting Mizoram with Kolkata via the Kaladan river and Sittwe port in Myanmar to become part of the EC.

The corridor goes beyond physical connectivity through roads, railways, waterways and air to providing digital connectivity, trade facilitation and lowering barriers for smooth and seamless movement of goods, services, investment and people. After all, the region is rich in natural, mineral and other resources. It encompasses 165,000 sq km of area with a

population of 440 million people. It has the potential to generate huge economic benefits in trade, investment, energy, transport and communication linkages. The corridor aims to revive the south-western trade route of the ancient Southern Silk Road which facilitated the shortest journey between China and India and served as a highway for merchants carrying gold and silver in the 12th century.

The JSG in its first meeting decided to "work with mutual trust and respect, mutual interest, pragmatism, equitable sharing of mutual benefits and consensus building". In earlier Track-I and II processes, China has posited that BCIM would "stimulate the growth of large and medium-sized cities along the corridor".

Technically and de facto, BCIM EC forms a part of the One Belt One Road (OBOR) Initiative [or Silk Road Economic Belt (SREB) and 21st century Maritime Silk Road (MSR) announced by China at the Boao Forum in 2013. OBOR has been called variously as 'transformative', 'epoch-changing', 'unprecedented' and a 'foundational' initiative. Requiring a total investment of \$1.4 trillion, it has become the centrepiece of President Xi's foreign policy and international economic and geopolitical strategy. China has established a Silk Road Fund (SRF) of \$40 billion to create infrastructure and promote connectivity in Central Asia, South East Asia, South Asia, Africa and Europe, encompassing 65 countries. The Asia Infrastructure Investment Bank (AIIB), with a capital of \$100 billion and the New Development Bank (NDB), with a capital of \$50 billion (slated to increase to USD \$100 billion)—are poised to contribute significantly to the development of the proposed infrastructure. China has stated that OBOR projects have been determined openly, through a transparent and inclusive process of consultations and discussions.

Analysts have expressed misgivings regarding OBOR projects, many of which are applicable to BCIM EC as well. The most damaging critique is

that OBOR has been designed and announced unilaterally by China, with only its own benefit in mind. It is also argued that the initiative is not purely economic, as is sought to be projected, but also carries geo-strategic and geo-political ramifications, for instance the encircling of India by building, establishing and boosting Chinese naval presence in the Indian Ocean through a chain of ports like Gwadar in Pakistan and Hambantota in Sri Lanka.

China's actions in referring to the South China Sea as an integral component of the proposed MSR, has failed to inspire confidence as the country has staked its claim to 80 percent of the sea's total area of 3.7 million sq km on untenable historical grounds. It has refused to abide by international laws like the UN Convention on Law of the Seas (UNCLOS), 1982, and by the decision of the UN Arbitration Panel to which the matter was referred to by the Philippines, one of the countries staking their own claims in the dispute.

The China-Pakistan Economic Corridor (CPEC), in which an investment of \$46 billion was announced by President Xi during his visit to Islamabad in April 2015, passes through Pakistan-occupied Kashmir (PoK). India would not have agreed to this alignment had it been consulted. Most infrastructure created by China in Central Asia, Pakistan and West Asia have been built with its own labour force, generating little employment or other benefits for the recipient countries.

Most projects included in OBOR are east-west corridors of benefit and interest principally to China. Projects in which 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 Asian countries have not been included in OBOR. Another project of interest to these countries would be the route linking Afghanistan and Central Asia with India via Pakistan to tap the expanding Indian market.

None of these projects is part of OBOR. Pakistan continues to refuse transit of Indian goods to Central Asia and Afghanistan.

China owns huge technical and physical excess capacity in steel, cement, iron, machinery and equipment which it is seeking to use to create infrastructure in other countries. However, experts say this would be a self-defeating exercise as, in face of its slowing economy, China should rather focus on raising the share of domestic consumption in its economy than exporting its excess infrastructure-building capacity abroad.

Some strategic analysts argue that OBOR is China's response to recent US initiatives such as the Trans Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and the geostrategic and economic pivot to Asia. The aim is to isolate the US by bringing Asia, Africa and Europe under its own economic and geo-strategic umbrella.

Several countries in OBOR's route are politically unstable, battling internal strife and extremist insurgencies. China has stationed its security forces in Pakistan to ensure security for its projects in PoK, Balochistan and several other areas. Other countries might not agree to station Chinese troops on their territory to ensure security for OBOR projects.

Considering the global economic slowdown of the last few years, it is not clear how China will be able to recoup its huge investments it makes in unstable, weak and fragile countries. Countries who welcome huge infusion of foreign investment could be wary of being arm-twisted or dictated by China. With its long list of woes — slowing economy, demographic stress, bad bank debts, a pension burden, corruption, environmental damage, disaffection among working class and netizens, growing repression of human rights — China will find it difficult to fund and implement this initiative.

China speaks about the Silk Road spirit of "peace and cooperation, openness and

inclusiveness, mutual learning and mutual benefit" and about building a "community of common destiny" and "global community of shared prosperity". These claims often appear at odds with its actions. China has sought to use the familiar and innocuous terminology of "Silk Road" with which people enjoy a comfort level, to mask OBOR's geo-strategic implications.

## **THE BIG PICTURE: INDIA-CHINA RELATIONS**

Speaking on Asian connectivity at the Raisina Dialogue on 1 March 2016 in New Delhi, India's External Affairs Minister Sushma Swaraj stated: "We bring to bear a cooperative rather than unilateral approach and believe that creating an environment of trust and confidence is the prerequisite for a more inter-connected world".

There is lack of trust and confidence between India and China. While India strives to be sensitive to and supportive of China's concerns and interests in the region and the world, China has been aggressively hostile to India playing its rightful role in regional and international affairs. This attitude was again on display in the recent UN veto by China to oppose placing Masood Azhar in the list of designated terrorists by the world body so that his financial assets could be frozen. China's unrelenting opposition to India's permanent membership of the UN Security Council as well as membership of nuclear export control regimes such as NSG; China's supply of nuclear and missile technologies and material to Pakistan in violation of its international commitments to keep India boxed in South Asia; and the Chinese indifference to resolve the lingering border dispute, are some other issues that keep the bilateral relations in a state of tension. It is imperative that China takes proactive actions to foster confidence, starting with positive moves to resolve the border dispute in a time-bound manner.

Apart from the above mentioned misgivings about OBOR, several of which are common to BCIM EC, other doubts persist about the latter. It seems likely that this corridor will principally serve the interests of China by boosting economic production and prosperity in China's Yunnan and adjoining provinces. It will help move Chinese goods over land to the Indian market without having to cross the disputed border. It will also provide China direct and unfettered access to Bay of Bengal, enabling it to lessen its dependence on the narrow and risk-prone Malacca Straits for global trade and energy imports. On the other hand, benefits to India, Bangladesh and Myanmar will be minimal. In strategic terms, the corridor will bring China within sniffing distance of Arunachal Pradesh, all of whose 93,000 sq km is claimed by it as Southern Tibet. It would pose a strategic risk for India to allow China access to this region before the border issue is amicably settled, the onus for which rests to a large extent on China.

Given China's greater economic and strategic might, it is likely that the EC will bring India's northeastern states under the increasing influence of China, further weakening their physical, economic, social and emotional chord with mainland India. It is time India strengthened connectivity and integration of the northeast with its mainland. Some steps have already been taken. Much more, however, needs to be done.

The EC as formulated currently will touch only two states — Assam and Manipur — out of the seven in Northeast India. The other five states will remain untouched by its impact, small though it might be. The whole region comprising India's Northeast and areas across its boundaries with neighbouring countries is embroiled in insurgencies, ethnic disturbances, drug and human trafficking and gun-running. Under the prevailing circumstances, it will be difficult to provide security, peace and safety for constructing different BCIM EC segments.

The three member countries of BCIM—i.e., Bangladesh, Myanmar and India—have huge trade deficits with China. In the case of India, it is as large as \$51 billion over the total trade turnover of \$73 billion in 2015. It can be surmised that the EC will only worsen their trade deficits as cheap and low-quality Chinese goods are likely to flood their markets to the detriment of domestic industries.

## **INDIA'S RESPONSE: POLICY RECOMMENDATIONS**

The immediate priority for India is to build and upgrade infrastructure, including roads, railway network, waterways and air connectivity within northeastern states, in the region as well as with the rest of the country. These states are strategically important and are richly endowed with natural resources such as uranium, coal, hydrocarbons, forests, oil and gas. During the visit of Japanese Prime Minister Shinzo Abe as chief guest at India's Republic Day in January 2014, India invited Japan to invest in and build infrastructure in the region. The matter was again discussed during Prime Minister Modi's visit to Japan in September 2014 and during the return visit of Abe in December 2015. It is understood that detailed project reports (DPRs) are close to finalisation. The \$2.8-billion project to build and upgrade more than 1,200 km of road network to help convert the region into a manufacturing hub is expected to commence this year.

Work on the India-Myanmar-Thailand Trilateral Highway joining India's Northeast with Thailand and other ASEAN members through Myanmar needs to be expedited. This network will provide connectivity between the isolated Northeast and the expanding economies of South East Asia. Similarly, the Kaladan Multimodal Transit Transport Project will help connect the Northeast with Myanmar as well as with West Bengal. This will be valuable in connecting the


region with mainland India and also providing quick, easy and seamless access to South East Asia.

Close monitoring and supervision of these projects need to be undertaken so that there are no slippages in completion schedules and cost overruns. India needs to fast-track these two projects which can prove to be game-changers in promoting security, peace, development and prosperity in its Northeast. The country has recently demonstrated that this is possible by completing stalled projects like the Afghanistan-India Friendship Dam in Herat and the Parliament building in Kabul, Afghanistan. There are several other regional and sub-regional projects of which India is a member. Some of these are the Bangladesh, Bhutan, India, Nepal (BBIN) sub-regional initiative; the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) with membership of Bangladesh, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan; East-West Corridor; and the Mekong-Ganga Cooperation Initiative. Out of these, BBIN needs to be accorded the highest priority as it has great potential to deliver rich dividends quickly. Moreover, India has been giving great emphasis on the implementation of its Act East Policy to promote connectivity between Northeastern states and ASEAN countries through Myanmar. With the active cooperation of Bangladesh and Myanmar, India has achieved significant success in combating insurgencies in the northeastern states. The resultant peace dividend needs to be converted to prosperity by enhancing investment in manufacturing of green and clean industries, agriculture, tourism, handicraft, among others.

Recognising the critical importance of promoting connectivity between the northeastern states and ASEAN, during his visit to Kuala Lumpur in November 2015, Modi allocated \$1 billion for this purpose. India should take full advantage of this funding to undertake projects in the Northeast to create jobs, improve living standards and develop adequate healthcare, education and skill development.

In BCIM, a step-by-step approach is desirable. Rather than embarking on building large and heavy infrastructure of big cities and malls, small steps in the form of people-centric projects in education, healthcare, skill development, tourism and cottage industries should be undertaken. The benefits of these projects should go to the people so that they become active stakeholders in support of this initiative. Local talent, material and products should be utilised in this endeavour.

India has launched several initiatives for promoting connectivity and infrastructure and enhancing development in the Northeast, and they should be accorded priority.

The most crucial component for success of any connectivity project is mutual trust. China and India need to work together to bring about a fundamental change in their bilateral relations. Then the parties involved in the BCIM EC can begin to hope for its success. 

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