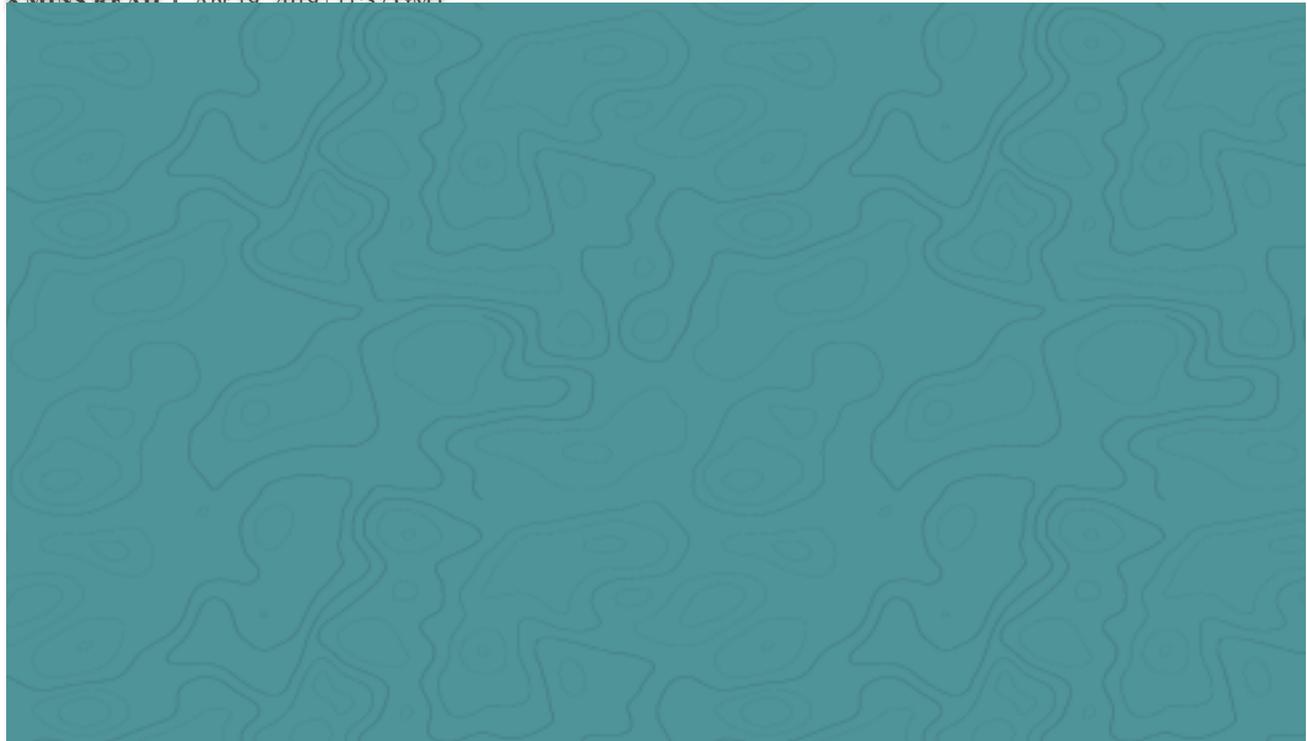


ASSESSMENTS

Why the Belt and Road Fuels India's Fears of Encirclement

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(CHANDAN KHANNA/AFP/Getty Images)

Indian Prime Minister Narendra Modi (R) walks with Bhutanese Prime Minister Lotay Tshering during a ceremonial reception at the Presidential Palace in New Delhi on Dec. 28, 2018. Gone are the days when India's influence reigned supreme in South Asia.

HIGHLIGHTS

China will continue to expand its Belt and Road Initiative in South Asia because the peripheral nations of the subcontinent feel a need to counterbalance India's influence as they seek funding for development.

India's opposition to the China-Pakistan Economic Corridor will ensure that New Delhi remains the main holdout against the Belt and Road in Asia.

Relations between India and China are calmer since their standoff over the Doklam Plateau in 2017, but their rivalry will continue apace given their competing aims in the region.

India might be a large trading partner in its own right, but the designs of the even-larger power on its doorstep is fueling its [fears of encirclement](#). The Belt and Road Initiative, the cornerstone of Chinese President Xi Jinping's foreign policy to blaze a trail of trade across Asia and Europe, includes five of India's neighbors: Pakistan, Bangladesh, Sri Lanka, the Maldives and Nepal. But worried that the initiative will grant Beijing undue political influence in neighboring capitals — and that new ports and highways could one day aid China in a military conflict — New Delhi is searching for ways to remain a step ahead of China's activities in South Asia. For one, India has sought to promote its influence by dangling the prospect of greater investment. In so doing, India has scored a few important victories, but its quest for unrivaled dominance in the subcontinent is ultimately a long shot given the allure of Chinese largesse for the subcontinent's smaller countries.

The Big Picture

China's Belt and Road Initiative is adding another layer to the Sino-Indian rivalry. By driving China's expansion in South Asia, the initiative is challenging India's status as the region's dominant power. For the nations on India's periphery, the infrastructure-building program fits into their goals of attracting development funding while balancing against a much larger India. Nevertheless, the detente between India and China following the 2017 Doklam standoff fail to ease the rivalry so long as both seek to maximize their strength in the region.

The Maldives and Sri Lanka: Islands of Influence

As India and China both aim to secure their growing Indian Ocean trade routes, the competition over island countries like the [Maldives](#) and Sri Lanka will heighten. Last year, relations between New Delhi and Male deteriorated when Abdulla Yameen, who was the archipelago's pro-China president at the time, spurned India's appeals to restore democracy after declaring a state of emergency. Yameen's defeat in a September 2018 election, however, provided an opening for Indian Prime Minister Narendra Modi, who lavished the newly elected Ibrahim Mohamed Solih with a \$1.4 billion aid package. Returning to a stance more focused on India, Solih is calling for a probe into debt the country incurred under Yameen, including the costs of constructing the China-Maldives Friendship Bridge as part of the Belt and Road Initiative. But even if Male has turned its face back toward New Delhi, the opportunity to benefi

from the might of Asia's largest economy suggests the Maldives' relationship with China is unlikely to wane appreciably.

In Sri Lanka, a lucrative investment deal offers another bright spot for India. A Chennai-based firm recently won a stake in a multibillion-dollar oil refinery that Sri Lanka plans to construct along its southern shores in Hambantota. The deal is the biggest foreign investment in the history of Sri Lanka, a key shipping hub between Southeast Asia and the Middle East. The Indian investment, however, will be just a stone's throw from China's Hambantota port, a Belt and Road project that has provoked worries in New Delhi that China is tying the island to itself through debt. After failing to generate sufficient revenue, Colombo swapped its equity in the port in exchange for debt relief in Hambantota by granting a Chinese firm a 99-year lease to operate it. And despite its unease about Chinese funding, [Sri Lanka's shaky coalition government](#) between President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe accepted a \$1 billion loan from the Bank of China in February to meet debt repayments. Sri Lanka's long-standing desire to balance against a much larger India will compel it to continue soliciting Chinese assistance in spite of the financial risks of doing so.

Nepal and Bhutan: The Himalayan Challenge

If the Indian Ocean symbolizes New Delhi's far-reaching aspirations, [its disputed Himalayan frontier with China](#) highlights a more immediate and difficult reality. As a result, the competition over Bhutan and Nepal, small buffer states between the two giants, will heighten. Since returning to power in 2018, Nepalese Prime Minister Khadga Prasad Oli has extended Kathmandu's outreach to Beijing under the Chinese initiative. But the sheer length of the country's BRI wish list — 35 projects — led Beijing to ask Nepal to pare it back. Oli duly whittled it down to nine.

But Oli, [keen to avoid alienating India](#), also chose New Delhi as his first trip abroad last year. Modi, meanwhile, is pushing Indian investments in Nepal (a country he has visited three times), including a \$1.4 billion hydropower project. But for Oli, memories of a crippling blockade at the Indian border during his previous term in 2016 underscore the risks of overreliance on Indian

trade routes — a factor that led PetroChina and the Nepal Oil Corporation to sign their first fuel purchase deal during the blockade. Nepal will undoubtedly struggle to establish links with China due to their formidably mountainous border, but Kathmandu's quest for diversification will drive it to beat a path through the Himalayas nonetheless.

Bhutan, by contrast, is India's strongest ally in South Asia. The remote Himalayan kingdom sits atop the Siliguri Corridor, which links the Indian mainland with its northeastern wing. Bhutan, the only country bordering India that has not joined the Belt and Road, is also an emerging flashpoint. In 2017, thousands of Indian and Chinese troops nearly came to blows during a monthslong [standoff centered on Bhutan's Doklam plateau](#), a disputed territory between China and Bhutan. For India, maintaining Bhutan in its sphere of influence is vital. Thimpu is the largest recipient of India's foreign aid, and was Modi's first destination abroad in 2014. [Prime Minister Lotay Tshering](#), whose Druk Nyamrup Tshogpa party came to power in November, will continue broadening the country's relationships in a fashion that acknowledges Indian sensitivities, even as Beijing eyes a resolution to its border dispute with Thimpu.

Bangladesh and Pakistan: Friends and Foes

Bangladesh is another member of the Belt and Road Initiative in South Asia. Its location on the Bay of Bengal means it can offer port access to China. Beijing wishes to extend a corridor from Yunnan province, across Myanmar and northeastern India, through Dhaka and on to Kolkata. In 2016, Xi met Bangladeshi Prime Minister Sheikh Hasina in Dhaka and signed over \$20 billion in investments. The list of Chinese projects in Bangladesh is long: railways, roads, jute mills, mining operations, fiber optic cables, ports, special economic zones, power grids, water treatment facilities and power plants. But India, which sees Bangladesh as a bridgehead into Southeast Asia, also wants to expand its overland access across the country to forge stronger connectivity with its northeastern wing, which is almost entirely cut off from the rest of the country. For Hasina, who [won a third term in January](#), infrastructure development and economic

diversification will lead her to maximize the benefits from a partnership with both China and India.

But India's greatest enemy, Pakistan, also stokes the country's greatest concerns about the Belt and Road Initiative. [The China-Pakistan Economic Corridor](#) — the most important branch of the massive project — aims to decrease Beijing's reliance on the busy Strait of Malacca by creating an overland trade route connecting the Arabian Sea to western China's Xinjiang province. (Militarily, too, the corridor's terminus at Gwadar could also give the Chinese navy another outpost beyond Karachi in the event of a conflict with India.) For India, however, the CPEC is especially provocative, as one of its highways crosses through Gilgit-Baltistan, a Pakistan-administered territory that India claims as part of Kashmir, meaning that New Delhi views Beijing's backing for the corridor as tantamount to a recognition of Pakistani sovereignty over Gilgit-Baltistan. India has accordingly accused China of violating its own principle of noninterference in others' internal affairs and has consequently resisted numerous appeals to sign on to the Belt and Road Initiative. And given [Kashmir's centrality in India's hardening rivalry with Pakistan](#), the CPEC will leave New Delhi as the main holdout against the Belt and Road.

India and China: A Rivalry Endures

India's relationship with China is complex. The Asian rivals share a burgeoning if lopsided trading relationship, while both are preaching calm in an effort to soothe tensions after Doklam. But any thaw across the Himalayas won't ease their competition so long as [the factors that drive their rivalry](#) are in play. The Chinese-Pakistani partnership, for one, remains rooted in their mutual desire to keep India off balance. China's claims to India's northeasternmost state of Arunachal Pradesh remain a core concern (India also contests Chinese sovereignty over Aksai Chin). And China's expansion into South Asia and the Indian Ocean challenges India's regional dominance. Undoubtedly, debates in regional capitals from Colombo to Islamabad will intensify over the terms of the BRI, but India's overwhelming size will drive the comparatively smaller nations on its periphery to pursue relations with China for balance as the stakes in South Asia become ever clearer.



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