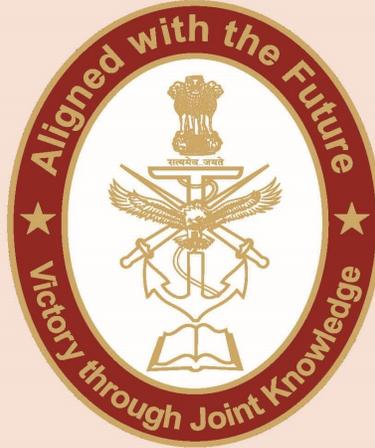


CENTRE FOR JOINT WARFARE STUDIES



CENJOWS

SIGNS OF RESETTING GEO POLITICAL BALANCE: EMERGING TREND AMONGST BRI SIGNATORIES

BY

LT GEN RAMESHWAR YADAV, PVSM, AVSM, VSM (RETD)

As the Americans say that 'there are no free lunches', but it is China who is actually practicing this philosophy more than them in their largesse towards the impoverished nations who happen to fit into their geo political matrix of economic expansion across the world. There are off course T&C which are emerging to be mostly opaque and one sided when we look at the initial experiences of Malaysia, Sri Lanka, Pakistan, Maldives, Nepal and few others.

The Chinese model of uplifting the economies of their client states is through innocuous developmental activities, albeit undertaken primarily for Chinese interests by Chinese work force, and financed through the loans extended by the Chinese banks. The catch lies in the details of the finer lines of the contracts seemingly ignored by the gullible recipient countries in euphoria of positive politico-economic synergies. The reality strikes when it is too late in the day to make corrections.

The recipient countries are, then, left to repay the loans fully knowing that these countries do not have credit ratings to liquidate such loans contrary to the normal business practice. Now comes the master stroke of seeking ownership rights over strategically significant land, power & logistics infrastructure and establishment of military bases in lieu of the outstanding demands of the Chinese banks. China has mastered the art of "Debt Diplomacy" a new variant of their international conduct to use debt as a political weapon to intrude into political space of the client states and make them subservient to Chinese dictates.

China, unlike the rich western countries, does not believe in extending grants/aids to rave up the economies and security establishments of their poor allies, or simply a gesture of benevolence on humanitarian concerns. China with their self seeking attitude and conceptual political exclusivity seem to have business always on their minds in their national conduct. The BRI is an innovative Chinese scheme for their geo economic expansion and they have convinced almost 70 odd countries that it is they who have more to gain from it than the China herself.

The China seem to have packaged their political products with lucrative offers with potential of bailing out the friends from their economic mess with proviso of post dated payments for the services rendered. It, obviously, is difficult to ignore such attractive offers by the gullible politicians who for their vested interests seem to have signed literally on the dotted lines without deliberating adequately on the pros and cons. But the times have changed since 2013 when BRI was unfolded by China as their biggest political investment in the recent times.

The Sri Lankan case study illustrates Chinese model of how they go about courting and honey trap the smaller countries. In that, Every time the Sri Lanka's president Rajapaksa turned to China for loans and assistance for an ambitious port project, the answer was always yes, despite the feasibility studies said that the port wouldn't work. With tens of thousands of ships passing along one of the busiest shipping lanes, the port drew only 34 ships in 2012. The next Sri Lankan government struggled to make outstanding payments of \$ 6 billion, failing which they were made to concede to hand over the port and 15000 acres of land around it for 99 years lease in 2017. The transfer gave China control of territory just a few hundred miles off the shores of rival India, and strategic foothold along a critical commercial and military waterway. With this episode, the real Chinese face started emerging giving

cue to other beneficiaries of the Chinese benevolence to revisit their commitments with them.

Sri Lanka has cancelled the contract of construction of 50,000 houses in Tamil dominated North and Eastern part of the island country given earlier to China. The project would now be undertaken by the Indian companies as announced by the Sri Lankan prime minister prior to his recent visit to New Delhi in October. It goes without any doubt that the decision surely has reflections of Sri Lankan experience with China as seen in their Hambantota episode. There are large number of ongoing projects by China, but a message is certainly going out of a pragmatic approach of dealing with China with utmost caution.

Pakistan with Chinese CPEC scheme amounting to almost \$ 60 billion is also grappling with the prospects of similar fate as seen in Sri Lanka. China launched their CPEC scheme fully knowing the state of Pakistani economy and the inimical security environment at that time at the time of signing the contract. Pakistan went along willingly apparently on prompting by Pakistan army who were more interested in enhancing their military deterrence against India to perpetuate their narrative to continue their predominance in Pakistani polity.

Pakistan as on date has debt servicing liabilities amounting to \$ 18 billion plus. She is desperately looking for a bail out from the IMF as well as her well wishers to include Saudi Arab, China and Malaysia. As reported in the media, Pakistan is likely to get \$ 3 billion from Saudi Arab. Realizing the seriousness of the matter, there are voices within Pakistani political establishment to go slow on the CPEC for some time so as to revisit the plans in the face of their economic situation. Though, later the Chinese have been assured by the army brass of their full support to their national commitments. Pakistan has even gone to the extent of inviting Saudi Arab to invest in the CPEC as the third party much to the silent reservations of the China and antagonizing Shia Iran due to their sectarian rivalry with the Sunni Saudis.

Within Pakistani civil society, there is a resistance to CPEC as they fear that Pakistan would be converted into a Chinese colony in times to come impacting even on their sovereignty. They are not wrong as the Chinese are unlikely to move out of Pakistani landscape as CPEC is their one of the most important projects from strategic perspective. The Pakistan, surely, is feeling the heat of their decisions as reflective in their media debates questioning the

sensibility of the model adopted for economic cooperation under the current CPEC format. Pakistani civil society feels that they would have been better had they negotiated the scheme from a position of strength instead of self relegation as the junior partner facilitating Chinese agenda.

The signs of Pakistani reservations are also reflective in change of their decision regarding construction of the \$ 12 billion Diamer Bhasha dam with capacity of 4500 MW electricity as part of CPEC scheme. The China wanted ownership rights to extend the financial support in face of rejection of the proposal by the World Bank as well as the Asian Development Bank probably due to location of the project in the disputed territory. However, realizing the Chinese game plan, the water and power development authority recommended not to agree to the Chinese intentions.

In Nepal, the Prachanda lead government had given contract to China for the constructing Buddhi Ganga hydel power project with capacity to produce 1200 MW electricity at a cost of \$ 2.73 billion as part of BRI scheme. The next government, looking at the high costs and probably political reasons chose to cancel the contract and planed to go for global tenders for better deal . The new communist dominated government is reported to have once again restored the contract to China. It is indicative of divided opinion amongst the Nepalese political establishment as regards to the Chinese politico-economic influence and the way to deal with it.

While the Nepal is known to have permitted increase of Chinese foot prints in their markets and political space, they seem to be moving cautiously taking cue from other counter parts in the region. It is also indicative in their recent political interactions wherein they have recognized primacy of linkages with India and need to take the relations to the next level. Nepal, surely, is trying to balance their political equation with both her big neighbours. In that, India would continue to be important due to geographical realities and cultural synergies.

In Maldives, the president Yameen who is known to be a pro Chinese politician chose to shift the contract for constructing a bridge to link the Halule airport to the capital Male from an Indian company to a Chinese company. This was despite three times the cost as estimated by the Indian company. **On Southern side, it is reported that China has designs to establish a military base at Lammu atoll as it sits at the entrance to the one –and – half degree channel,** a major international shipping passage through the

Maldives. Accordingly, they, probably, have pressurized Maldives to remove Indian helicopters from Addu and Laamu atolls to deny surveillance of Chinese activities in these areas.

The Maldivian people have given mandate against Yameen's pro China policies in the recently held elections. The new government in waiting has pro Indian leanings and is expected to undertake a course correction as regards to their linkages with China. While they may continue the ongoing developmental projects by China, but the degree of influence on the political establishment is expected to be more balanced. There are signs of resetting the geo political equations in this island country.

Recently, in August, the Malaysian prime minister in presence of Chinese premier Li Keqiang criticized Chinese BRI initiative as a new form of colonization and conveyed international concern over this Chinese geo-economic tool to achieve their geo-political objectives. The Mahathir cancelled two projects allotted to China as part of the BRI on the grounds of their incapability to pay back the loans. The east coast rail link and natural gas pipeline in Sabah on the island of Borneo were part of projects amounting to \$ 23 billions agreed by the previous president Nsajib Razak paving way to China to get a foothold in Malaysia. Realizing the pitfalls of such financially unviable projects which may provide China an opportunity to intrude into political space, the Malaysian government has probably resorted to renegotiating the deals.

The pattern is indicative that the China probably is losing the clout which she had at the beginning of her campaign of economic expansion started in 2013. Even in China, the BRI is facing resistance from those who question wisdom of plowing hundreds of billions of dollars into overseas projects beyond sovereign control of China and inimical security situation in areas of Chinese interests. Besides this, the president Xi's quest for Chinese economic dominance is inviting international backlash. The US actions to initiate a trade war appears to be a manifestation of response to Chinese expansion at the cost of politico-economic interests of other stake holders.

The wisdom seem to have dawned on the beneficiaries of the BRI scheme realizing the negative synergies of the Chinese grand game. Accordingly, BRI seem to be encountering push back in a number of the nations who are seeking more transparency in the Chinese lending, investment and trade practices. The pace of BRI projects seem to be slowing down due to realization of negative impacts of the Chinese debt trap diplomacy. There is an

emerging trend to renegotiate, or cancel the deals as agreed upon earlier as they are either very costly, or have hidden clauses impacting on the political space of the host countries. There are, surely, signs of resetting the politico-economic balance impacted due to Chinese grand game for their geo political expansion by few countries. Given the environmental realities, the trend is likely to intensify in times to come.

Disclaimer: Views expressed are of the author and do not necessarily reflect the views of CENJOWS.