DILEMMAS, DEBATES, AND DEVELOPMENT OF BRI IN THE HIMALAYAN NATION: A NEPALI PERSPECTIVE

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Abstract

Nepal-China-India relations from BRI perspective is complex. Nepal joined the BRI in 2017 whereas India has not joined officially yet. But India is a founding member of the Asian Infrastructure Investment Bank (AIIB) which generally provides loans to the countries along the BRI route. Though Nepal is a part of BRI, the projects signed under the BRI are still in dilemma due to the diverse views from Nepali and Chinese sides. Against this backdrop, this paper is focused on assessing the BRI relations with Nepal and India. Moreover, the paper has assessed why India has not joined BRI and why Nepal could not implement the BRI projects even after five years of the BRI agreement. In doing so, the paper is basically descriptive under the qualitative method and no theory testing approach is adopted due to the nature of the topic of the paper. The paper concludes that Nepal should revisit its approaches and policies to effectively conduct BRI diplomacy for the sake of national pride and benefits even in Nepal-China-India complex BRI relations.

Key Words: Belt and Road Initiatives, Sino-Indian Relations from the BRI Lens, Nepal-China Relations from BRI Lens, Dilemmas in BRI in Nepal, Diverse Views

Introduction

A geopolitical theorist, Alfred Mahan, had a Eurasian-centered worldwide perspective, but his emphasis was on maritime power mediating between a two-fold global framework – a Western and an Oriental system (Saran, 2015). Despite this perspective, China has begun the continental-
Materializing this initiative is the core objective of building the “Community of Common Destiny” among countries in South Asia and beyond as envisioned by Xi Jinping (Chand, 2016). The initiative includes two components – the Silk Road Economic Belt which is the revival of ancient land-based Silk Road trade routes of China to Central Asia, the Middle East, and Europe. This is also called the “Modern Silk Road.” It consists of a network of rail links, highways, oil and gas pipelines, energy power plants, and other infrastructural development projects stretched from Xian in Central China to crossing Kazakhstan through Central Asia and Russia. In the meantime, the other pass-through Mongolia nevertheless both routes are linked up with the trans-Siberian railway for going to Moscow, Rotterdam, and Venice.

And the next one is the 21st-Century Maritime Silk Road, also known as the “Maritime Silk Road”. It consists of a network of ports and other coastal infrastructure from China’s eastern seaboard stretching across South East Asia, South Asia, the Gulf, East Africa, and the Mediterranean, forming a loop terminating at Piraeus (Greece), Venice (Italy) and Rotterdam (Netherlands) in Europe and Mombasa (Kenya) in Africa (Saran, 2015). Therefore, it is envisioned that the BRI will connect China with Southeast Asia, South Asia, Africa, the Middle East, and Europe (Enright, 2016).

Both the Belt and the Road connect more than 148 countries physically, culturally, commercially, and in other ways. Almost 4.4 billion combined populations have belonged to those countries. The Belt and Road will run through the framework of inter-continents i. e. Asia, Europe, and Africa. This will further connect the vibrant East Asia economic circle ASEAN (Association of South East Asian Nations) at one end and on the other side the developed European economic circle. Overall, the initiatives will encompass countries with huge potential for economic development and prosperity. The BRI is also considered China’s foreign policy toward developing countries (Chand, 2017). This is because; it is assumed that developing countries will be benefitted from BRI for their infrastructural development.
Development

Chinese academics and policymakers interpret that the BRI is in line with the purposes and principles of the UN Charter. It upholds the five Principles of Peaceful Coexistence (Ministry of Foreign Affairs & Ministry of Commerce of the PRC, 2015; MoEA India, 2004). The BRI outlines five major action plans to be accomplished which also can be understood in our context as five different wings of BRI. The overall success of BRI depends upon the effective operation of those action plans. The action plans are Policy Coordination, Facility Connectivity, Unimpeded Trade, Financial Integration, and People-to-People Bonds (Chand, 2017).

Policy coordination means frequent diplomatic communications among the participant states along with diplomatic and foreign policy agendas among all the countries which are located along the route of BRI. Similarly, since the central part of the BRI is the infrastructural development, facility connectivity comes after the policy coordination. It refers to the key projects related to infrastructural developments like railway links, highways, gas pipelines, ports, energy plants, airports, etc which are the bedrock of the development (Bhandari, 2017). To achieve the objective of facility connectivity, financial institutions for investment are inevitable. The unimpeded trade and financial integration are related to those institutions to be established which creates the ample fund to invest. It may generate impressive work of institution building like the Silk Route Fund (SRF), Asian Infrastructure Investment Bank (AIIB), etc. among all the countries along the BRI (Du, 2016, p. 5). The fifth aspect is the people-to-people bond. The destination of the BRI is the community of common destiny which imagines the enjoyment of all humankind worldwide as claimed by Chinese scholars and think tanks. People-to-people bond further brings the situation of intercourse and interaction among the people of all countries along the route in spite of having cultural disparity among them. Thus, the BRI has five different major action plans as above which cannot be separated from each other.

Debates

China’s India policy seems just the opposite of the offensive and defensive realist foreign policy approach from the BRI perspective. The BRI has formed a development strategy that focuses on economic integration as well as cooperation among all the countries primarily in the Eurasian continent. It seems that the BRI also reflects China’s emerging need to
export products and commodities of overcapacity such as manufactured steel, to the Indian Ocean Region (IOR) and beyond (Caixin Online, 2014). A document entitled “Visions and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road” which was issued by the National Development and Reform Commission on March 28, 2015, outlined the cooperation mechanisms and the areas of cooperation regarding the BRI. According to the conceptual framework, the Belt and Road aim to connect Asia, Europe, and Africa along the following five routes: (1) Linking China to Europe through Central Asia and Russia, (2) Connecting China with the Middle East through Central Asia, (3) Bringing together China and Southeast Asia, South Asia, and the Indian Ocean, the 21st Century Maritime Silk Road, meanwhile, focuses on using Chinese coastal ports, (4) Link China with Europe through the South China Sea and Indian Ocean, (5) Connect China with the South Pacific Ocean through the South China Sea.

The BRI relates six international economic corridors for vibrant cooperation among a number of countries in multi-region and sub-region. The corridors have been identified as: a) The New Eurasia Land Bridge, b) China-Mongolia-Russia, c) China-Central Asia-West Asia, d) China-Indochina Peninsula, e) China-Pakistan, and f) Bangladesh-China-India-Myanmar (HKTDC, 2016). Thus, BRI includes five major routes and six major corridors. The seventh economic corridor has also been added to it i.e. Trans-Himalayan Multidimensional Connectivity Network which is related to the connectivity between Nepal and China. The cooperation between China and India in Belt and Road has been affected due to two major routes and one major corridor. The routes written above at points three and four and the corridor written above point ‘e’ are the key components behind India’s reluctance to the Belt and Road.

From the side of India, there is a strong belief that only India has enough potential to catch up with China and even overtake it. This mindset manifests those Indian intellectuals, bureaucrats, academicians, diplomats, and the government considers China as a major competitor in the region whereas Chinese scholars opine that China seldom considers it as a rival but the USA is the main rival of China in Chinese perspective. The next reason for the reluctance of India to the BRI is that India has not had enough resources as well as the political and economic weight to put in place competitive and alternative connectivity on a global scale for India’s competitive prosperity. If India participated in the BRI, India may only be the tool of Chinese resources, technology, industry,
and production as well as political and economic weight which will be focused on the Indian Ocean Region and beyond for the enlargement and extensions of Chinese trade in Africa, the Middle East, and Europe as the Indian perspective. Shyam Saran argues that for the time being, it may be worthwhile to carefully evaluate those components of the BRI which may, in fact, improve India’s own connectivity to major markets and resource supplies and become participants in them. It means India will further do the cost-benefit analysis before participating in the BRI. The view of Soni is also almost similar to Saran. But India has not officially been involved in the BRI till 2023.

Instead of involving in BRI, India has highly prioritized a Spice Route\(^2\), Cotton Route,\(^3\) and even a Mausam project\(^4\) expecting strongly tie the allied countries in the periphery of the Indian Ocean. Indian strategic calculation is that in spite of spreading their resources for responding and involving China’s BRI, it may be the more sensible task to be focused on strategic routes and ports along India’s adjacent seas as well as islands for safeguarding their equities. Shyam Saran has written in his article that:

“To recapitulate, the first priority would be developing our own Andaman and Nicobar Islands as a modern transport and shipping hub for the Bay of Bengal Basin. At the next level would be Chahbahar port to the west with road/rail links to Central Asia; Trincomalee port to the east, with shipping links to the Bay of Bengal littoral ports and beyond; the Mekong-Ganga corridor linking India’s east coast with Indo-China; and the Kaladan multi-modal transport corridor in Myanmar’s Rakhine province, including the port of Sittwe (Saran, 2015).

Despite having this unclear scenario of bilateral cooperation in the BRI,

\(^2\) Spice Route is India’s historical route and government of India has begun to revive it in changing context to counter China’s BRI in Indian Ocean Region. For detail, open this link: http://timesofindia.indiatimes.com/india/India-reclaims-spice-route-to-counter-Chinas-silk-route/articleshow/49915610.cms

\(^3\) Cotton Route is Indian ancient Ocean pathways through which the fabric was exported to both the east and west. Currently India has begun to revive that route in changing context to counter China’s maritime ambitions. For more detail: http://economictimes.indiatimes.com/news/politics-and-nation/to-counter-chinas-silk-road-india-is-working-on-cotton-route/articleshow/46655130.cms

\(^4\) **Project ‘Mausam’** is a Ministry of Culture project to be implemented by **Indira Gandhi National Centre for the Arts** (IGNCA), New Delhi as the nodal coordinating agency with support of **Archeological Survey of India and National Museum** as associate bodies.
China invited Indian Prime Minister Narendra Modi and six cabinet colleagues giving high importance to them in her “new Silk Road” summit on 14th – 15th May 2017 but New Delhi rebuffed Beijing’s diplomatic push, incensed that a key project in its massive initiative to open land and sea corridors linking China with the rest of Asia and beyond runs through Kashmir which are claimed by India (South China Morning Post, 2017). The Belt and Road Summit was one of the biggest ‘Diplomatic Summit’ as one of the going global events of China which organized the next Belt and Road Summit in 2019 for the purpose of promoting its grand globalization strategy (Cai, 2017). The USA, one of the biggest strategic partners of India, participated in that summit whereas India did not send any delegates for the summit. Therefore, it seems that China continuously is trying to make involve India in BRI for the purpose of meaningful cooperation with India however; India has been refusing to sign and involve in the BRI.

Strategic Concerns of India

India prioritizes security concerns first which is quite serious for her core national interest however; there are different views of Indian scholars on the BRI. Some of them argue that the perception, process, and implementation of Belt and Road do not inspire the trust of Indians to involve in the initiatives. Moreover, Indian scholars believe that the participatory approach and collective venture are not included in BRI. The unilateral ideation and declaration and the simultaneous lack of transparency further weaken any sincerity towards an Asian entity and economic unity (Passi & Saran, 2016). But Chinese scholars do not agree with that argument. They argue that Beijing is committed to pursuing wider consultation with the 150-plus nations and their think tanks for the establishment of ‘Global Level BRI Think Tanks’ to make involve scholars from all the countries along the route of the Belt and Road. Based on this initiation, they argue that the Indian argument of unilateral ideation and declaration of Belt and Road is denied practically because the ‘Global Level BRI Think Tanks’ will bring up new ideas and initiation based on the context of their own country which will support to the counter-argument of unilateral ideation and declaration. The next fear from the Indian side is that Indian scholars believe the future strong military presence of China along the route of the BRI. It was clear that China is willing to underwrite security through a collaborative framework.
There is a strong belief in Indian scholars that China wants to bring great rejuvenation through political expansion via economically ambitious BRI. Moreover, the political dream and economic ambitions of China are two sharp edges of the same knife, say Indian scholars. According to Samir Saran and Ritika Passi, ‘India needs to be more focused on the Indian Ocean Region for providing enough security there to enhance Indian security unlike investing Indian resources in BRI which will make sure the Chinese double-edged regional and global missions. It means the political and economic growth of India will be emerged from its own security priorities rather than being one of the stakeholders of the BRI. At the same time, there is another view on India’s involvement in BRI. Some Indian intellectuals believe that the BRI can offer India political opportunities. China wants a serious partnership with India for making the BRI successful. If India can attempt for reworking the CPEC by Beijing in return for India’s active participation in BRI, this will be a great opportunity and achievement for India but there is a very slim chance of reworking of CPEC because the CPEC is the dream project of China to reach Africa, the Middle East, Europe, and even East Asia Pacific region through the Gwadar Port of Pakistan.

Likewise, BCIM is one of the major economic corridors under the BRI and AIIB is the biggest financial institution to invest in major infrastructural projects in Asia under the initiative in which India has already participated officially. But, India argues that the CPEC, which goes through the disputed areas between China-India and India-Pakistan, is a crucial reason why India emphasized a provision in the charter of AIIB that requires investment in the infrastructural projects in the disputed territory where the agreement of the disputants is must. S. Jaishankar remarks that

“The key issue is whether we will build our connectivity through consultative processes or more unilateral decisions. Our preference is for the former...But we cannot be impervious to the reality that others may see connectivity as an exercise in hard-wiring that influences choices. This should be discouraged, particularly in the absence of an agreed security architecture in Asia (Madan, 2016).

Mutual consultation mitigates the doubts and suspicions which creates a cooperative environment for bilateral and multilateral projects in the region.
The above-mentioned argument is that India is not feeling ownership in BRI due to unilateral initiation and its less consultative way of beginning as per the words of Indian intellectuals. Until China does not change the way of implementation, India does not seem to officially participate in this ‘going global’ project of China. Connectivity is essential for the growth and development of Asia and India’s approach to achieving this is based on mutual cooperation and trust and not unilateralism (Asiatimes, 2016). Beyond the previous opinion of Susma Swaraj, some of India’s strategic community considers BRI as a beginning of constructing a “string of pearls” or strategic initiation encircling India which may create a geopolitical challenge in the coming days. Indian hardliner scholars say that it is unwise for India to join either the land segment or the Maritime Silk Route (MSR) which only benefits China with very marginal benefits to India even if it joins the initiative at a later date (Vasan, 2016).

China on the other hand rejects allegations that the BRI is its exclusive initiative (Haidar, 2016). On the other hand, Chinese scholars argue that India should accept China’s BRI concept not only in the case of BCIM but also in the case of the Indian Ocean and the beyond for a win-win situation for both countries. The win-win situation comes from close cooperation between the countries. Similarly, China’s former Foreign Minister Li Zhaoxing says:

*BRI was not unilateral or restrictive. China viewed South Asia as a vital partner in the project and was ready to focus on roads, manufacturing, and free trade zones in the region. China welcomed the participation of other countries and regions and supported the BCIM initiatives on roadways and trade routes* (Asiatimes, 2016).

As per the discourses by Chinese scholars, China is adopting mutually cooperative policies to India in BRIs for a win-win situation whereas Indian scholars argue that China’s policy to India seems more coercive keeping China’s core interest in the center and its aims encircling India in the future. The arguments put forward above from the side of both countries and from the different views of Indian scholars, the BRI dynamism is critical for Sino-Indian relations which is also reflected in ‘the Belt and Road Summits 2017 and 2019’. Because of this dynamism and the suspicion of the BRI, Nepal is the third crucial party between them which has been suffering for some the years in case of the initiatives.
Prospects and Challenges for Nepal

Nepal had signed a preliminary agreement principally in December 2014 just one year later of OBOR was announced by the Chinese president Xi Jinping (Setopati, 2017). Only after three years of preliminary agreement, Nepal signed an agreement with China on the BRIs on May 12, 2017 (Khanal, 2017, p.25). Nepal was delayed in being a member of the initiatives due to internal political instability whereas most of the US-allied countries also already signed the agreement (Chand, 2017).

The perspective of Kathmandu-based academics is Nepal would already sign an agreement with the BRI if KP Oli’s government was not toppled in 2016 (Shrestha, 2017). After the BRI agreement signed between Nepal and China in May 2017 then former Nepali Ambassador for India Deep Kumar Upadhyaya stated, “It is important to look at the overall situation. We are aware of India’s reservations about CPEC (one of the major parts of the BRIs) but Nepal is not taking any position on the issue by joining the BRI (Parashari, 2017).” This diplomatic reply of Upadhyaya to an Indian journalist makes clear the Indian disenchantment with Nepal in the context of BRI.

The agreement made is not final but just beginning to enter towards five major action plans of the BRI. Then Minister of Foreign Affairs Prakash Sharan Mahat says, “Once the agreement has been signed, we will start negotiations with Beijing on various sectors included in the OBOR, namely infrastructure (rail, road), investment, trade, commerce, using Chinese and other ports, currency arrangements, financial institutions, and others” (Giri, 2017). Mahat’s statement confirms that there is a long route to go for full fledge implementation of that agreement.

Nepal had agreed only on facility connectivity during the agreement out of five major action plans of the BRI (Khanal, 2017, p. 29). As the destination of BRI is the community of common destiny, to achieve the destiny like other countries, Nepal still has to do many things under the BRI at the level of agreement and at policy coordination. The agreement made on the BRI’s nine projects in Nepal is still in the dilemma due to diverse views on policy coordination from both sides. Nepal wants to gear up the projects totally on Chinese aid assistance whereas China wants to provide loans rather than aid. Since being shared projects, Nepal also should invest as per its capacity, Chinese academics argue. But, due to the smaller GDP in comparison to total investment in BRI projects, Nepal is unable to invest in BRI projects.
The policy coordination is not related only to the facility connectivity but also relates to unimpeded trade, financial integration, and people-to-people bond which still Nepal seems reluctant due to the reason of very sensitive geopolitical situation of Nepal and the interest of neighboring countries. The BRI agreement has allowed only collaboration in the construction of cross-border railways and highways, transmission grids, parks, special economic zones, airports, and dry ports (Ghimire, 2017). But China has been emphasizing in all action plans. Unimpeded trade and financial integration are highly important parts of the BRI for China for her trade, commerce, and economic interest whereas it may be the point to seriously rethink those countries like Nepal which has no specific production of commodity based on the research on demand of China and other countries. Only importing goods and commodities is not the right way to the rapid economic growth of Nepal. Nepal has to work seriously for producing the goods and commodities first which is the major demand of our neighboring countries. Only a balanced trade in Nepal will have the potential to rescue Nepal from highly asymmetric dependence and trade deficit faced since long ago.

For symmetric dependence, the BRI agreement is a milestone for Nepal. Its background is the “Transit Trade Treaty” (TTT) inked during the official visit of former prime minister KP Oli from March 20 to 27, 2016. The avenue of sea access of Nepal via the Chinese Tianjin port which is almost 3500 kilometers away from Nepal is opened under this treaty made by Oli’s government (Chand, 2017). After full fledged implementation of the treaty, it seems a very high possibility that Nepal will shift from geopolitics to geo-economics, and globalism based on realpolitik be created after that. Sridhar K. Khatri has written in his article published in 1997 that from the emerging trends, it is, nevertheless, possible to surmise that the international environment will be quite conducive to the diversification policy followed by Nepal earlier (Khatri, 1997). As per Khatri, ‘Nepal significantly has opened the future possibility of diversifying her relation and trade through the trade treaty and agreement. Nepal has started her journey of global relations from geopolitical complexities towards her relations’ globalization, diversifying her foreign policy since the 1960s, and it will not get back but will expand further. Therefore, Transit Trade Treaty is one of the breakthroughs in Nepali history for the diversification of its relations and trade. Additionally, there are following more project agreements made by Oli’s first government which are as below:
1. Nepal to use China’s seaport facility via Tianjin seaport
2. Transit transport agreement to be reviewed every 10 years
3. China to build a regional international airport in Pokhara
4. China and Nepal exploring the possibilities of signing a bilateral free trade agreement
5. China to explore the possibility of finding oil and gas reserves in Nepal
6. China to provide economic and technical support to Nepal to implement the project at Pokhara airport
7. China to distribute solar panels in Nepal’s rural areas by tapping its Climate Fund
8. China to build, manage and maintain the Xiarwa Boundary River Bridge at Hilsa, Humla
9. Nepal, China to strengthen intellectual property system in both the countries
10. Nepal and China to extend cooperation and exchange information on banking regulations (Sharma, 2016).

All the points are more or less related to the framework of the BRIs which are the Nepali model of reform and opening up policy. Therefore, in the future, agreement on the BRI and the above ten points agreement including the transit trade treaty will be the gateway for Nepal to diversify her trade, dependency, and relations if the agreements were fully implemented by current governments in Nepal. Oli’s second visit to China as the Head of the Government also has oriented towards enhancing Nepal’s neighboring and global relations however, there are tangible and intangible challenges to implementing the overall BRI-related agreements signed between Nepal and China during his first and second visits as the Head of Government, geographical hazards, investment incapacity, technical and bureaucratic incompetency in Nepal and other various factors may impede to implement connectivity and other set projects within the stipulated time frame.

Dai Yonghong (Professor at Sichuan University, China) had expressed his opinion on 5th May 2016 during the seminar organized by Institute for South Asian Studies (ISAS) that the Transit Trade Treaty and other agreements made with China is the initial stage of Nepalese model reform and opening up policy.
Discussion and Conclusion

Nepal needs to review current foreign policies in the changing dynamics of regional and global power relations and endeavors to build consensus among the neighbors and major powers on issues of national interest and foreign policy priorities. She has to attempt to diversify foreign policy; through connectivity and trade; while dealing with regional and beyond regional powers, she better needs to assure the immediate neighbors of their sensitivity. Despite the neighborly and friendly relations between Nepal and China, ample specific research has not been done to comprehend each other’s strategic and economic interests. Chen Xiao Chongyang Institute under Renmin University, during the Sino-Nepal Think Tank Dialogue 2017 from 17-18 January says that from the time when the BRI initiatives have been launched, most of the researchers have been paying heed to Nepalese culture, history, and hotspots news in Nepal like earthquake and geopolitics. Firstly, China could enlarge its investment in transportation and building communication systems. Secondly, China could also build and develop the economic corridor and multilateral economic special zones. Thirdly, China could exploit the existing comparative advantage of Nepal like hydropower and tourism. Fourth, China with Nepal could make trade more convenient. Fifth, China could help Nepal to construct its industrial system and zones. Sixth, China could invest more to help Nepal improve its agricultural products, and offer Chinese experience in agricultural science and technology. BRI projects are not only expected to render more economic opportunities to Nepal but also strategic benefits. China needs to realize the importance of Nepal joining BCIM (Bangladesh, China, India, and Myanmar) to make it BCIMN since BRI itself accommodates different economic corridors including BCIM and CPEC (China-Pakistan Economic Corridor). Moreover, the proposed China-Nepal-India Economic corridor is also anticipated to bring significant changes in South Asia by lifting millions of people out of poverty. Against this background, if Nepal crafts her diplomacy successfully; persuading, and convincing the stakeholders to speed up BRI project despite having diverse views of Nepal and China, implementation will create ample opportunities to increase economic transactions. However, amid the Indian reservations on BRI Nepal’s unilateral engagements may add complexities among the stakeholders.

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DOI: https://doi.org/10.3126/jofa.v3i01.56508