

The BRI and Sino-Indian Geo-Economic Competition in Bangladesh: Coping Strategy of a Small State

Bhumitra Chakma

Abstract: This article explains the Sino-Indian geo-economic competition in Bangladesh in the wake of the former's launching of the Belt and Road Initiative (BRI) in 2013. Beijing intends to fund various large-scale infrastructure projects in Bangladesh under the BRI which has prompted India to make its own offer of economic assistance to counter the Chinese initiative. The Sino-Indian competition has created challenges and opportunities for Bangladesh. Dhaka is pursuing a balanced policy to manage the competition and advance its own interests.

Introduction

China and India are longstanding rivals, but their rivalry has intensified in recent years since the former announced the Belt and Road Initiative (BRI) in 2013, a project that can potentially redefine the politico-economic and strategic landscape of Asia and beyond. With their gradual economic rise following the introduction of reforms in the 1980s (China) and 1990s (India), the expanding interests of the two rising powers in the same neighbourhood began to clash. It set in motion a process of geo-economic competition¹ between the two countries.² Today, geo-economic competition largely defines their engagement in Asia, Africa and the Indian Ocean region.

The BRI, particularly from the Indian standpoint, is not only about infrastructure-building and the development of connectivity, it is much more.³ It is an application of economic tools at an enormous scale to advance China's international geopolitical objectives. Indeed, it can be viewed as China's grand strategy in search of its place and role in the contemporary global structure and promote the country's external interests. Hence, it can be argued that the pursuit

¹ The term 'geo-economics' lacks an agreed definition. However, this article uses the most common definition in which it is understood as 'the use of economic tools to advance geopolitical objectives'. For a brief but useful analysis of the issue, see 'What is Geoeconomics?', Chatham House, at <https://www.chathamhouse.org/system/files/publications/twt/WiB%20YQA%20Geoeconomics.pdf> (Accessed on November 19, 2018).

² Of course, competition was not inevitable, and they theoretically could opt for cooperation. But India and China could not overcome the historical baggage of their geo-political rivalry.

³ Sanjaya Baru, 'China's One-Belt-One-Road Initiative is not only about economics,' *Economic Times*, April 15, 2017.

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of the BRI would intensify Sino-Indian rivalry, specifically in South Asia and the Indian Ocean region, which New Delhi perceives as its traditional sphere of influence. New Delhi has criticised the BRI⁴ and refused to participate at the BRI forum in Beijing in 2016. India has opposed the BRI projects in the South Asian states; specifically its opposition to the China-Pakistan Economic Corridor (CPEC) is noteworthy, which it considers as an infringement of its sovereignty because it runs through (Pakistan-controlled) Kashmir which India claims as its own territory.⁵ New Delhi's opposition to the CPEC, however, goes much deeper; it perceives that the BRI might harm India's geopolitical interests in its immediate neighbourhood in a fundamental way.

In recent years, both China and India have engaged with Bangladesh through various economic initiatives, loans and investment offers, through which they both wish to secure their geopolitical interests in that country. The high point of Beijing's initiative was the \$24 billion economic package (a total of \$38 billion including various other MoUs between private companies) offered during the visit of President Xi Jinping in Bangladesh in October 2016.⁶ To counter Beijing's initiatives, the Indian government provided a \$5 billion line of credit and other economic assistance to Bangladesh during Prime Minister Sheikh Hasina's visit to New Delhi in April 2017. It was 'the biggest offered [Line of Credit] to any country at one go by India and underlined New Delhi's efforts to wean away Dhaka from China.'⁷ Against this backdrop, this article explores the dynamics of Sino-Indian competition for influence in Bangladesh in recent years and analyses how the small state is grappling with the challenges of their competition.

The article is organised in the following manner. First, it discusses the importance of Bangladesh to China and India. Second, it explores the historical background of their bilateral relationships with Bangladesh. Third, it illustrates the Sino-Indian competition in Bangladesh in the context of the BRI. Fourth, it analyses the challenges and opportunities for Bangladesh

⁴'India refuses to endorse China's Belt and Road Initiative,' *The Hindu*, June 10, 2018.

⁵Indrani Bagchi, 'India slams China's One Belt One Road Initiative, says it violates sovereignty,' *The Times of India*, May 14, 2017.

⁶'Bangladesh, China sign 27 deals as President Xi visits Dhaka,' *bdnews24.com*, October 14, 2016.

⁷Jayanth Jacob, 'India announces \$5-billion line of credit to Bangladesh, 22 pacts signed,' *Hindustan Times*, April 8, 2017.

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arising out of the Sino-Indian competition and how the country is coping with them. Finally, the concluding section summarises the key points of the article and illustrates its general implications.

Bangladesh's Importance to India and China

Before explaining the nature, dynamics and dimensions of Sino-Indian competition for influence in Bangladesh, it is worthwhile to illuminate the importance of the country to China and India. Arguably, the importance that the country carries for the two powers defines their interests for which they compete to gain influence.

In general, geographical location, resource endowment, population size and socio-economic-cultural orientation of a people define the importance of a state. In terms of geographical location, Bangladesh is at the northern tip of the Bay of Bengal, which is not very far from one of the busiest sea lanes of the world, and it is a bridge between South and Southeast Asia. Also, Bangladesh is one of the fastest growing economies among the least developed countries with a population of 165 million.⁸ It is a growing market and the country offers significant investment opportunities. It is a fledgling democracy and pursues an outward-looking foreign policy in order to foster greater trade, investment and diplomatic links.

Bangladesh is significant to India for a variety of reasons: security, economic, political, and foreign policy. Although Bangladesh is a relatively small country, its importance to India in terms of security is wide-ranging, of which three dimensions are specifically noteworthy. First, an unfriendly government in Dhaka can pose considerable security risks for India's Northeast region. Following the fall of the friendly Awami League (AL) government in Dhaka in 1975, the subsequent military regimes for one-and-a-half decades provided sanctuary to Northeast India's insurgent groups and served as a conduit for arms transfer to them from Pakistan and China.⁹ During this period, India struggled to contain the insurgencies in its northeast region. There was a lull in the arms transfer when the AL

⁸ Bangladesh is projected to grow at 8.13% in fiscal year 2018-19. See, 'Bangladesh's GDP growth to cross 8% for first time in FY19', *bdnews24.com*, March 19, 2019; available at: <https://bdnews24.com/economy/2019/03/19/bangladeshs-gdp-growth-to-cross-8-for-first-time-in-fy19>

⁹India provided similar assistance to the Shanti Bahini guerrillas in the Chittagong Hill Tracts. For a discussion on tit-for-tat activities of Bangladesh and India, see Subir Bhaumik, *Insurgent Crossfire: North-East India*, Lancer Publishers, New Delhi, 1996.

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government returned to power in 1996, but it was reversed when an unfriendly coalition government, comprising the Bangladesh Nationalist Party (BNP) and Jamaat-e-Islami (JI), assumed power in 2001.¹⁰ Aid to insurgents was stopped when the AL returned to power in 2009. Since then, New Delhi has received Dhaka's cooperation in its effort to contain the insurgent groups in the Northeast region.¹¹

Second, India can be more vulnerable to terror attacks if it does not obtain Dhaka's cooperation (and vice-versa). Both New Delhi and Dhaka have extended full cooperation to each other to fight terrorism since 2009. Following the coordinated attacks in all the districts of Bangladesh in 2005 by terrorist groups linked to international terror networks, it was feared that Bangladesh could be a springboard of international terrorism.¹² Such an eventuality could have a spillover effect on India. But Dhaka has pursued a comprehensive strategy against terror and the AL government has coordinated its policy with New Delhi to fight terrorism. Both the countries have benefited from such cooperation.

Third, in general, New Delhi considers Bangladesh as a part of its security sphere which derives from the perception that India's security needed to be viewed in terms of the subcontinental security. New Delhi inherited such a security perception from the British Raj.¹³ Subsequently, it came to be known as the 'India Doctrine', according to which it is posited that if any neighbouring state needs outside help, it must ask India, otherwise it would be viewed as 'anti-Indian'.¹⁴ India operationalised the doctrine at least three times in the 1980s: in 1987 when it sent peacekeeping forces to Sri Lanka; in 1988 when it responded

¹⁰A Bangladeshi court found that the director of a Bangladesh intelligence agency was involved in the transfer of arms to insurgent groups in Northeast India for which he was imprisoned. The incident took place during the tenure of the BNP government. See, '10-Truck Arms Haul: Trial begins with deposition of 3 witnesses,' *The Daily Star*, November 30, 2011. Also see, Hiranmay Karlekar, 'The Bangladesh Factor in India's Security,' *The Pioneer*, September 3, 2016.

¹¹Bhunitra Chakma, 'Bangladesh-India Relations: Sheikh Hasina's India-positive Policy Approach,' RSIS Working Paper No. 252, Rajaratnam School of International Studies, Nanyang Technological University, Singapore, November 2012.

¹²'Bombs in Bangladesh,' *The Telegraph*, August 18, 2005.

¹³L.J. Kavic, *India's Quest for Security: Defence Policies, 1947-1965*, University of California Press, Los Angeles, 1967; Bhunitra Chakma, 'South Asia's Realist Fascination and the Alternatives,' *Contemporary Security Policy*, 30 (3), 2009, pp. 395-420.

¹⁴ Bhabani Sengupta, 'The Indian Doctrine,' *India Today*, August 31, 1983, p. 20.

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rapidly to Male's call for assistance against a mercenary coup attempt; in 1989 when it imposed a blockade on Nepal when the latter attempted to establish military relationship (it was more about importing arms from China in violation of its treaty with India) with China.¹⁵ Put simply, Bangladesh is important to India's security due to the close geographic proximity between the two countries and the very nature of India's security perception and doctrine.

Bangladesh is also important to India for economic reasons. For decades, India has sought transit facility through Bangladesh to economically connect its isolated Northeast region (many call the region as 'Bangladesh-locked') with the mainland,¹⁶ but failed to obtain it due to the hostile relationship between the two countries during the tenure of non-AL governments in Dhaka. Dhaka's policy began to change when an AL-led government assumed power in 2009¹⁷ and in the past ten years the two countries have come a long way to establish the transit facility which India has sought for decades.¹⁸ In the meantime, of course, New Delhi is working towards establishing another route through Myanmar for which India is constructing a sea port in Myanmar's Rakhine state and building road connectivity from Rakhine state to Northeast India.¹⁹

Bangladesh also holds considerable significance for India's foreign policy and economic diplomacy. In the past decade, New Delhi has emphasised economic diplomacy as a focus of its foreign policy. India's 'Look East' (transformed later into 'Act East') policy is a case in point in this context.²⁰ By pursuing the 'Act East' policy, New Delhi seeks to build connectivity, trade and investment relationships with the East and Southeast Asian states. To successfully pursue this policy, New Delhi needs Dhaka's cooperation because of

¹⁵Devin T. Hagerty, 'India's Regional Security Doctrine', *Asian Survey*, 31 (4), 1991, pp. 351-363.

¹⁶ It is noteworthy that Bangladesh is the easiest land route to connect India's Northeast with the western mainland because of the difficult terrain of Meghalaya and the Siliguri corridor.

¹⁷ It should be noted that the AL was in power from 1996-2001, but the AL government could not make progress on several fronts due to its thin majority in parliament and the fact that it was a coalition government.

¹⁸'Bangladesh opens transit for India, beginning a new era in relations,' *bdnews24.com*, June 17, 2016.

¹⁹Nava Thakuria, 'Still under construction,' *The Statesman*, May 13, 2018.

²⁰M. Kauland A. Chakraborty, *India's Look East to Act East Policy: Tracking the Opportunities and Challenges in the Indo-Pacific*, Pentagon Press, New Delhi, 2016.

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Bangladesh's geographical location. As noted above, Bangladesh is a bridge between South and Southeast Asia and for building connectivity with East and Southeast Asian states, Bangladesh serves as the most effective land route.

Compared to India, Bangladesh does not hold vital security or economic importance to China. However, the country is still important in the broader context of China's international strategy that has political, economic and foreign policy dimensions. With rapid economic growth, China's international interests have expanded manifold. As noted above, this has led China to launch the BRI in order to safeguard and promote its external interests. As China seeks greater engagement and political influence to implement the BRI, Bangladesh as a neighbouring country becomes important.

Therefore, Bangladesh's importance to China primarily derives from its international strategy rather than from any vital security or economic interests. As the BRI now constitutes the key pillar of its international strategy, Bangladesh's importance needs to be conceived in terms of implementing the BRI.

But China's BRI projects in Bangladesh have inevitably led to a Sino-Indian tug-of-war to win over Dhaka due to vital Indian stakes in the country. Arguably, if China gains influence in Bangladesh, it will put India at a significant political and economic disadvantage. As Bangladesh's location is in the northern tip of the Bay of Bengal, the country is also important in the context of China's maritime silk road initiative under the BRI. China intends to build port facilities in Bangladesh.²¹ As can be evidenced, China has built ports in Myanmar, Sri Lanka, Pakistan and in the Western Indian Ocean region. Additionally, Bangladesh's importance to China derives from the Kunming initiative (later turned into Bangladesh, China, India and Myanmar or BCIM forum²²), which aims to build regional connectivity to promote trade and economic growth.

Given the discussion in this section, it is arguable that India's stakes are higher and vital in Bangladesh— particularly in the realms of security and economics— than China's. China's

²¹Wade Shepard, 'Bangladesh's Deep Sea Port Problem', *The Diplomat*, June 7, 2016.

²²For a discussion on BCIM, see S. Singh, and Z. Cuiping, (eds.), *BCIM: Economic Corridor: Chinese and Indian Perspectives*, Adroit Publishers, New Delhi, 2017.

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stakes in Bangladesh are not vital in the realm of security; its interest primarily derives from its international strategy manifested in the BRI.

Historical Background: Bangladesh-India and Bangladesh-China Relations

It is significant to trace back the history of bilateral relations between Bangladesh and the two powerful neighbours to understand the contemporary dynamics of Sino-Indian rivalry in Bangladesh. Bangladesh and India have a chequered history of bilateral relationship, while the relationship between Bangladesh and China has been steady since the two countries established diplomatic relations following the military coup in Bangladesh in 1975.

Bangladesh-India

Bangladesh and India have a chequered bilateral relationship. In 1971, during the war of liberation, India stood on the side of the Bengalis which helped to create the independent state of Bangladesh breaking away from erstwhile Pakistan.²³ As could be expected, a cordial relationship developed between the two countries in the early years of independence led by the Awami League and its leader Sheikh Mujibar Rahman. New Delhi provided significant political, economic and diplomatic support to the newly independent state to consolidate its sovereignty. But the cordial relationship was short-lived as an anti-Indian military regime took over power in Dhaka through a military coup in 1975.

Relations between Bangladesh and India remained hostile during the time of two successive military regimes²⁴ and both India and Bangladesh carried out hostile activities against each other from 1975 to 1990.²⁵ The hostility was accelerated due to the military regimes' use of anti-Indian sentiments to garner domestic support in order to legitimise and prolong their power.²⁶

²³Richard Sisson and Leo E. Rose, *War and Secession: Pakistan, India, and the Creation of Bangladesh*, University of California Press, Los Angeles, 1991.

²⁴Harun ur Rashid, *Bangladesh Foreign Policy: Realities, Priorities and Challenges*, Academic Press and Publishers Library, Dhaka, 2010, revised edition.

²⁵Subir Bhaumik, no. 8.

²⁶Bhumitra Chakma, 'Demilitarization: the Bangladesh Experience,' in Rajesh Basrur and Kartik Bommakanti, (eds.), *Demilitarising the State: The South and Southeast Asian Experience*, S. Rajaratnam School of International Affairs, Nanyang Technological University, Singapore, 2012, pp. 33-55.

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Following the two successive military regimes, although an elected government assumed power in Dhaka in 1991, Bangladesh-India relations did not improve because the party that came to power – the Bangladesh Nationalist Party (BNP) – was created by the first military ruler General Ziaur Rahman. Due to this legacy, the BNP government never earned the full trust of New Delhi. Therefore, there was no significant improvement in the bilateral relationship between the two countries until an AL-led government assumed power following the 1996 general elections. During the AL tenure, some longstanding issues were resolved; for example, a long-term agreement was signed for the sharing of the Ganges water (which could not be done during the time of the previous government).²⁷ The relationship between the two countries went on a downward spiral again when the BNP-Jamaat coalition returned to power in 2001. This trend largely continued during the tenure of the military-backed caretaker government in 2007-8²⁸ although more contacts were visible between New Delhi and Dhaka during this period compared to the tenure of the previous government.

The relationship between the two countries began to decisively improve following the installation of an AL-led government in 2009. The relationship continued to improve as the AL won the next general elections in 2014 and 2018. The improved relationship is manifested in the resolution of several longstanding disputes. For example, the land boundary and ‘enclave’ disputes were resolved only recently which were awaiting resolution since the birth of Bangladesh (or even before).²⁹ Similarly, the two countries have made significant progress on the transit issue to economically connect the isolated Northeast region with the Indian mainland. Security cooperation is a hallmark of their improved bilateral relationship. The two countries not only stopped helping the hostile elements against each other, they arrested the fugitives and extradited them. New Delhi has also extended significant economic assistance to Bangladesh in the past ten years. Of course, such assistance came against the

²⁷Bhumitra Chakma, no. 10.

²⁸ The general election in Bangladesh was supposed to be held toward the end of 2006, but disagreement between the two major political parties – the AL and the BNP – over the poll time government led to large-scale street violence which prompted the military to put pressure on the president to postpone the election and appoint a caretaker government. The military-backed government was in power for two years from 2006-2008.

²⁹ ‘India, Bangladesh swap border enclaves, settle old dispute,’ *The Hindu*, April 3, 2016.

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backdrop of a Chinese offer of economic assistance under the BRI. This issue is explored below in greater detail.

Bangladesh-China

China sided with Pakistan during Bangladesh's liberation war in 1971 although it refrained from actively supporting the country by providing arms or putting pressure on India from the north which the Pakistan government desired.³⁰ Extending its support to Pakistan, Beijing did not recognise Bangladesh until the AL government was toppled through a military coup in 1975. As soon as the military regime took over, China seized the opportunity to establish relations with Dhaka by recognising the independent state of Bangladesh. The military regime in Bangladesh was also eager to establish diplomatic relations with China to neutralise Indian hostility towards Dhaka. The relationship flourished in the ensuing years and steadily improved. The improvement was particularly evident in the defence sector. The momentum of improvement in bilateral relations was maintained during the tenure of the second military regime.

Over the years, the Sino-Bangladesh relationship steadily improved irrespective of regimes in Bangladesh. China overtook India as the principal source of import, notably in the defence sector, in 2005.³¹ Indeed, Bangladesh presently is the second largest importer of Chinese arms after Pakistan. The bilateral relationship could be even deeper if Dhaka did not have to consider the India factor in building its ties with Beijing. It is arguable that New Delhi has always been watchful about Sino-Bangladesh relations. Nonetheless, the relationship between Dhaka and Beijing has continuously improved. In recent years, Sino-Bangladesh relations have improved even further in view of China's BRI initiatives and the offer of financial assistance for infrastructure building.³² But it has triggered Sino-Indian competition for influence in Bangladesh.

The BRI and Sino-Indian Competition for Influence in Bangladesh

³⁰Mizanur Rahman Shelly, *Emergence of a New Nation in a Multipolar World: Bangladesh*, : University Press Ltd., Dhaka, 1979.

³¹'Bangladesh balances between big brothers China and India,' *East Asia Forum*, June 2018.

³² During the visit of Chinese President to Bangladesh in October 2016, the Bangladesh-China relationship was upgraded from 'comprehensive partnership' to 'strategic partnership of cooperation'.

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Since the launching of the BRI in 2013, Beijing has pursued assertive economic diplomacy towards South Asia and undertaken various investment projects in South Asian states. The \$62 billion China-Pakistan Economic Corridor, a major BRI project, is a key example of Chinese investment in the region. This is the largest economic package China has offered under the BRI to a single country. Beijing has also offered loan packages and undertaken investment projects in Sri Lanka, Myanmar, Maldives, Bangladesh and Nepal (the only exceptions in the region are Bhutan and Afghanistan) which have triggered a geo-economic competition between China and India for 'regional dominance'.³³ The competition is intense due to the clash between China's assertiveness to gain more geopolitical influence in the neighbourhood and New Delhi's concern that the BRI projects would undercut India's traditional influence in South Asia.

The Bangladesh-China relationship, as noted above, steadily improved over the years since the two countries established diplomatic relations in the mid-1970s. In course of time, China emerged as Bangladesh's largest arms supplier as well as its largest trading partner; currently, China constitutes 26.5 per cent of the country's total international trade (although the trade imbalance is in favour of China).³⁴ In recent years, the relationship appears to have entered a new phase with huge Chinese investment offers as part of its BRI drive. In 2016, as noted earlier, Chinese President Xi Jinping during his visit to Dhaka offered \$ 24.45 billion for infrastructure development, the largest sum ever pledged to Bangladesh by a single country.³⁵ During the same visit, the relationship between the two countries was upgraded from 'comprehensive partnership of cooperation' to 'strategic partnership of cooperation', thus highlighting a trend of even closer relationship between the two countries.

China has offered investment in diverse sectors of the Bangladesh economy from large infrastructure projects to medium and small size projects to investment in special economic

³³ 'How India and China are vying for influence in South Asia', *The Times of India*, March 21, 2018.

³⁴ Mahfuz Kabir, 'Expanding the Bangladesh-China trade frontier,' *The Daily Star*, October 10, 2016.

³⁵ Ishrat Hossain, 'Bangladesh balances between big brothers China and India,' *East Asia Forum*, June 6, 2018.

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zones.³⁶ China has also bought 25 per cent stake in Dhaka Stock Exchange.³⁷ A closer scrutiny of the BRI projects in Bangladesh highlights China's assertive drive for influence in Bangladesh which has elicited reaction from India and other powers. Consequently, some Chinese projects have been either cancelled or delayed in implementation.

China's BRI projects in South Asia have alarmed New Delhi³⁸ which it perceives as Chinese encroachment in its backyard. Also, there has emerged a growing sense of encirclement in New Delhi since China began to implement the BRI and build ports and other facilities in South Asia and the Indian Ocean Region.³⁹ To counter China's BRI projects, New Delhi revised its regional diplomacy with several policy initiatives. It is in this context that New Delhi formulated its 'neighbourhood first' policy⁴⁰ and began to emphasise sub-regional and cross-regional initiatives in the Eastern part of the subcontinent. It also has launched its own connectivity projects and offered various economic incentives to small South Asian states to keep them away from Chinese influence.

Given that India has vital security, political, economic and foreign policy interests in Bangladesh, New Delhi has traditionally maintained a close watch of Chinese activities in that country. It began to intensify once China launched the BRI and undertook various investment projects in Bangladesh. To counter China's influence, New Delhi has adopted a multi-pronged strategy toward Dhaka including security cooperation, political support to the AL regime, economic assistance, etc.

³⁶ For an overview of various Chinese projects, see Reaz Ahmad and Rejaul Karim Byron, 'China-Funded Projects: Dhaka seeks to speed up deals,' *The Daily Star*, November 15, 2017.

³⁷ 'Dhaka Stock Exchange sells 25 pct stake to Chinese consortium,' Reuters, May 15, 2018 at <https://www.reuters.com/article/bangladesh-dhaka-stock/dhaka-stock-exchange-sells-25-pct-stake-to-chinese-consortium-idUSL3N1SM3ZX> (Accessed on September 3, 2018).

³⁸ Kiran Stacey, 'Chinese investment in Bangladesh rings India alarm bells,' *Financial Times*, August 6, 2018.

³⁹ James Bennett, 'India fears Chinese encirclement, citing 'overwhelming' Sino presence in South Asia,' ABC News, June 5, 2017 at <http://www.abc.net.au/news/2017-06-05/india-fears-chinese-encirclement/8591160> (Accessed on September 3, 2017).

⁴⁰ Rakesh Sood, 'Reviving 'Neighbourhood First', *The Hindu*, May 9, 2018; for an insightful discussion on India's neighbourhood policy, see Smruti S. Pattanaik and Arvind Gupta, 'Does India Have a Neighbourhood Policy,' *Strategic Analysis*, 36 (2), 2012, pp. 229-246.

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In 2017, New Delhi offered a \$5 billion Line of Credit to Bangladesh, which was India's biggest loan offer to a single country. Additionally, India has offered assistance for building power plants, ports and nuclear power plants as well as grants and loans for various medium and small sized projects. A key objective of New Delhi behind all these projects and assistance is to counter China's greater footprint in Bangladesh. However, these initiatives also reflect India's objective to interlock its interests with Bangladesh in its pursuit of the Look East policy and connect the Northeast region with the mainland.

New Delhi has also opposed several BRI projects in Bangladesh because it considers that they will harm India's long-term geo-strategic interests. A closer scrutiny of the BRI projects in Bangladesh reveals that Dhaka had to cancel some projects or had to at least slow down their implementation due to pressure from India and other powers, i.e. Japan and the US. Specifically noteworthy in this context are the port development projects which were opposed by India. Even before the launching of the BRI, Beijing showed interest in port development in Bangladesh and offered funding for the development of the Chittagong Port which was heavily silted and needed dredging. Also, the Port could not dock large ships as it was in shallow water. In view of Bangladesh's growing trade, an expansion of the Chittagong Port was needed for which China was ready to finance. Additionally, China was interested to build a deep-sea port at Sonadia in Southern Bangladesh. In 2010, China agreed to provide the funding for building the Sonadia Port. In February 2016, the Chinese funding was abruptly cancelled in favour of a Japanese fund to build a deep-sea port at Matarbari (not very far from Sonadia).⁴¹ The reason for the cancellation of the Sonadia project was that India, the US and Japan strongly lobbied with the Bangladesh government to cancel it because they were concerned that it would provide China significant advantage in the maritime rivalry in the Indian Ocean.

Another manifestation of Sino-Indian rivalry in Bangladesh and Eastern South Asia can be observed in the dynamics of the BCIM (Bangladesh, China, India and Myanmar) forum. BCIM was started as a non-governmental initiative in 1999, but in 2013 it was taken up by the governments of the four countries. The initiative faced roadblocks when Beijing brought

⁴¹Sanjeev Miglani and Ruma Paul, 'Exclusive: Bangladesh favours Japan for port and power plant, in blow to China,' Reuters, September 10, 2015 at <https://www.reuters.com/article/us-bangladesh-japan-china/exclusive-bangladesh-favors-japan-for-port-and-power-plant-in-blow-to-china-idUSKCN0RA1S620150910>

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it under its BRI initiative in 2015 which New Delhi opposed. New Delhi's opposition particularly became stubborn when Beijing wanted to model it like that of the CPEC.

Therefore, it is evident that China and India (and other international actors in support of the latter) are engaged in a tug-of-war for influence in Bangladesh. It is intense and is likely to continue in the foreseeable future.

Bangladesh's Coping Strategy

The geo-economic competition between the two powerful Asian states has thrown Bangladesh (and other smaller states of the region) in a quandary. The challenges of Bangladesh not only derive from its size, they are compounded by the country's geographical location. Of course, competition between powerful states not only produces challenges for smaller states, it may also generate opportunities which they can manoeuvre to their advantage. So, how is Bangladesh coping with the challenges and seizing the opportunities that the geo-economic competition between China and India has generated?

Dhaka thus far appears to have managed the challenges and opportunities of Sino-Indian competition skilfully. It has adopted a balanced approach in which it has strived to tap the benefits of China's BRI funding while remaining very sensitive to the core concerns of New Delhi. This may appear to be siding with India in the Sino-Indian competition, but a careful analysis would indicate that this is the pragmatic approach Dhaka can follow, given its conditions. Bangladesh needs foreign investment to economically grow, for which the Chinese BRI offers are attractive, but it needs to remain sensitive to the Indian concerns because of the India-locked character of Bangladesh's geographical location and India's significant security and economic stakes.

Dhaka has endorsed the BRI.⁴² The perception in Dhaka is that the country needs external funding for its infrastructure development and the BRI provides an opportunity to achieve that, which in turn will accelerate economic growth.⁴³ Also, it is not only about investment in infrastructure-building; it is also an opportunity to expand the country's foreign trade. It is argued that as production cost in China is rising— in particular in the ready-made garments

⁴² 'Foreign Secretary in Delhi: Bangladesh support China's One-Belt-One Road', *Dhaka Tribune*, October 7, 2017.

⁴³ 'Dhaka defends Beijing's Belt and Road Project,' *The Hindu*, October 5, 2017.

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sector– it will force China to relocate its industries elsewhere where the production cost is low. Bangladesh could be an attractive destination for that. Such an eventuality will contribute to the expansion of Bangladesh’s international trade.⁴⁴ An increase of exports to China will help reduce the huge trade gap between the two countries.

However, Dhaka needs to be pragmatic in accepting China’s investment offers and in its engagement with Beijing. As noted above, India’s security, economic and foreign policy stakes in Bangladesh are higher than those of China’s. So, Bangladesh needs to be cautious in its approach and in accepting China’s offers because too much Chinese influence could be counter-productive and could invite India’s hostility which in turn may hamper the country’s economic growth, for which it first accepted China’s BRI funding. Given such a context, Dhaka has pursued a cautiously balanced approach towards the two countries in which it remained sensitive to Indian concerns whilst selectively accepting Chinese loans. There are several other reasons as well for which the Bangladesh government demonstrates sensitivity towards India’s concerns. These are as follows:

First, the AL as a political party has traditionally been close to India irrespective of the party heading the government in New Delhi. The closeness, however, tends to be higher when there is an AL-led government in Dhaka and a Congress-led government in New Delhi. There are historical and ideological reasons for this. The liberation war of Bangladesh was led by the AL and the party received invaluable support from India during the war, including military help which decisively contributed to the independence of Bangladesh. It is noteworthy that the Congress Party was in power in New Delhi when the war of independence took place. This experience during the war of independence played a crucial role in shaping the relationship between the two countries when AL assumed power in Dhaka. Ideologically, the AL as a secular political party is close to the Congress Party’s political orientation. Furthermore, the AL chairperson and current prime minister was given shelter by the Indian government when she was in exile following the 1975 military coup. So, the current prime minister has a feeling of gratitude which has had an impact on the current government’s foreign policy approach toward India.⁴⁵ It must, however, be noted that the

⁴⁴ Md Anwar Hossain, ‘Belt and Road Initiative (BRI) and Bangladesh,’ *Daily Sun* (Dhaka), July 14, 2018.

⁴⁵ Bhumitra Chakma, ‘Sheikh Hasina Government’s India Policy: A Three Level Game?’ *Journal of Asian Security and International Affairs*, 2 (1), 2015, pp. 27-51.

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Sheikh Hasina government built a cordial relationship not only with the Congress-led UPA government (2009-2014), Dhaka-Delhi cooperation has continued to improve under the BJP-led NDA government as well since 2014.

Second, Bangladesh is nearly an 'India-locked' state which is surrounded by the big neighbour on three sides (except about 172 miles border with Myanmar). Its geographical location makes it imperative that it maintains a close, cooperative relationship with India for security, economic development, water sharing and environmental protection.

Third, India is a key factor in Bangladesh's domestic and electoral politics. Although many previous governments and political parties used anti-India rhetoric to gain domestic political support, recent trends suggest that all major political parties have sought India's tacit or active support in electoral politics. Before the last general election in December 2018, all major political party leaders (AL, BNP and Jatiyo Party or JP) visited New Delhi.⁴⁶ What can be deduced from those visits is that India is a crucial factor in Bangladesh's domestic and electoral politics. The government led by the AL is thought to be the natural ally of India and in all likelihood gained India's tacit support in the general election. Given such a context, it is not surprising that any political party in power in Dhaka would not do anything that would erode New Delhi's trust.

These factors have had a significant influence in determining Dhaka's cautious approach towards Sino-Indian rivalry in Bangladesh. Although it appears to be India-leaning, Dhaka's behaviour has been more balanced, subtle and pragmatic in which the Bangladesh government has zealously guarded its policy-making autonomy. Notwithstanding India's reservations, Dhaka has endorsed the BRI and welcomed Chinese loans in selective areas of the economy and in infrastructure-building. Although Dhaka cancelled the Sonadia Port-building agreement with China due to pressure from international actors, Bangladesh government, it should be noted, did not hesitate to accept Chinese loans in several key infrastructure-building projects. Also, as noted earlier, Dhaka sold 25 per cent stake to a Chinese consortium in the Dhaka Stock Exchange in which both Chinese and Indian

⁴⁶A 3-member BNP delegation visited New Delhi for interaction with Indian think-tanks from March 3-10, 2018. Its objective was ostensibly to persuade the Indian government to help hold free and fair general elections in Bangladesh. A JP delegation led by its chairperson H.M. Ershad also paid a 4-day visit to New Delhi in July 2018. Similarly, AL General Secretary Obaidul Quader led a 19-member delegation to India in April 2018.

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companies competed. Furthermore, Dhaka bought two submarines from China in 2017, notwithstanding New Delhi's apparent displeasure,⁴⁷ which also reflects Bangladesh's balanced approach toward the two Asian powers.

Indeed, in managing the challenges of Sino-Indian competition, Dhaka subtly acted like a fence-sitter, by which it maintained policy autonomy, remained sensitive to India's core concerns, selectively accepted Chinese loans and avoided the risk of falling into a debt trap. It is noteworthy that there are concerns in Bangladesh about unsustainable BRI loans similar to that of Sri Lanka.⁴⁸ Similar concerns led Myanmar to renegotiate China's investment in development of a port in Rakhine state,⁴⁹ and Malaysia's newly-elected Prime Minister Mahatir Mohammed to cancel several Chinese-funded projects which were taken up by the former government.⁵⁰ Also, questions have arisen in Pakistan about the viability of the CPEC.⁵¹ These developments did not go unnoticed in Dhaka. A prominent Bangladesh news outlet has pointed out that if not careful, Bangladesh could fall into a debt trap from its BRI loans.⁵²

Conclusion

The article has explained Sino-Indian competition for influence in Bangladesh since the announcement of the BRI by Beijing in 2013. It first explained the importance of Bangladesh to India and China. Arguably, the importance that they ascribe to Bangladesh defines their interests in that country which forms the basis of their competition. Then it explored the evolution of their bilateral relationships with Bangladesh which is important to understand

⁴⁷ 'Bangladesh PM defends decision to buy two Chinese submarines', *The Times of India*, July 13, 2017.

⁴⁸ Sri Lanka fell into a Chinese debt trap for which it had to lease the Hambantota Port for 99 years to a Chinese company in the south of the country which overlooks the Indian Ocean and carries considerable strategic importance. On this, see 'How China got Lanka cough up Hambantota,' *The Times of India*, June 27, 2018.

⁴⁹ 'Myanmar scales back Chinese-backed port project over debt fears,' *The Guardian*, August 2, 2018.

⁵⁰ 'Malaysia's Mahatir cancels China-backed rail, pipeline projects,' Reuters, August 21, 2018 at <https://www.reuters.com/article/us-china-malaysia/malaysias-mahathir-cancels-china-backed-rail-pipeline-projects-idUSKCN1L60DQ>. (Accessed on March 19, 2019)

⁵¹ S Akbar Zaidi, 'Has China taken over Pakistan?', *The News on Sunday*, June 18, 2017; Mushtaq Rajpar, 'Will PTI revisit CPEC?', *The News International*, September 8, 2018.

⁵² Inam Ahmed, 'Debt trap?', *The Daily Star*, September 4, 2018.

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the contemporary dynamics of their competition in that country. Thereafter, the article illustrated the economic engagement of the two countries in Bangladesh which manifested their geo-economic competition. Finally, the article analysed Bangladesh's strategies to cope with the challenges and exploit the opportunities that have arisen out of the Sino-Indian rivalry.

On the importance of Bangladesh to the two countries, it is noted that India as a close geographic neighbour has vital security, economic, political and foreign policy stakes in the country. Bangladesh's importance to China primarily relates to its international strategy manifested in the BRI. It is posited that India's stakes are much higher in Bangladesh than China's. On the evolution of their bilateral relationships, it is concluded that while Bangladesh-India relations have experienced ups and down, the relationship between Bangladesh and China evolved and improved steadily.

The analysis of this article highlights that while historically there was an element of competition between the two powers in Bangladesh, that competition has intensified in recent years in the context of the BRI. Indeed, alarm bells rang in New Delhi as China's footprint began to dramatically increase in Bangladesh (and other South Asian states). New Delhi has provided significant economic incentives to Bangladesh to counter China's offer of infrastructure development. In particular, development of ports emerged as a contentious issue. Also, it is evident that Japan and the US supported India in its quest for influence in Bangladesh against China.

Managing Sino-Indian rivalry has been challenging for Bangladesh, but Dhaka apparently has managed it with skilful diplomacy and policy initiatives. The Bangladesh government has adopted a balanced approach to deal with the challenges of Sino-Indian rivalry while remaining sensitive to India's core concerns yet exploiting the opportunities presented by the BRI. While Dhaka accepted Chinese funding selectively, it remained respectful to India's concerns. Importantly, it persistently maintained policy autonomy notwithstanding pressure from both powers. Indeed, Dhaka played a balancing act and used its card skilfully as a fence-sitter which in turn has enhanced its own interests.

The key implication of the analysis of this article is that the Sino-Indian rivalry will create challenges and opportunities for the small states of South Asia. They will have to follow a cautious approach to cope with the challenges and exploit the opportunities the rivalry

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presents. In all likelihood, the rivalry between the two powers will intensify in the coming years. The smaller states will have to be pragmatic and skilful to protect and promote their interests.