

A decade of Dragon's Debt & Trap Initiative in South Asia

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Abstract

In order to expand its influence through the harshly criticised Belt and Road programme, China deliberately enters into unsustainable debt-for-infrastructure agreements with emerging nations, particularly those with weaker political and economic situations. Beijing's debt-clench policy, using its economic superiority and influence to extend outsize loans to weaker foreign countries on favourable terms and later playing hardball to recover them, forcing the beneficiaries to give up their sovereignty of their controlled territory. As Chinese investments, land acquisitions, space and military projection, in grow, Beijing taking more aggressive approach in name of collaboration to serve its long-term interests.

William Shakespeare in his preeminent play *The Merchant of Venice* (Shakespeare, W) delineates the character of notorious Shylock who mercilessly insists from the borrower a pound of *his own flesh* as collateral. Drawing inspiration from the character, the contemporary Shylock of the globalised world, the China, in name of selling the idea of a new silk road, consisting shipping routes, ports, refineries, industrial parks, port cities, roads, railway lines, roads and power plants lured number of developing countries across the globe by providing heavily subsidised loans more than they could afford for constructing the proposed mega projects, and when the mendicant countries defaulted the borrowings, China enslaved them by seizing their strategic assets as collateral.

The historic Silk Road served as the world's arteries for people, products, and ideas for centuries (Frankopan:2015). It is a prime example of a dynamic route. The Belt and Road Initiative (BRI), which is now the most ambitious, extensive, and expensive initiative in the world, was first moved by the President of China, Mr. Xi Jinping in

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2013(Chatzky and McBride: 2020). It aims to revive the ancient route and build other routes for the purpose of integrating global markets. With an estimated cost of between one and eight trillion dollars (Hillman:2018), this would result in a massive collection of investment and development projects spanning from East Asia to Europe in at least 140 countries (Nedopil:2021), considerably increasing China's economic and political influence.

The BRI unites two programmes: First, the Silk Road Economic Belt, a land-based initiative that consists of six growth corridors, including Jilin to Saint Petersburg in Russia, Kazakhstan to Turkey, Shandong to Denmark, Guangdong to Bangladesh, Hainan to Malaysia, and Xinjiang to Pakistan. Another is the maritime *Silk Road of the 21st Century*. The China-Pakistan Economic Corridor (CPEC) is the BRI's *crown jewel project* in South Asia. It travels from Xinjiang to the Gwadar Port in Pakistan (*The Dawn: 30 June 2022*) giving Islamabad a new alternative route for oil and gas through West Asia as well as a crucial outlet to the Arabian Sea, estimated cost to be US \$62 billion (Small:2020) and it seeks to expand the Karachi Trade Corridor to create a dedicated railway line from Karachi port to Pipri at an estimated cost of Rs130bn (*The Dawn:4 April 2021*), or about 25% of Pakistan total GDP e.g. \$278.22 billion (*Macro Trends:macrotrends.net*). It is important to note that Pakistan's total external debt climbed as high as US\$ 116 billion (*CEIC Data:ceicdata.com*). It is easy to imagine the precarious economic condition of Pakistan and its repayment capacity of the loans taken for CPEC. Pakistan has already handed over the Gwadar port to China on lease for forty years which will also keep 91% share of the income generated from the port (*The Dawn:23 June 2022*).

Similarly, Habanbatota Port of Sri Lanka, constructed under BRI, is also a striking example of China's wolf-warrior diplomacy (Hillman:2018). In a contentious loan swap, Sri Lanka was compelled to give China a 99-year lease on its port (*ibid.*) demonstrating that China is aggressively building naval outposts as part of its sea pearls theory (Hankwon:2013) to advance Chinese strategic interests across the globe. China is constructing another nest in Sri Lanka, a gateway to South Asia in the

Indian Ocean, a new metropolis that will expand Sri Lanka's largest city, Colombo, roughly the size of central London, creating a financial hub as Dubai with a business friendly atmosphere like Singapore, lined with Chinese skyscrapers, exotic hotels, high-rise homes and theme parks (*Safi:2018*). It is claimed to create thousands of new jobs and have a population of about three lakhs people with thousands more commuting each day, raising serious concerns not only of environment, local livelihood, and the sovereignty of the island nation but also of neighbouring India. The Port City of Colombo (CPC) becoming a reality in the backyard of India, possibly less than three hundred km away from India's southern-most tip Kanyakumari.

In order to offer China a strategic advantage along its much-discussed Maritime Silk Road, the CPC is being built by reclaiming many hectares of land from the Indian Ocean. This would also glorify Beijing's wolf-warrior Belt and Road Initiative which the world witnessed Sri Lanka to hand over its Habanbatota Port on a controversial debt-swap, fulfilling strategic ambition of China in South Asia. Through this exercise, it is widely considered that Chinese are aggressively creating naval outposts as part of its string of pearls theory along the salami slicing approach that enhances pressure on competing states for favourable gains to Chinese interests (*Chellaney:2021*).

The Colombo Port City Economic Commission Bill was approved by the Sri Lankan parliament on May 20, 2021. It establishes the nation's legal framework and designates 269 hectares of land that was reclaimed from the ocean and annexed to the city of Colombo as the country's first special economic zone (SEZ) for service-oriented industries (*dailymirror.lk:20 April 2021*). With an estimated US\$1.4 billion in investment, may further spur a US\$13 billion in secondary investment, CPC is the largest foreign direct investment project ever for Sri Lanka (*Rossi:2019*). It is also believed to be China's largest investment to date in the island country in the Indian Ocean.

Further, compromising sovereignty, Sri Lanka sold its land and resources for Chinese investment for undergoing Colombo Port City which raised

deep concerns in Sri Lanka parliament dubbing the City as a *Chinese enclave* (*Ceylontoday.lk:25 May 2021*). Sri Lanka's dependence on Chinese financial largesse is also growing exponentially. In fact, various political parties cutting across Sinhala-Tamil lines expressed deep concern on these issues in parliament and described the CPC a Chinese enclave as many of Sri Lanka's laws would not be applicable there and also questioned whether One country, One law meant Chinese law. (*Ibid*) Some opposition leaders accused the government to pave the way for Cheelam (China & Eelam) in place of Tamil Eelam (*Sumanthiran: 2021*).

Further, this port could be used to augment China's Intelligence and counter-intelligence operations and eavesdrop on Indian Intelligence and communication, enhance cyber threats and satellite tracking and ultimately challenging India's clout in this region. Chinese may also help anti-India elements to enhance their operations against India. In the past, Pakistan used its High Commission in Colombo to infiltrate agents and terrorist into India from the sea (*Roul:2014*) With increased Chinese threats from mountains to oceans, India will have no option but also to tighten its coastal security to prevent any belligerence like Dokalam in 2017 or the continuing provocation in Ladakh region of India.

In another stark examples of Beijing's debt-clench policy, Maldives met the same fate as Sri Lanka when it got Chinese assistance for economically unsustainable China-Maldives Friendship Bridge (*Ethirajan:2020*), under BRI. The former President of Maldives, Md. Abdullah Yameen obtained Chinese assistance for China-Maldives Friendship Bridge under Belt and Road initiative. Now, the Maldives is facing heavy Chinese debt burden of US\$ 3.1billion, an astronomical sum for Maldivian economy with GDP of around US\$ 4.9 billion while Bangladesh is facing the fund crunch under BRI (*thedailystar.net*). The new Maldivian government under President Md. Ibrahim Mohammed Solih may scrap the Chinese plan of constructing underwater Joint Ocean Observation Centre (JOOC) like constructing at South China Sea, in a Maldivian island, close to India's Lakshadweep port to open a Chinese maritime front against India. Previously, in 2017, a formal

agreement between the two nations on the establishment of a joint ocean observation station was signed with the goal of ensuring the safety of the Indian Ocean shipping route (*Parashar:2018*). This agreement would serve both civilian and military purposes. It is also significant to remember that Md. Nasheed, the former president of the Maldives, asserted that China had already bought the 17 northernmost atolls from the Maldives for a throwaway price, promising to develop tourist attractions without providing enough information about other Chinese activities on these islands (*Macan-Markar:2020*).

It is important to remember that China is not happy at all with the US, India, Japan and Australia led-QUAD which China believes has been formed to sow international discord by projecting China as a potential threat (*thewire.in:19 October, 2022*) The CPC will make it easier for Chinese navy to track the warship movements to control shipping routes, to dictate Maritime trade rules including overall future operations of the QUAD. For India, the best hope to salvage some foothold in Sri Lanka is if the Quad, particularly the United States, acts on behalf of New Delhi. While there are no signs of that at the moment, it may just be a matter of time before Colombo feels the pressure from the US. In June 2021, feeling threatened by the QUAD's future prospects of expansion (*Ananth:2021*).

Li Jiming, China's ambassador to Bangladesh, cautioned Bangladesh against jeopardising Chinese promises for large-scale infrastructure projects under BRI and that the country not contemplate joining the Quad grouping (*thedailystar.net:28 June 2022*). Although there are currently no plans to expand the Quad framework, Mr. Li's comments were viewed as a warning ahead of time and were in line with earlier comment made by China's Defence Minister, Wei Fenghe, who urged countries in South Asia to avoid joining any military alliances during visits to Colombo and Dhaka (*Ejaz:2021*), Mr. Fenghe added that China and Bangladesh should work together to counter hostile forces attempting to impose hegemony and form a military alliance in South Asia (*ibid*). In light of this, China is attempting to forge military links with India's neighbours Bangladesh and Nepal and consolidate existing

relations with Pakistan. Notably, some Chinese officials have referred to the Quad as an Asian NATO and a military alliance, terms that its participants have strenuously rejected (*Zhang:2020*)

There are frequent incidents of Chinese official's aggressive misbehaviour/assault on Bangladeshi nationals at the various BRI project sites in Bangladesh, shows the mind-sets of Chinese (*Choudhary:2021*). In the under-construction BRI-Lebukhali Bridge area over the Payra River of Bangladesh, when the matter of assault came to light, the agitated Bangladeshi construction workers attacked some of the Chinese workers and vandalized their cars and barracks (*Anisur:2021*), Security risks and costs of the China-Pakistan Economic Corridor are also rising amid a resurgence of the deadly attacks by the locals in Pakistan also (*Adnan:2021*).

It is important to note that the BRI is a debt trap designed to entice developing countries into taking on more debt than they can handle. Once these countries are buried in debt, the Chinese use confiscation of key assets as collateral to enslave them. During the protests in Myanmar, Chinese BRI investment projects located inside an industrial park in Yangon were looted and damaged. Chinese workers reported suffering a number of injuries, and an initial count indicated a 240 million yuan (\$36.93 million) damage of property. (www.the-global-times.com, 16 March 2021). In light of worries about debt, project viability, the ecology, and earthquakes, the route connecting Tibet and Kathmandu is having difficulty taking off (*Bhushal:2019*). Nearly all BRI member nations are burdened with exploitative Chinese loans (*Mark:2019*). According to the Centre for Global Development, more BRI countries, including Djibouti (*Cheng:2018*), Kyrgyzstan (*Furukawa:2018*), Laos (*Hunt:2020*), Malaysia (*Shepard:2020*), Mongolia (*Younis:2020*), Montenegro and *Aleksandar:2018*), Nigeria (*Unekwu:2020*), and Tajikistan (*Sodiqov:2011*), face a serious risk defaulter because the BRI's procurement and contract handover procedures were hardly transparent and competitive.

A minimum of nine key naval stations are also being built by China as part of the BRI's string of pearl plan (*Lim:2020*). These outposts will provide China

the ability to keep troops stationed far from home, station warships, control maritime lanes, set trade regulations, etc. Keeping the completion date of each project in 2049 to commemorate the 100th anniversary of the People's Republic of China, it seems not just an economic plan but also a strategy to rule the globe (*Lehmann:2019*).

Nearly all Chinese participants in this financial and infrastructure spree, including bankers, managers of public enterprises, and envoys, face warped financial and political incentives to look for more BRI deals. This is a major concern. It is understandable that Chinese financial officials, construction companies, and envoys have pursued unviable projects in unsustainable ways given that upfront economic and political incentives seem too often exceed worries about transactions going wrong (*Deutsche:2021*). Chinese entry in the Maldivian water, through economically unsustainable projects significantly attracted major stakeholders like US and India to protect their commercial/military interests. China's increasing investments and political influence in south Asian countries prompted India to increase its diplomatic presence in order to appropriately counter Chinese-game plan in the region.

It is widely known that China aggressively and irresponsibly plays aid/loan diplomacy card to trap the small, weaker and corrupt governments of the South Asia. These nations take out new loans to cover the interest on their existing debt, which compromises their sovereignty and traps them in a never-ending debt cycle. Corrupt politicians of these countries excuse for sinking to Chinese promising its people of sparkling new infrastructure (*Wade:2020*), China would become the new imperial power by using its economic superiority and influence. Beijing taking more aggressive approach in name of collaboration to serve its long-term interests. It is widely known that China aggressively plays aid/loan diplomacy card. Finding out that the BRI is quickly becoming a belt whose roads are blocked for the borrowing nations by heavy debts. The road to global dominance built by Xi Jinping is undoubtedly full of potholes (*Anisur:2021*) and a worried sign for the world because of dragon's robbing in several countries together.

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