



Chinese Investments in South Asia: The Strategy of Anti-Access and Area Denial to India



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South Asia is home to nearly 1.7 billion people, which is effectively 14 per cent of the world's population and has maintained around 7 per cent growth rate over the years. However, the region for long, has remained in the shadow of the India-Pakistan and Sino-Indian relations. This has besides other things also affected regional co-operation, be it at the bilateral, trilateral, or multilateral level, by means of groupings such as the South Asian Association for Regional Cooperation (SAARC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Association of Southeast Asian Nations (ASEAN), and even Brazil, Russia, India, China and South Africa (BRICS). When seen in the larger perspective, China's strategic investments in South Asia have been part of its very well thought out plan of Anti-Access and Area Denial (A2/AD) strategies and technologies. A2/AD is an integrated and well-coordinated process of effectively

combining political, economic, and informational tools with potent and credible military capabilities over a protracted period of time against the adversary to deny any defined or identified area of interest, be it, on land, sea, or air.

As and when, the adversary seeks to intervene in these arenas it would come at a prohibitive cost in terms of men, material, and resources. With reference to India, ever since the annexation of Tibet that began in 1951 and during the 1962 war with India, Beijing has found an excellent ally in Pakistan since 1963. The China-Pakistan relationship further got strengthened when Pakistan illegally handed over the Shaksgam Valley, an area of 5,800 sq km of Pakistan-occupied-Kashmir. In the maritime realm, the familiar 'String of Pearls' strategies, starting with psychological isolation of India to now its physical isolation, by means of proactive political and diplomatic outreach in South Asia. The grand vision of the One Belt

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One Road (OBOR) project extending to the Indian Ocean Region and unfolding itself from Gwadar to Myanmar, are just a few examples. When we talk of Chinese investments in South Asia, it has to be holistically considered in areas including economics, political outreach (where diplomacy is an integral part of the process), and military capabilities.

Pakistan has indeed come out as a frontline state of China almost on the lines of North Korea. The \$54 billion announced investment for China Pakistan Economic Corridor (CPEC), culminating into developments of the Gwadar and Karachi ports is definitely going to impact, strain and imbalance the security matrix in South Asia. China has inroads in the political and military domain of Pakistan. However, this article chooses to highlight Chinese investments in the rest of South Asia, excluding Pakistan, since the shadow of China's ties with Pakistan has always eclipsed Beijing's steady inroads into rest of the nations of the sub-continent.

Sri Lanka

In the case of Sri Lanka, China's surge towards Colombo draws greater attention. China had already established a hold during the later stages of Sri Lankan war against the Liberation Tigers of Tamil Eelam (LTTE), through the supply of weapons worth almost \$1 billion to the Sri Lankan armed forces in 2005. It won a favour by securing the projects for construction of a modern facility port at Hambantota and an ultra-modern International Airport at Mattala in 2006. Tragically, these projects were initially offered to India, but not taken up by New Delhi due to questionable commercial viability. However, China grabbed it, not for its commercial viability, but immense strategic value for its own maritime presence in the Indian Ocean Region to oversee the security of its Sea Lanes of Communication (SLOCs).¹ Today, a decade later, Sri Lanka realizes that it has a huge

national debt of \$ 64 billion including \$ 8 billion to China alone, and, is in no position to pay for the project. At present, approximately 90 per cent of the government revenue is going towards repayment of loans.² Sri Lanka has apparently bartered 80 per cent holdings in Hambantota and Mattala to the state-controlled China Merchants Port Holdings on a 99 years lease. This is part of a debt equity swap. China has also undertaken development of real estate on a reclaimed land near the Colombo port for \$ 1.4 billion.³ Despite this new Chinese investment of over \$ 1.5 billion, and a promise to further invest \$ 5 billion in the next 3 to 5 years, huge public protests have broken out due to displacement of people in village Bergama and fear of causing environmental damages to an adjacent area of 15,000 acres. Locals are also apprehensive that this may lead to Chinese colonization in the future.⁴ This is not an isolated case of protests against Chinese projects. In Bangladesh, one person died in February 2017 protesting against a Chinese-backed power plant. There are tensions in Laos and Thailand against rail projects as well.⁵ Notwithstanding all this, China and Sri Lanka have pledged to further push forward their strategic cooperative partnership during the talks with visiting Sri Lankan Prime Minister Ranil Wickremesinghe in Beijing in April 2016.

Maldives

As far as Maldives is concerned, following the visit of Xi Jinping in 2014, Maldives has gained considerable strategic significance in Chinese plans. Particularly in view of its constitutional amendment to say that nations can buy land if their total volume of investment exceeds US\$ 1 billion. A Chinese firm has already acquired the Feydhoo Finolhu island for \$ 4 million for developing a resort near the capital city of Male. In fact, the Indian GMR Group lost the contract for building Male Airport half way to

Beijing Urban Construction Group (BUCG). There were also reports of Chinese companies further getting contracts for building commercial seaport at the Gaddhoo island. Maldivian economic zone cannot support commercialization at a large-scale; so, it could well be linked to the highly secretive US base in Diego Garcia, which is the closest in terms of geographical proximity. Clearly, the present Maldivian government's pro-Chinese tilt is uncomfortably discernible and so is their religious fundamentalism. During the 10th South Asian Conference organized by the Institute for Defence Studies and Analyses in March 2017, when questioned on security implications of these developments, Ali Hussain Didi, the former Maldivian Ambassador to the European Union stated that their first concern is economics, and security can be seen later. It is noteworthy that the Maldivian government owes 70 per cent of its external debt to China alone. But yet, the silver lining has been that India-Maldives have signed a defence cooperation pact in April 2016, combating terrorism and radicalization remains at its core.

Bangladesh

Bangladesh and China signed a memorandum of understanding (MoU) on strengthening investments and production capacity cooperation in mid-October 2016, with Dhaka all set to receive \$ 24.45 billion in bilateral assistance for 34 projects. Combined with an additional \$ 13.6 billion for 13 joint ventures, the total sum of \$ 38.05 billion is the biggest ever assistance to Bangladesh by any single country.⁶ China is also the largest trading partner of Bangladesh, while Dhaka is Beijing's third-largest trading partner in South Asia. China also has set its eyes on natural gas, with the Chevron gas fields now under sale on tender basis. The bidding has been made by China's Zhenhua Oil, a subsidiary of NORINCO, the Chinese

defence manufacturing company. The recipient of this contract almost is a foregone conclusion. These gas fields in question may not actually be in southern Bangladesh, but, in the north-eastern part bordering Meghalaya, lower Assam, and Tripura. Surely, land-based presence of an adversary's assets bordering India's rear areas is not a position of comfort from a military point of view.

In June 2016, Dhaka gave its consent to a Chinese proposal for construction of a transnational highway, connecting the Indian state of West Bengal and south-western Chinese city of Kunming via Myanmar and Bangladesh.⁷ Although this project has not yet taken off but its strategic implications are self evident.⁸ Bangladesh's Armed Forces today are predominantly equipped with Chinese military hardware. A defence cooperation agreement was signed between Bangladesh and China during the visit of the former Prime Minister Khaleda Zia to China in December 2002. The Bangladesh Army's tanks and light tanks are of Chinese origin. The Navy's frigates and patrol crafts are mostly Chinese. The Air Force's combat aircraft are all Chinese. In short, China has forged Bangladesh into a military-equipment client nation like Pakistan. Bangladesh is on the larger game plan of China to encircle India, together with Pakistan and Myanmar.⁹ India needs to watch out for China's involvement in the development of port infrastructure in Bangladesh and the economic compulsions of the nation to agree to terms and conditions that may be offered.

Nepal

China has recently pledged \$ 8.3 billion in investment to Nepal, which is equivalent of nearly 40 per cent of Nepal's entire gross domestic product (GDP). This staggering commitment dwarfed India's offer of \$ 317 million. Without doubt, China tops the list of foreign direct investment (FDI) in Nepal. In the first

half of 2016, it has shown a jump of 28 per cent, while India's dipped by 76 per cent.¹⁰ Beijing major focus here is infrastructure development and construction of power plants, namely, the West Seti Dam, Pokhara Airport, and the Upper Trishuli Hydropower project being few examples. Nepal, in turn is expected to extend cooperation for China's, OBOR projects. Additionally, Chinese government-funded Asia-Pacific Exchange and Cooperation Foundation has planned to invest \$ 3 billion to convert Lumbini, the birth place of Lord Buddha into a cultural zone for Buddhist pilgrims and tourists from world over.¹¹

In June 2016, the deputy chief of the Joint Staff Department of China's Central Military Commission Sun Jianguo and Nepal's Defense Minister Bhim Rawal pledged to enhance defence cooperation between the two countries. These include low-level military training exercises and continuing negotiations on project feasibility of a transnational (Tibet to Nepal) railway project and power lines. Given China's strategic purpose and large manpower presence in the Himalayan Kingdom, it has surely surpassed Indian dominance.¹²

Bhutan

In Bhutan, surely but steadily a consensus seems to be now emerging among rival political parties that they need to maintain a balanced relationship with India and China. The *Global Times* published from Beijing recently stated that, 'New Delhi is one of the crucial reasons why China and Bhutan, which is controlled by India economically and diplomatically, have not yet established diplomatic relations.' Summing up the discomfort of India it further mentioned that 'If such tendencies in India continue, China will have to fight back, because its core interests will have been violated. This is not what we hope for, but the ball is in India's court.'¹³

Afghanistan

China has emerged as Afghanistan's single largest foreign investor today. Although in the last 8 years, it had just provided a grant of \$ 200 million. Chinese company have, in a joint bid recently won a contract worth \$ 3.5 billion to develop largest copper field in the world—which is estimated to contain copper deposits worth \$ 88 billion. China would also be eyeing for oil and gas reserves that are awaiting exploitation in Afghanistan.¹⁴ The government in Kabul is looking forward to China playing a decisive role in conflict resolution. China is willing to play that role partially, to further exploit the natural resources and benefit from Afghanistan's economic reconstruction. Beijing has already committed \$ 100 million for the OBOR investment in Afghanistan.¹⁵

Myanmar

Although, Myanmar technically is not a member of the South Asia regional grouping SAARC, its strategic location and proximity to the South Asian sub-continent remains indispensable. Ever since Myanmar liberalized its trade policies to induce FDI in 1988, China's trade with Myanmar has been growing steadily. Today, China is the biggest investor of FDI, and accounts for one-third of the total FDI investments in Myanmar.¹⁶ Chinese investments are mainly focused in sectors like hydropower, oil and gas, and mining. In recent years, investments have been proliferated into arenas such as infrastructure like economic zones, road, railways, and port facilities. The striking feature has been that most of these developments are by state owned enterprises (SOEs) in China.

China is emerging as the closest strategic partner of Myanmar. This has been advanced by politico-military assistance followed by economic and energy cooperation.¹⁷ The China-Myanmar oil and gas pipeline of A1 and A3 blocks constructed from

Kyaukpyu deep seaport to the Yunnan Province via Ruili has been operational since 2015. It is a \$ 2.54 billion project with 51 per cent stakes by a Chinese company and 49 per cent by Myanmar Oil and Gas Enterprise. A rail-road project too was to follow the same alignment but is on hold as of now.¹⁸ Closer home in 2010, YCEG of China and Yuzana Group of Companies of Myanmar signed an MoU to reconstruct 312 km of Stilwell Road from Myitkyina in Kachin state to Pangsauing Pass on the Arunachal border. However, little progress had been made until recently due to funding problems. There are reports of the Myitsone Dam with an investment of \$ 3.6 billion and Mong Ton Dam, as also the proposed copper mines in the Sagaing region are facing huge public outcry due to the sacred status of land and environmental considerations, despite overwhelming investments. Locals do not relish that 90 per cent power generated will be sent to the Yunnan province.¹⁹ The Sino-Myanmarese military co-operation which started with the negotiation of purchase of arms including jet fighters, armoured vehicles, and naval vessels has gone much deeper. Since the Chinese influence has come to dominate the politico-military functioning of Myanmar, the country is now looking to balance out China by enhancing economic cooperation with India and other regional players.²⁰

Conclusion

It is obvious that China is concerned about India's efforts to secure its neighbourhood and keep it within its realm of influence. There is an element of real politicking in this. Its ambitious designs to achieve its interests mainly extend to securing Sea Lines of Communications (SLOCs) and the Belt and Road linkages and facilities. India's has objected to issues such as the construction of the CPEC through the territory of Gilgit-Baltistan. China has invested a lot of time, energy, and money and its sensitivity to all

this is likely to increase progressively. That is the reason why it is trying to send aggressive messages and enhancing the psychological squeeze on India.²¹ Chinese Defence Minister General Chang Wanquan recently visited Sri Lanka and Nepal, even as state owned media issued veiled warnings to India. The cold war between India and China with respect to fighting over greater influence in the South Asian region is likely to intensify.²² India cannot be pressurized or cornered regarding its partnerships with other countries which are based on mutual and shared strategic interests. It is a typical example of China trying to 'Box-In' India from land as also coastal openings. The military wisdom to counter this is, when surrounded; hit the enemy from outside the area of encirclement. Therefore, India consequently, is right in reaching out to nations including the US, Japan, Vietnam, Australia, and other stakeholders in Asia.

India also needs to be more proactive in immediate neighbourhood with countries like Sri Lanka, Maldives, Bangladesh, Myanmar and greater cooperation in projects of mutual benefits, even if some of those do not appear to be financial viable. Nepal and Bhutan being land locked nations must be placed in a very special category of relationship. Some of the policy initiatives taken in recent times have been in the right direction but it needs to be followed up more vigorously.

Notes

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