

ISAS Working Paper

No. 192 – 17 June 2014

29 Heng Mui Keng Terrace
#08-06, Block B,
National University of Singapore,
Singapore 119620
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isassecc@nus.edu.sg
Website: www.isas.nus.edu.sg



Initiative for ‘Southern Silk Route’ Linking Bangladesh, China, India, and Myanmar

Zaara Zain Hussain¹

Abstract

This paper looks at the ‘BCIM Regional Cooperation’ and the related proposal to revive the ‘Southern Silk Route’ connecting China and India through Bangladesh and Myanmar. The aim is to understand the relationships among the four countries involved and analyse the opportunities and benefits of successful cooperation. This idea of building a sub-regional economic corridor was proposed by China in 1999, but because of various challenges and concerns it progressed slowly. Recently the initiative has been gaining much policy traction and therefore is an important area of study. Northeast region in India and the adjoining parts in Bangladesh, Myanmar, and South West China remain neglected and largely underdeveloped and could greatly benefit from sub-regional economic cooperation. It is a natural economic zone, boasting a market size of 2.8 billion people.

¹ Ms Zaara Zain Hussain is Research Assistant at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. She can be contacted at isaszah@nus.edu.sg. Opinions expressed in this paper, based on research by the author, do not necessarily reflect the views of ISAS.

1. The ‘Southern Silk Route’

Bangladesh, China, India and Myanmar have a long history of economic and cultural engagement. Trade merchants travelled from China to India through what is today Bangladesh and Myanmar from as far back as the 2nd century BC. This ancient route represented the shortest journey between China and India and served as a trade link for Chinese merchants transporting gold and silver bullion in the 12th Century.

Some scholars claim, the ancient silk route originated from China's Chengdu city, went through Myanmar and extended beyond India, to the Middle East. Bi Yang writes that the south-west region of China, Yunnan, was closely linked to the regions now called Vietnam, Laos, Myanmar and even India. Inland routes, along rivers and across mountains, connected Yunnan, mainly via Myanmar and Bengal, to the Indian Ocean trading system.² Over the centuries, this ‘Southern Silk Route’ has been cut off, and many attempts at reviving it have been made. In the 19th century, British businessmen and politicians saw Myanmar as the backdoor to China from their empire in India. The British attempted to build a rail link from the Bay of Bengal to Yunnan province through Myanmar. Construction started in the 1930s, but the project did not take off as World War II broke out. During that time, the British built the ‘Burma Road’ and the ‘Stilwell Road’ to provide supplies to the Chinese forces fighting the Japanese armies.³ In the 20th century, the frontier regions were closed in order to safeguard national security. International boundaries, as well as cross-border tensions, divided and disunited the region. Although, for the people of the land, the region was one, international boundaries, sovereignty and politics divided it into many.

In recent times, re-establishing ancient trade and cultural routes between China and South Asia has featured prominently in China’s foreign policy. China has been aggressively pursuing building economic bases in South Asia through its ‘maritime silk road’ on the Indian Ocean as well as overland linkages. China has engaged in several infrastructure development projects such as deep-sea ports and railway lines in Myanmar and is in talks with Bangladesh for the same. If the plans come to fruition, China’s dependence on the Malacca Straits will be heavily

² Yang, Bin (2008). *Between Winds and Clouds*. New York: Columbia University Press

³ Thant Myint –U (2012) *Where China Meets India: Burma and the New Crossroads of Asia*. New York: Farrar, Straus and Giroux

reduced, while maritime trade costs and transportation time will also be decreased. At the same time, the relatively backward and landlocked western region of China will be opened up to new markets and trade routes.⁴

One of China's specific proposals for engagement with South Asia is the 'BCIM Initiative'. In 1999 China proposed re-establishing overland linkages with India through Bangladesh and Myanmar, at the conference on "Regional Cooperation and Development among China, India, Myanmar and Bangladesh", in Kunming. Concerned stakeholders – Bangladesh, China, India, and Myanmar – expressed interest in the idea, but did nothing much to advance the initiative.⁵ Indians have had reservations regarding building overland linkages with China.⁶ Myanmar and Bangladesh have been facing internal as well as international challenges. Nonetheless in recent years the 'BCIM Initiative', which had been labelled a mere 'talk shop', has started gaining policy traction. After decades of isolation and economic sanctions, Myanmar has started making progress in reshaping its political and economic outlook. 'India-locked' Bangladesh is eager to seek alternative avenues to advance its development agenda.

2. 'BCIM Initiative': Motivations and Developments

The 'BCIM Initiative',⁷ initially termed as the 'Kunming Initiative', is a sub-regional grouping of Bangladesh, China, India and Myanmar. It started off as a 'Track 2' exercise in 1999 in Kunming as an offshoot of the conference on "Regional Cooperation and Development among

⁴ Thakur, Ambuj (2011) *The BCIM: China's Stakes for its Southwestern Region*. World Focus 381

⁵ Gonsalves, Eric (2013) Ten Years of BCIM. *Presentation at the China South Asia Think Tank Forum*, Kunming, 5-7 June 2013

⁶ There have been security concerns over Chinese support for militant groups in the Northeast, as well as economic reservations about allowing China access to South Asia. Evidence can be found in various pieces from policy makers, government officials, and academics, such as Ambassador Rajiv Sikri (2009) http://www.ipcs.org/pdf_file/issue/SR85-SEARPInterview-Sikri1.pdf; P K Kamath (2011) *India-China Relations: An Agenda for the Asian Century*; Mohan Malik (2012) *China and India Today: Diplomats Jostle, Militaries Prepare*; George J. Gilboy, Eric Heginbotham (2012) *Chinese and Indian Strategic Behavior: Growing Power and Alarm*; David Scott (ed) (2011) *Handbook of India's International Relations*

⁷ The initiative was pioneered by a number of institutions of the four participating countries that include the Centre for Policy Dialogue (CPD) in Bangladesh, Yunnan Academy of Social Sciences (YASS) in Kunming, China, the Centre for Policy Research (CPR) in India and the Ministry of Border Trade of Myanmar. The objectives of the initiative were to promote the cause of accelerating GDP growth, fostering connectivity, exploring investment opportunities and common projects, promoting business and commerce, and, based on these, stimulating socio-economic development and generating welfare gains for the peoples and countries of the region.

China, India, Myanmar and Bangladesh”.⁸ The aims of the initiative include building a combination of road, rail, water and air linkages in the region that would facilitate transnational flow of people and goods, minimising cross-border trade barriers, ensuring greater market access and enhancing trade, tourism, investment and economic growth.⁹ Professor Che Zhimin¹⁰ described the motivations behind this initiative in a paper titled ‘Proposition on Formation of “sub-regional Cooperation Zone of China, India, Myanmar and Bangladesh”’.¹¹ From Patricia Uberoi’s reiteration of arguments¹², the motivations behind proposing this sub-regional grouping can be summarised as follows:

- The zone is the meeting point of the three markets of China, Southeast Asia and South Asia. There is abundance of natural resources, labour and established international sea routes.
- The differences in levels of economic development and distribution of resources make for complementarities of resources, as well as optimal use.
- The zone is isolated from world markets and suffers from relative poverty. Regional cooperation will assist in alleviation of poverty and promote social development.
- Each of the countries concerned are actively seeking to participate in one or more various regional and sub-regional organisations and integrate in the global economic system.
- It will become the land bridge connecting the Pacific Ocean with the Indian Ocean
- If China and India are successful in cooperating, it will contribute to the establishment of a new multi-polar world order and safeguard peace and stability of Asia and the world.

After over a decade of parleys, in 2012-13 the initiative received a new lease of life. In 2013, the then Prime Minister of India, Manmohan Singh, and Chinese Premier Li Keqian met in both New Delhi (May) and Beijing (October) to discuss possible regional cooperation, (among

⁸ Kishan S Rana and Patricia Uberoi (2012) India’s Northeast Region, *The BCIM Forum and Regional Cooperation, Institute of Chinese Studies*

⁹ Chen Jidong (2013) ‘The BCIM Trade Corridor and its Development’. In Tan Chung, Zhang Minqiu, & Ravni Thakur (eds), *Across the Himalayan Gap: A Chinese Quest for Understanding India*. New Delhi: India International Centre & Konark Publications

¹⁰ Former Deputy Director of the Economic and Technological Research Centre of the Yunnan Provincial People’s Government

¹¹ The paper was presented at a seminar on "China and India: Regional Developments" held by the Institute for Chinese Studies in New Delhi, during November 26-28, 1998

¹² Patricia Uberoi (2013) *The BCIM Forum: Retrospect and Prospect*. Institute of Chinese Studies, Delhi. Available at <http://www.icsin.org/ICS/WorkingpaperPdf/1.pdf>. Accessed on 15 April 2014

other subjects).¹³ Chinese and Indian delegates met with representatives from Bangladesh and Myanmar as well. A number of high level government officials signed various memoranda of understanding, and agreed upon new terms to pursue and promote the initiative. For years caught between being Track 2 and Track 1, the ‘BCIM Initiative’ finally received official recognition from all countries involved.

If the BCIM Initiative is successful in building the ‘Kolkata to Kunming’ highway, it would be the first expressway connecting Southeast Asia to South Asia.¹⁴ In February 2012, officials from the four countries approved initial plans to develop the 2,800- km highway.¹⁵ In 2013, the historical ‘BCIM Car Rally’ was held to cover this proposed route from India to China.¹⁶ Eighty participants from Bangladesh, China, India and Myanmar, covered 2,800 km in 20 cars from Kolkata to Kunming via Jessore, Dhaka, Sylhet, Silchar, Imphal, Ka Lay, Mandalay, Ruili, Tengchong, Erhai Lake, Dali. Although it drew much support from all four countries, how much of it was pageantry, and how much will translate to reality, remains to be seen. At present, the highway proposal is still in its very early phases. The BCIM countries are working out the details and logistics of building it.

Following the success of the car rally, the first joint working group meeting for the ‘BCIM initiative’ was held in Kunming in December 2013. At present the transport infrastructure between the four nations is inadequate for transnational trade and communication. The meeting focused on quickly improving the physical connectivity in the region to advance the plans for economic corridor.¹⁷ The proposed economic corridor would cover 1.65 million square km,

¹³ For India-China joint statement of cooperation, see *Joint Statement - A vision for future development of India-China strategic and cooperative partnership*. Available at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=100198>. Accessed on 30 January 2014

¹⁴ Rahamtullah, M (2013) Strengthening Connectivity among BCIM Countries. Paper presented at the *Eleventh International Conference on Regional Cooperation among Bangladesh, China, India and Myanmar (BCIM)* Dhaka, 23-24 February 2013. Available at http://www.cpd.org.bd/11_BCIM/Papers/Session%20II_Strengthening%20Multimodal%20Connectivity/M%20Rahmatullah.pdf Accessed on 15th April 2014

¹⁵ Shahiduzzaman Khan (24 November 2013) BCIM bid to build economic corridor gathering steam. Available at <http://www.thefinancialexpress-bd.com/2013/11/24/5439/print>. Accessed on 31 January 2014

¹⁶ Ranjan, Alok & Patricia Uberoi (2013) *Reviving the Southern Silk Road: Overland Odyssey from Kolkata to Kunming. BCIM Car Rally, 2013: A Handbook*. Delhi: Institute of Chinese Studies.

¹⁷ For more details see, *Conference on Regional Cooperation among Bangladesh, China, India and Myanmar (BCIM)*. Dhaka, 23-24 February 2013. Available at http://www.cpd.org.bd/11_BCIM/Papers/Session%20IV_Institutional%20Arrangements%20for%20Effective%20Cooperation/Debapriya%20Bhattacharya.pdf. Accessed on 1 February 2014

catering to an estimated 440 million people in Southwest China, Bangladesh, Myanmar and Northern India through the combination of road, rail, water and air linkages in the region. This interconnectedness would facilitate the cross-border flow of people and goods, minimise overland trade obstacles, ensure greater market access and increase multilateral trade.¹⁸ Plans to build a “BCIM tourism circle” and to ensure better cooperation in areas of energy, education, sports and science and technology were discussed. To ensure that no country will dominate the Initiative, the four nations agreed to a partnership on the principles of mutual trust, respect and interest, and equitable sharing of benefits. A specific timetable for future projects was agreed upon at the meeting. A detailed timeline for specific transport projects is scheduled to be released by September or October 2014.

Some scholars have attempted to predict the positive trade gains from the BCIM economic corridor. Rahman and Amin have predicted that, if the BCIM economic corridor is built, merchandise trade in the region would increase by US\$ 5.7 billion, US\$ 4.1 billion, and US\$ 2.7 billion under full, moderate, and partial tariff liberalisation, respectively. The welfare gain might be US\$ 411 million, US\$ 281 million, and US\$ 193 million under full, moderate, and partial tariff liberalisation scenarios.¹⁹ Rahman and Kim have written that common border, common language as well as regional trade agreement will have positive impact on trade flows among the four nations. Their study confirms that a large part of BCIM’s trade potential has remained unrealised and the trade transaction cost is one of the major barriers prohibiting the growth of BCIM intra-regional trade.²⁰ The intra-BCIM trade in 2011 was US\$ 90 billion, as opposed to only US\$ 6 billion in 2001, out of which 77 per cent or US\$ 70 billion of the total trade was driven by India and China.²¹ Building a common economic corridor would increase the capacity of the smaller countries, Bangladesh and Myanmar, and they would be able to have a greater participation in the regional trade and reap the benefits of providing overland

¹⁸ Shahiduzzaman Khan (November 24, 2013) *BCIM bid to build economic corridor gathering steam*. Available at <http://www.thefinancialexpress-bd.com/2013/11/24/5439/print>. Accessed on 31 January 2014

¹⁹ Md. Tariqur Rahman and Muhammad Al Amin (2009) Prospects of economic cooperation in the Bangladesh, China, India and Myanmar region: A quantitative assessment. *Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 73*

²⁰ Mohammad Masudur Rahman and Chanwahn Kim (2012) Trade and investment potential among BCIM countries: prospects for a dynamic growth quadrangle. *Journal of International Trade Law and Policy* Vol. 11 No. 2, pp. 163-190

²¹ Nazmul Ahsan (February 8, 2014) *Bangladesh to proceed with BCIM economic corridor plan*. Available at <http://www.newagebd.com/detail.php?date=2014-02-08&nid=83108#UxWk-fm1ZKc>. Accessed on 20 March 2014

transit and port services to the region. The benefits of regional cooperation can be unmistakably seen in the case of European Union. Despite economic downturn in certain European Union countries, the total value of goods traded in European Union increased by 19.1% from 2005 to 2010, from EUR 6.6 trillion in 2005 to EUR 7.9 trillion in 2010.²² If Europe, with the history they share, can shed all inhibitions and come together, then there seems no logical reason for Asia to not do the same.

3. Regionalism in South Asia

In recent decades, regionalism has become a key transformative factor in international relations. Regional cooperation almost always leads to positive gains for all parties involved, but in South Asia it has not been very rewarding. India and China are among the fastest growing economies in the world and have the potential to guide the way for successful Asian regionalism and sub-regionalism. Unfortunately, various apprehensions such as security, both political and economic, have come in the way of realising this objective.

The 'BCIM' countries have huge potential, boasting 9 per cent of the world's total area, 40 per cent of global population and 7.3 per cent of global gross domestic product.²³ The four countries are part of various regional and sub-regional groupings such as SAARC and SAFTA (Bangladesh and India), BIMSTEC (Bangladesh, Myanmar and India) and APTA (Bangladesh, India and China), none of which has been able to emulate the success of institutions such as ASEAN or NAFTA. Nonetheless, the similarities in culture and close proximity among the countries in the region increase the potentiality of economic integration, especially for a sub-regional grouping in the case of BCIM between Southern China, Northeast India and Bangladesh and Myanmar.²⁴

²² Franca Faes-Cannito, Gilberto Gambini and Radoslav Istatkov (2012) EuroStat Statistics in Focus. Available at http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-003/EN/KS-SF-12-003-EN.PDF Accessed on 20 March 2014

²³ Shahiduzzaman Khan (24 November 2013) *BCIM bid to build economic corridor gathering steam*. Available at <http://www.thefinancialexpress-bd.com/2013/11/24/5439/print>. Accessed on 31 January 2014

²⁴ De, P. and B. N. Bhattacharyay (2007) *Deepening India-Bangladesh economic cooperation: Challenges and opportunities*, RIS-DP#130. *Research and Information System for Developing Countries*, New Delhi.

The combination of 'BCIM' is very distinctive from SAARC.²⁵ The BCIM grouping includes two Asian giants – China and India and two LDCs – Bangladesh and Myanmar. The historical connection and geographical continuity make a clear case for the economic corridor. The Northeast region of India shares 1880-km border with Bangladesh, and 1331-km border with Myanmar, making its borders with the neighbouring countries longer than with mainland India. Myanmar shares a 2192-km border with China in the north and northeast and 2699-km border with Bangladesh on the west. Bangladesh is surrounded by India from three sides while Myanmar shares a short border in the southeast.²⁶ The geographical proximity of these countries makes the region a natural economic zone and creates opportunities to develop a network through regional cooperation.

Even after almost thirty years of existence, SAARC could not become a successful economic or political grouping. The differences among the member-nations have had a negative impact on the will to realise the desired economic cooperation and integration. Dominated by one superpower – India, it has led the smaller countries such as Bangladesh, Nepal, and Bhutan etc to feel overpowered and vulnerable. The BCIM grouping has two economic giants – India and China, with the apparent benefit of balancing the power dynamics for others in the grouping. It might not be a desirable combination for the two countries as they compete to attain economic and political supremacy in the region. However, deep-rooted animosity among the members, as is the case between India and Pakistan in SAARC, is not an impediment in this grouping.

Of late, the Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) comprising of Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal, has been garnering much interest and traction. Acting as the bridge between ASEAN and SAARC, it is helping to link the 'Look West Policy' of Thailand and ASEAN with the 'Look East Policy' of India and South Asia. It is learnt from a top government official that India is very confident about BIMSTEC as it takes on the Trilateral Highway project.²⁷ Such

²⁵ The South Asian Association for Regional Cooperation (SAARC) is designed for economic cooperation among eight member-nations: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Afghanistan and Sri Lanka.

²⁶ Mustafizur Rahman, Habibur Rahman and Wasel Bin Shadat (2007) *BCIM Economic Cooperation: Prospects and Challenges*. Centre for Policy Dialogue (CPD) Available at http://www.cpd.org.bd/pub_attach/op64.pdf Accessed on 30 January 2014

²⁷ This highway project connecting Moreh (in India) with Mae Sot (in Thailand) through Mandalay (in Myanmar) is an excellent initiative; but as Bangladesh is not in the mix, India stands to face the issue of

initiatives reveal India's growing inclination to connect to the east, not only in theory but also in practice. At the recent Delhi Dialogue and at the 10th BCIM meeting, the India's External Affairs Minister and Foreign Secretary, respectively, stressed India's desire to re-engage with its eastern neighbours and emerge as 'a significant player in the strategic dynamics' of the region.²⁸

4. The Sub-region: Meeting Point of China, Southeast Asia and South Asia

The sub-region covering Myanmar, Bangladesh, South-western China and Northeast India is a natural economic zone that is resource-rich and at the same time geo-strategically located. Through this region, India can connect itself to Southeast and East Asia, and China to South Asia. Bangladesh and Myanmar stand to become regional commercial hubs with large gains from transport and port services among other economic benefits and development opportunities.

(1) Myanmar

Myanmar, often referred to as the crossroads where China meets India, sits at an important geostrategic location. After decades of isolation and economic sanctions, it has now entered the global economic system. Since 2010, after election, it has displayed dramatic reforms, grabbing the attention of the world and its neighbours. Myanmar's transition towards normalised trade with the rest of the world will greatly benefit from its favourable predisposition to international trade. The country is a natural trade and transportation hub for the entire region, with established trade channels to many countries including Japan, Thailand, Malaysia, and Singapore.²⁹

(2) Southwest China

The Southwest province of China, Yunnan, shares a 4000-km international border with Myanmar, Laos and Vietnam, connecting the rest of China to both Southeast and South Asia.

connecting this highway to its mainland. Nonetheless, the developments made through the BIMSTEC initiative exhibit the region's growing appetite for promoting regional economic cooperation.

²⁸ For more details on India's perspective on LEP and BCIM, see speech of External Affairs Minister, S M Krishna, and Foreign Secretary, Ranjan Mathai at the Delhi Dialogue and BCIM Meeting, respectively, Available at http://www.hcidhaka.org/fortnight/20120229_eng.pdf. Accessed on 28 February 2014

²⁹ Benno Ferrarini (2013) *Myanmar's Trade and its Potential*. Available at <http://www.adb.org/sites/default/files/pub/2013/ewp-325.pdf> Accessed on Feb 28 2014

China has invested heavily in Yunnan in building highways such as the Kunming-Bangkok highway connecting to Thailand and the Kunming-Hanoi highway connecting to Vietnam. The 'Kunming to Kolkata' highway, if materialised, would open up the vast emerging market of South Asia to China and grant access to ports along the Indian Ocean. Some in India have been wary that the BCIM corridor will allow China unfettered access to South Asia. The fear is rather ill-founded because the moment one steps into Myanmar from Northeast India, it automatically connects to China, as much as it does to Singapore or Thailand.³⁰ Also, despite the bitter memories of 1962, occasional border skirmishes, or the disagreements following India's nuclear explosion in May 1998, confidence-building measures have been largely successful in maintaining peace and stability between India and China over several decades. For the most part, China has sought to assure its neighbours that its development is 'peaceful'.³¹

(3) Bangladesh

Bangladesh also enjoys the benefits of strategic geographical location which can be used as leverage or rather an asset with the larger neighbours – China and India. Bangladesh, listed as a LDC by the United Nations, is a rapidly developing market economy. To sustain this growth and take it forward, Bangladesh needs to solve its energy crisis and at the same time develop its infrastructure. Uneven development has led to unsustainable over-crowding of the capital city Dhaka and the port city Chittagong. With its own natural gas reserves fast depleting, Bangladesh needs to collaborate with wealthier and more technologically advanced neighbours to sustain growth in the coming years. Its access to the Bay of Bengal, among other reasons, has China aggressively pursuing plans of infrastructure and port development projects. India also has great strategic interest in the country in both restricting China's access to its territory and improving its own access to the Northeast region. Bangladesh is situated between India's mainland and Northeast which is otherwise connected by the narrow Siligurri Corridor, making the region isolated from the rest of the country.

(4) Northeast India

The Northeast states of India cover a total area of over 255,088 sq km (about 7.7 per cent of the India's territory). Being geographically isolated and neglected for many years the Northeast

³⁰ Kurian, Nimmi (2005) Prospects for Sino-Indian Trans-border Economic Linkages. *International Studies* 42 (3&4)

³¹ Patricia Uberoi (2008) *India-China Initiatives in Multilateral Fora: Two Case Studies*. Sage Publications: *China Report*

region of India is very much underdeveloped. Assam,³² one of the states in the Northeast, has the lowest per capita income in the country.³³ Over the years, the region has been suffering from the problem of insurgency. Concerted efforts by the Indian Government have been able to curb the regional tensions to a large extent through efforts to raise the living standards of the people in the Northeast. The Northeast is connected to the mainland through the narrow Siligurri Corridor popularly known as the ‘chicken’s neck’, which is approximately 33 km on the eastern side and 21 km on the western side. It restricts trade and transit with mainland India and is inadequate to support economic traffic. This geographical barrier could be surmounted by transiting through Bangladesh and further linking to Southeast Asia and East Asia through Myanmar.³⁴ However, progress on India’s connectivity plans at home and across the border has been frustratingly slow. The long-awaited Kaladan Multi-Modal Transit Transport Project is expected to be completed by 2014. It will connect the eastern Indian seaport of Kolkata to *Sittwe* port in Myanmar. This will connect India’s mainland to the Northeast through an alternative route.

5. BCIM Geopolitics: Opportunities and Challenges

Economic relations among the four BCIM countries are vastly different and most certainly have not been optimised. Nonetheless these countries are deeply involved with each other. Despite the so called ‘trust deficit’ China-India trade volumes are huge. It serves as an important confidence-building measure to improvise their political relations as well as economic engagement.³⁵ In fact, China has emerged as India’s biggest trading partner in the fiscal year 2012-13, replacing the UAE and pushing it to the third spot, after the United States

³² Despite its rich natural resources and supplying up to 25% of India's petroleum needs, Assam’s growth rate has been much less than that of rest of India. The Indian economy grew at 6% per annum over the period of 1981 to 2000, whereas the growth rate of Assam was only 3.3%. Around 36.09 per cent of the State's population live below the poverty line, a figure considerably above the national average of 26.10 percent (1999-2000). <http://databank.nedfi.com/content/economy-assam>

³³ Economy of Assam. Available at <http://databank.nedfi.com/content/economy-assam> Accessed on 3 March 2014

³⁴ There is plenty of literature on the optimality of using the Northeast to connect to South East Asia: including ADB and World Bank reports, works by Dr Biswajit Mohapatra, by the Institute for Peace and Conflict Studies as well as from within ISAS. Yet the idea of ‘Look East, but through the North-East’ has not been managed properly. Even more so, the idea of creating a sub-regional economic zone has not really been promoted by New Delhi.

³⁵ Swaran Singh (2005) *China-India Bilateral Trade: Strong Fundamentals, Bright Future*. Available at <http://chinaperspectives.revues.org/2853#tocto1n3>. Accessed on 30 January 2014

(which is second). India's direction of foreign trade has exhibited a structural shift away from the West and towards the Asian neighbours in the last decade. Trade with the emerging and developing economies, especially in East and Southeast Asia, has increased, while the share of trade with conventional partners has showed a declining trend. Intra-regional trade between South Asia and Southeast and East Asia has grown significantly in recent years. In 2011, intra-regional trade comprised around 52% of total trade in developing Asia.³⁶

China has been a close political and trading partner for Myanmar for several decades. When the West and even India had shunned Myanmar because of their pro-democracy stance and human rights issues, China supported the military government in Myanmar. It made many investments in infrastructure development projects as well as for extraction of natural resources. China helped Myanmar in the economic reconstruction of northern Myanmar by building power stations, roads, bridges etc, and in return Myanmar allowed Chinese companies access to its natural resources. On the other hand, Myanmar's relations with India were not amicable for many years because of India's pro-democracy stance against military rule. In the 1990s India took a 'realist U turn' in its approach towards Myanmar and relations have improved since. Perhaps to some extent, threatened by China's involvement in the region, and also because of its 'Look East policy' India was motivated to rethink its strategy towards Myanmar. Not holding grudges, Myanmar actively sought political and military exchanges and economic cooperation with India.³⁷ Developing relations with India is very important for Myanmar as it has been trying to reduce its dependence on China. There have been many anti-Chinese protests in Myanmar. An incident of violence between ethnic separatist rebels and government troops in Northeast Myanmar near the Chinese border even caused President Thein Sein to stop a Chinese-backed US\$ 3.7 billion hydropower dam project in 2011. Many in Myanmar claim that China has been exploiting its natural resources. It has only been catering to the governments and governing elites in Myanmar and ignoring the people on the ground, causing deep-rooted animosity among the non-government actors, it is said. But Beijing puts a lot of importance on maintaining neighbourhood relations, with the goal of maintaining stable borders and a viable trading environment. It has made considerable efforts in developing the

³⁶ PHD Chamber of Commerce. Available at http://www.phdcci.in/admin/admin_logged/banner_images/1374650008.pdf. Accessed on 25 February 2014

³⁷ Jurgen Haacke (2006) *Myanmar's Foreign Policy: Domestic Influences and international implications*. New York: Routledge

Myanmar-Yunnan border trade through economic zones such as *Ruili* Border Economic Cooperation Zone (RLBECZ) and *Wanding* Border Economic Cooperation Zone (WTBECZ), and continues to woo Myanmar.

India was once seen as the guardian who would lead South Asia towards growth and development. But countries such as Bangladesh experienced India's hegemony more than its role as mentor. Despite the shared history Bangladesh-India relations have not always been amicable. Issues such as river-water sharing, exchange of enclaves and granting land transit etc have hampered political and economic relations of the two countries. The West Bengal Chief Minister Mamata Banerjee's refusal to assent to the *Teesta* river-water sharing³⁸ agreement, which was fully endorsed by the Central Government in 2011, was a major blow to the relations between the two countries. Bangladesh has been apprehensive of granting transit facilities to India, as the river-water issue remain unresolved. However, the Awami League-led government and its leader Prime Minister Sheikh Hasina have enjoyed good relations with India. When the government was led by Begum Khaleda Zia of the Bangladesh Nationalist Party (BNP), virtually no dialogue took place between the two countries, but relations have improved since 2008. In 2011, India and Bangladesh signed a major accord on border demarcation to end the four-decade-old disputes over boundaries, known as the *Tin Bigha* corridor. Also, a major power deal was signed between Bangladesh Power Development Board (BPDB) and India's state-owned National Thermal Power Corporation (NTPC) in 2012, to build 1320-megawatt coal-fired power station at Rampal Upazila of Bagerhat District in Khulna, Bangladesh. With the advent of a Bharatiya Janata Party-led government in India now, there is much speculation regarding New Delhi's position towards Bangladesh. While Hasina did congratulate Narendra Modi for his landslide victory in India's latest general election, there is considerable unease in Bangladesh regarding the position he might take, especially in the light of his recent 'threats' to 'illegal migrants' from Bangladesh to "pack up and leave". On the other hand, it is hoped Narendra Modi, with his strong electoral mandate may be able to do for Bangladesh what Manmohan Singh tried and failed: sign the *Teesta* water-sharing treaty and implement the land boundary agreement. According to BJP's election manifesto, there is a clear intent to improve ties with immediate neighbours as well as strengthen economic engagement.

³⁸ India and Bangladesh share 54 rivers.

China has made impressive inroads into Bangladesh. The two countries do not have an FTA but granted each other Most Favoured Nation (MFN) treatment in 1984. In the last decade, China has replaced India as the largest trading partner for Bangladesh. Along with maintaining political relations and goodwill with Bangladesh, China has been vigilant about the trade balance. China provides duty-free access to a list of Bangladeshi products under the Asia-Pacific Trade Agreement. Due to India's protectionist policies, the trade balance between India and Bangladesh is very unfavourable for the latter, causing ill-will for economic cooperation. The many non-tariff trade barriers put up by India create a sense of deprivation in the minds of Bangladeshi policy makers. China, on the other side, is trying to find special commodities that can be imported from Bangladesh and has taken measures, such as supplying import-loan-support.³⁹ Besides trade and commerce, China has been providing developmental assistance, grants and aid.

China has secured natural gas exploration rights at *Barakpuria*, and gained naval access to Bangladesh's Chittagong port (which India had been eyeing for several years).⁴⁰ This will bring China closer to Myanmar oil fields and the seas around India. The Chittagong sea port is important for India, as it is less than 200 km away from Agartala, capital of the Indian state (province) of Tripura, and could be vital in connecting to its Northeast; but India has not been able to leverage it, just like it has reached nowhere with the land transit issues with Bangladesh. China, on the other hand, has been courting Bangladesh to build a deep-sea-port in *Sonadia* which is a small island in the Chittagong District, as well as a multi-lane tunnel under the *Karnaphuli River* in Chittagong. If completed, the *Sonadia* port would play a major role in regional seaborne trade.⁴¹ At present, cargo from Kunming in China has to travel about 1,800 km on land to the east to reach the nearest sea port in the China Sea from where it is transported by ships bound for Europe, traversing a sea distance of 18,300 km. In future, the same shipment may reach *Sonadia*,⁴² travelling only 1,000 km to the west and then may be transported to

³⁹ Pravakar Sahoo (2013) Economic Relations with Bangladesh: China's Ascent and India's Decline. *South Asia Research* 33: 123

⁴⁰ Pravakar Sahoo (February 5, 2010) *China's growing presence in India's neighbourhood*. Available at <http://www.eastasiaforum.org/2010/02/05/chinas-growing-presence-in-indias-neighbourhood/> , Accessed on 27 February 2014

⁴¹ *ibid*

⁴² Not only China, even India would greatly benefit from this port as the same would apply to every shipment from the Northeast states of India.

Europe traversing a sea distance of 15,100 km with a total net saving of 4,000 km.⁴³ In another attempt to access the Bay of Bengal, China has [entered](#) into a US\$ 203-million deal that offers Bangladesh two [Ming](#) Class submarines.⁴⁴

Bangladesh and Myanmar have mostly enjoyed amicable relations. The civil society and political class of Bangladesh had occasionally voiced support for the pro-democracy struggle in Myanmar, but the government in Dhaka had maintained good relations with that country's military junta. Nonetheless, disagreements have occurred over issues of demarcation of land and maritime boundaries and, in recent years, over the ongoing influx of *Rohingya*⁴⁵ refugees from Myanmar. The conflict about the maritime boundaries has been resolved through a 2012 verdict of the International Tribunal for the Law of the Sea (ITLOS), which granted Bangladesh over 111,000 sq km of exclusive economic zone waters in the Bay of Bengal, and 12 nautical miles of territorial sea around St Martin's Island.⁴⁶⁴⁷ The judgment has assisted in resolving a long-standing dispute between the two neighbouring states. Relations have already improved, and both countries seek greater trade and road-and-rail networks to boost the economic relations between the two.

6. Conclusion

Geography has always been an important determinant of foreign policy. India's development initiatives in the Mekong region and China's growing interest in South Asia converge in the BCIM region. At the same time, Bangladesh and Myanmar stand to gain from their geographical positioning and promote economic development in their respective countries. The

⁴³ A K M Shafiqullah (March 20, 2013) *Deep sea port in Sonadia: A unique opportunity for Bangladesh*. Available at <http://archive.thedailystar.net/beta2/news/deep-sea-port-in-sonadia-a-unique-opportunity-for-bangladesh/>. Accessed on 20 February 2014

⁴⁴ On Bangladesh's side, this could be to deter Myanmar, with whom it had maritime territorial disputes in the past. India was not particularly happy with the development, and took some counter-measure to strengthen its own maritime positions.

⁴⁵ Rohingyas are a Muslim minority group in Myanmar, who feel persecuted in the country, and many have been fleeing to Bangladesh from Myanmar since 1978. The most recent incident took place in June 2012, when a large number of Rohingyas tried to enter Bangladesh after riots.

⁴⁶ Sam Bateman (2012) *Solving Maritime Disputes: The Bangladesh-Myanmar Way*. *RSIS Commentaries* Available at <http://www.rsis.edu.sg/publications/Perspective/RSIS0482012.pdf>. Accessed on 30 MARCH 2014

⁴⁷ For details, please see Balaram, Ravi A. (2012) Case Study: The Myanmar and Bangladesh Maritime Boundary Dispute in the Bay of Bengal and Its Implications for South China Sea Claims, *Journal of Current Southeast Asian Affairs*, 31, 3, 85-104.

government in Bangladesh (in power since 2008) and that in Myanmar (2010) are eager to improve trade relations with neighbours.⁴⁸ China has already made impressive advances through various investment and infrastructure projects. India, despite holding apprehensions regarding China's growing presence in its neighbourhood, has opened up to the idea of deeper integration. India is far better prepared today to engage with its neighbours than it was in the 1990s, when the 'Look East policy' was first drafted.⁴⁹ It is indeed an opportune time for the 'BCIM Initiative'. An overview of the objectives as well the opportunities and challenges in realising the BCIM Initiative, for each country involved, are listed in Table 1. International trade is a two-way traffic and when India and China open up to each other, both will benefit from the increased trade and commerce, along with the smaller neighbours. This will give rise to a new multi-polar world order and safeguard peace and stability of Asia and the world.

Table 1: Overview of the sub-regional perspective and potential

	Objectives	Opportunities	Challenges
Bangladesh	<ul style="list-style-type: none"> ▪ To promote national economic development ▪ Become a regional hub of transit trade ▪ Collaborate for economic and energy security ▪ Attract foreign direct investment (FDI) 	<ul style="list-style-type: none"> ▪ Transit and Port services hub ▪ Attract FDI ▪ Infrastructure development ▪ Wealth generation 	<ul style="list-style-type: none"> ▪ Resolution of bilateral disputes with India (river water and land transit issues) and Myanmar (Rohingya issue)
China	<ul style="list-style-type: none"> ▪ To find new markets and shorter trade routes ▪ Access South Asian market and the Indian Ocean sea routes 	<ul style="list-style-type: none"> ▪ Access to Indian Ocean and South Asian market ▪ Development of southwest provinces 	<ul style="list-style-type: none"> ▪ Growing criticism of Chinese investors in Myanmar

⁴⁸ Ravi Bhoothalingam. (May 2013) China and its Peripheries: Beijing and the BCIM. Issue brief # 216 Available at <http://www.ipcs.org/issue-brief/china/china-and-its-peripheries-beijing-and-the-bcim-216.html>

⁴⁹ Finally setting aside the overpowering westward preference.

	<ul style="list-style-type: none"> ▪ To promote inclusive-growth strategies with neighbours ▪ To develop the southwest region of China for a more balanced development and internal stability 	<ul style="list-style-type: none"> ▪ Regional supremacy 	<ul style="list-style-type: none"> ▪ Overcoming ‘trust deficit’ with India ▪ Competing with Indian influence in Bangladesh
India	<ul style="list-style-type: none"> ▪ To promote Look East Policy (shift away from westward inclination) ▪ To increase trade with East and Southeast Asia ▪ To attain greater involvement in regional economic and political spheres ▪ To develop and build infrastructure in Northeast 	<ul style="list-style-type: none"> ▪ Access to Southeast Asia and East Asia ▪ Development of Northeast India ▪ Spearhead regional integration and gain influence over region 	<ul style="list-style-type: none"> ▪ Balancing security concerns with economic objectives ▪ Insurgency in Northeast ▪ Managing State versus Central Government
Myanmar	<ul style="list-style-type: none"> ▪ To promote democratisation and economic liberalisation ▪ To integrate with global and regional economy ▪ To reduce dependence on China for economic and military support 	<ul style="list-style-type: none"> ▪ Transit and Port services hub ▪ Attract FDI ▪ Infrastructure development ▪ Wealth generation ▪ Utilisation of natural resources 	<ul style="list-style-type: none"> ▪ Insurgency at the border areas ▪ Moving away from China’s shadow

The ‘BCIM Initiative’ appears poised to lead the way for a robust sub-regional economic grouping in the coming years. Whether the renewed interest sustains or fizzles out and whether the sub-regional grouping can emerge out of the political cloud remains to be seen. The politico-strategic scepticism is inevitably intertwined with possible economic cooperation. US

critics tend to see the BCIM as China's bid for regional primacy.⁵⁰ However, it stands to reason that Bangladesh, China, India and Myanmar see this regional economic integration as potential insurance for stability and prosperity in the future, and seem inclined to take this forward on a mutually beneficial journey.

⁵⁰ Dan Steinbock (November 4, 2013) *Bangladesh plays key role in China's rebalancing in Southeast Asia*. Available at <http://www.scmp.com/comment/insight-opinion/article/1345375/bangladesh-plays-key-role-chinas-rebalancing-southeast-asia>. Accessed on 28 February 2014

References

A K M Shafiqullah (March 20, 2013) Deep sea port in Sonadia: A unique opportunity for Bangladesh. Available at <http://archive.thedailystar.net/beta2/news/deep-sea-port-in-sonadia-a-unique-opportunity-for-bangladesh/>. Accessed on 20 February 2014.

Balaram, Ravi A. (2012) Case Study: The Myanmar and Bangladesh Maritime Boundary Dispute in the Bay of Bengal and Its Implications for South China Sea Claims, *Journal of Current Southeast Asian Affairs*, 31, 3, 85-104.

BCIM Economic Cooperation. Dhaka, 23-24 February 2013. Available at http://www.cpd.org.bd/11_BCIM/Papers/Session%20IV_Institutional%20Arrangements%20for%20Effective%20Cooperation/Debapriya%20Bhattacharya.pdf. Accessed on 1 February 2014.

Benno Ferrarini (2013) *Myanmar's Trade and its Potential*. Available at <http://www.adb.org/sites/default/files/pub/2013/ewp-325.pdf>. Accessed on 28 February 2014.

Chen Jidong (2013) 'The BCIM Trade Corridor and its Development'. In Tan Chung, Zhang Minqiu, & Ravni Thakur (eds), *Across the Himalayan Gap: A Chinese Quest for Understanding India*. New Delhi: India International Centre & Konark Publications.

Dan Steinbock (November 4, 2013) *Bangladesh plays key role in China's rebalancing in Southeast Asia*. Available at <http://www.scmp.com/comment/insight-opinion/article/1345375/bangladesh-plays-key-role-chinas-rebalancing-southeast-asia>. Accessed on 28 February 2014.

David Scott (ed) (2011) *Handbook of India's International Relations*. New York: Routledge.

De, P. and B. N. Bhattacharyay (2007) Deepening India-Bangladesh economic cooperation: Challenges and opportunities, RIS-DP#130. *Research and Information System for Developing Countries*, New Delhi. *Economy of Assam*. Available at <http://databank.nedfi.com/content/economy-assam> Accessed on 3 March 2014.

External Affairs Minister, S M Krishna, (2012) Keynote Address at the Delhi Dialogue Available at http://www.hcidhaka.org/fortnight/20120229_eng.pdf. Accessed on 28 February 2014.

Foreign Secretary, Ranjan Mathai (2012) Speech at BCIM Meeting, Available at http://www.hcidhaka.org/fortnight/20120229_eng.pdf. Accessed on 28 February 2014.

Franca Faes-Cannito, Gilberto Gambini and Radoslav Istatkov (2012) *EuroStat Statistics in Focus*. Available at http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-003/EN/KS-SF-12-003-EN.PDF Accessed on 20 March 2014.

George J. Gilboy, Eric Heginbotham (2012) *Chinese and Indian Strategic Behavior: Growing Power and Alarm*. New York: Cambridge University Press.

Gonsalves, Eric (2013) Ten Years of BCIM. Presentation at the China South Asia Think Tank Forum, Kunming, 5-7 June 2013.

India China joint statement of cooperation Joint Statement - A vision for future development of India-China strategic and cooperative partnership. Available at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=100198>. Accessed on 30 January 2014.

Jurgen Haacke (2006) *Myanmar's Foreign Policy: Domestic Influences and international implications*. New York: Routledge.

Kishan S Rana and Patricia Uberoi (2012) India's Northeast Region, The BCIM Forum and Regional Cooperation, *Institute of Chinese Studies*.

Kurian, Nimmi (2005) Prospects for Sino-Indian Trans-border Economic Linkages. *International Studies* 42 (3&4).

Md. Tariqur Rahman and Muhammad Al Amin (2009) Prospects of economic cooperation in the Bangladesh, China, India and Myanmar region: A quantitative assessment. *Asia-Pacific Research and Training Network on Trade Working Paper Series*, No. 73.

Mohammad Masudur Rahman and Chanwahn Kim (2012) Trade and investment potential among BCIM countries: prospects for a dynamic growth quadrangle. *Journal of International Trade Law and Policy* Vol. 11 No. 2, pp. 163-190.

Mohan Malik (2012) China and India Today: Diplomats Jostle, Militaries Prepare. *World Affairs*. Available at <http://www.worldaffairsjournal.org/article/china-and-india-today-diplomats-jostle-militaries-prepare> Accessed on 20 April 2014.

Mustafizur Rahman, Habibur Rahman and Wasel Bin Shadat (2007) BCIM Economic Cooperation: Prospects and Challenges. Centre for Policy Dialogue (CPD) Available at http://www.cpd.org.bd/pub_attach/op64.pdf. Accessed on 30 January 2014.

Nazmul Ahsan (February 8, 2014) Bangladesh to proceed with BCIM economic corridor plan. Available at <http://www.newagebd.com/detail.php?date=2014-02-08&nid=83108#.UxWk-fm1ZKc>. Accessed on 20 March 2014

P K Kamath (2011) *India-China Relations: An Agenda for the Asian Century*. New Delhi: Gyan Publishing House.

Patricia Uberoi (2008) *India-China Initiatives in Multilateral Fora: Two Case Studies*. Sage Publications: *China Report*.

Patricia Uberoi (2013) *The BCIM Forum: Retrospect and Prospect*. Institute of Chinese Studies, Delhi. Available at <http://www.icsin.org/ICS/WorkingpaperPdf/1.pdf>. Accessed on 15 April 2014.

PHD Chamber of Commerce. Available at http://www.phdcci.in/admin/admin_logged/banner_images/1374650008.pdf . Accessed on 25 February 2014.

Pravakar Sahoo (2013) *Economic Relations with Bangladesh: China's Ascent and India's Decline*. South Asia Research 33:123.

Pravakar Sahoo (February 5, 2010) *China's growing presence in India's neighbourhood*. Available at <http://www.eastasiaforum.org/2010/02/05/chinas-growing-presence-in-indias-neighbourhood/> Accessed on 27 February 2014.

Rahamtullah, M (2013) *Strengthening Connectivity among BCIM Countries*. Paper presented at the Eleventh International Conference on Regional Cooperation among Bangladesh, China, India and Myanmar (BCIM) Dhaka, 23-24 February 2013. Available at http://www.cpd.org.bd/11_BCIM/Papers/Session%20II_Strengthening%20Multimodal%20Connectivity/M%20Rahmatullah.pdf. Accessed on 15 April 2014.

Ranjan, Alok & Patricia Uberoi (2013) *Reviving the Southern Silk Road: Overland Odyssey from Kolkata to Kunming*. BCIM Car Rally, 2013: A Handbook. Delhi: Institute of Chinese Studies..

Ravi Bhoothalingam. (May 2013) *China and its Peripheries: Beijing and the BCIM*. Issue brief # 216. Available at <http://www.ipcs.org/issue-brief/china/china-and-its-peripheries-beijing-and-the-bcim-216.html>.

Sam Bateman (2012) *Solving Maritime Disputes: The Bangladesh-Myanmar Way*. RSIS Commentaries Available at <http://www.rsis.edu.sg/publications/Perspective/RSIS0482012.pdf>. Accessed on 30 March 2014.

Shahiduzzaman Khan (24 November 2013) *BCIM bid to build economic corridor gathering steam*. Available at <http://www.thefinancialexpress-bd.com/2013/11/24/5439/print>. Accessed on 31 January 2014.

Swaran Singh (2005) *China-India Bilateral Trade: Strong Fundamentals, Bright Future*. Available at <http://chinaperspectives.revues.org/2853#tocto1n3>. Accessed on 30 January 2014.

Thakur, Ambuj (2011) The BCIM: China's Stakes for its South-western Region. *World Focus* 381.

Thant Myint -U (2012) *Where China Meets India: Burma and the New Crossroads of Asia*. New York: Farrar, Straus and Giroux.

Yang, Bin (2008). *Between Winds and Clouds*. New York: Columbia University Press.

.