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China's Proposals for Trans-Himalayan Connectivity: Consider Four Economic Corridors

By Pradumna B Rana

Synopsis

Following its "New Silk Roads" policies to improve connectivity with neighboring countries in Asia, China proposed earlier this year to establish a "Trans-Himalaya Economic Region" to be led by India and itself. Details of the proposal are not clear but they should focus on building four trans-Himalayan economic corridors to connect South Asia with Central and East Asia.

Commentary

CHINA'S EMERGENCE as the "Factory of the World" based on its focus on exporting labour-intensive manufactures is well-known. Less well-known is the role that infrastructure played in this strategy. In the short run, infrastructure development boosts investment and economic growth. In the longer run, quality infrastructure boosts productivity of a county and enhances the competitiveness of its exports.

A recent issue of The Economist magazine cites a McKinsey Global Institute report which finds that from 1992 to 2007 China spent 8.5% of its GDP on infrastructure, well over the developing country norm of 2-4%. During the period 1992 to 2007 it built 35,000 km of highways at a cost of \$120 billion.

China's infrastructure spree

China's push for infrastructure development within its borders picked up pace with the Western Development or the Go West policy implemented in 2000. Prior to this policy China's development was confined to the eastern coastal region of the country. China's success in attracting investment into the coastal special economic zones made the country the fastest growing country in the world. But it also led to widening economic disparity between the coastal region and the rest of the country specially the inner western part of the country. The Go West Policy sought to address this disparity by building basic infrastructure towards the country's hinterland and by attracting investment in the western region.

Last year, China came up with the “New Silk Roads” policies to enhance connectivity with its neighbouring countries. These policies have two components. First, Xi Jinping, the President of China, made a call for a “Silk Road Economic Belt” with Central Asia. Second, a “21st Century Maritime Silk Road” is also to be developed to connect China with ASEAN initially and ultimately with South Asia as well.

China’s actions have led to the revival of the Northern Silk Road. Cities in inner provinces, such as Kunming, Chongqing, Chengdu, Xi’an, and Xining have emerged as major metropolitan cities with urban infrastructure projects paralleling those in the coastal areas. China has built an east-west railway line to connect far-flung cities like Urumqi and Kashgar to Xi’an and the coastal cities. This railway line has been extended to Moscow, using Central Asia as an economic corridor, and then on to Duisburg (in Germany) to become the China-Europe railway line. Cross-country East-west pipelines such as the Kazakhstan-China and Central Asia-China pipelines have also been built.

Together with India which is actively implementing its Look East policies, China is building the BCIM Economic Corridor to connect the Yunnan province of China with Myanmar, Bangladesh, and India. This is an important segment of the less well-known Southern Silk Road of old.

Himalayas not a barrier to connectivity

In June this year, the Chinese Ambassador in New Delhi, Wei Wei, proposed to establish a “China and India double-engine powered Trans-Himalaya Economic Growth Region (THEGR)” so that the two countries could interconnect and prosper. Like many such proposals from China, details are not known as yet. Nonetheless, the proposal is welcome as it addresses an important missing link in attempts to promote the Silk Roads of the bygone era.

It is expected that establishing new economic corridors between India and China through Nepal would be one component of the recent Chinese proposal. Another would be establishing India-China connectivity through the Nathu La pass in Sikkim. Recently the Global Times published by the ruling Communist Party’s official People’s Daily said that the extension of the Beijing-Lhasa railway to Shigaste, a Chinese city close to the Nepal border, would open next month. It also mentioned that the railway line would be extended by 2020 to two separate points, one on the border of Nepal (Kerung) and the other on the border with India and Bhutan.

Trans-Himalayan economic corridors

In a recent study prepared for the Asian Development Bank (ADB), a colleague and I have conceptualized four multimodal Trans-Himalayan Economic Corridors (THECs) beginning in New Delhi and Kolkata, passing through Kathmandu and Tibet, with two turning east to Southeast Asia and another two turning west to Pakistan, Afghanistan and Central Asia. We have also proposed that the BCIM project be expanded to cover all of the SASEC (South Asia Sub-regional Economic Cooperation) countries including Nepal and Bhutan.

China’s “THEGR” proposal should focus on the four THECs. This is because complemented by the three economic corridors in the Greater Mekong Sub-region and the six in Central Asia, the THECs would lead to a seamless Asia extending all the way from Central Asia to South Asia and East Asia and create a “win win” situation for all countries.

Just as it did in the Greater Mekong sub-region and in Central Asia, the ADB should carry forward the idea of the four THECs as a “facilitator, financier, honest broker, and technical advisor.” The THECs will have to be put together like pieces of the jigsaw puzzle, that is one at a time, and for which new sources of financing, in addition to the old ones, are the newly-established BRICS bank and the soon to be established Asian Infrastructure Investment Fund.

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