

**BELT AND ROAD INITIATIVE: A COMPARATIVE STUDY
OF NEPAL AND SRI LANKA**

A Dissertation

Submitted to

Department of International Relations and Diplomacy

Faculty of Humanities and Social Sciences

Tribhuvan University

In Fulfillment of the Requirement for the MIRD 525 Thesis of
Master's Degree in International Relations and Diplomacy

Submitted By

ArinaDahal

Symbol No: 2804

Registration No. 7-2-360-55-2010

February, 2021

ACKNOWLEDGEMENTS

First and foremost, I am grateful to my supervisor Dr. KeshavBashyal for his continuous support, assistance and patience throughout the writing of my dissertation. His invaluable advice, comments and insightful feedback helped me to enhance my thinking and elevated the level of my work.

I would like to thank Program Coordinator Prem Raj Khanal for his valuable guidance throughout my studies. I would also like to acknowledge Prof. DrKhadga K.C. for his continuous support. Their knowledge, experience and guidance have encouraged me to choose the right direction in my academic research.

In addition, I would like to thank my colleagues from my work at Ministry of Finance, International Economic Cooperation Division for their wonderful collaboration and support to further my research. Likewise, I would like to acknowledge the immense support from my family and friends. The stimulating and insightful discussions with my friends, Santosh Paudel and Jasmine Maharjan, has helped me generate new ideas.

LETTER OF RECOMMENDATION

I hereby certify that this dissertation entitled “Belt and Road Initiative: A Comparative Study of Nepal and Sri Lanka” was prepared and completed by ArinaDahal under my supervision. I hereby recommend this dissertation for final examination by the Research Committee Department of International Relations and Diplomacy, Tribhuvan University, in fulfilment of the requirements for the Degree of MASTER’S IN INTERNATIONAL RELATIONS AND DIPLOMACY.

.....

Dr.KeshavBashyal

Supervisor

Date: February, 2021

DECLARATION

I hereby declare that this dissertation is my own work and that it contains no materials previously published. I have not used its materials for the award of any kind and any other degree. Where other authors' sources of information have been used, they have been acknowledged.

.....

ArinaDahal

Date: February, 2021

ABSTRACT

China's Belt and Road Initiative projects a win-win approach to everyone participating in it including China. This paper addresses the China's motivation and the impact of BRI especially in developing states focusing mainly on two South Asian states; Nepal and Sri Lanka relying on the liberal school of thought. Furthermore, the main objective of the thesis is to comparatively analyse the impacts, benefits, opportunities and threats entailed by BRI regarding two geographically different developing states.

Belt and Road Initiative intends to fulfil the massive infrastructure gap and produce huge development opportunity through economic cooperation and interdependence. Nepal and Sri Lanka, both have shown their interest in participating in the Chinese initiative and have signed their respective MoU with China. The study attempts to analyse the positive and negative impact promised by BRI and compare the economic benefits and opportunities it can bring in the two countries. Therefore, the research has projected the historical relationship, economic agreements, selection of projects, China's aid and investment status with regard to Nepal and Sri Lanka. Similarly, while analysing China's relationship with South Asian states, the role of India and the sphere of influence it holds towards its neighbouring states needs to be accessed. Therefore, the research incorporates the view of India towards BRI and the power it can exert towards Nepal and Sri Lanka against their engagement with China's ambitious project.

Nepal and Sri Lanka both view BRI as an opportunity to move towards economic independence from India and use this as a means of "balancing strategy" to balance the influence from other regional and global powers. These states strategize to work through dual approach while attaining developmental benefits on the one side and balance the manipulation from other states like India, China and United States. China's multi-million initiative promises numerous benefits along with few threats. If Nepal and Sri Lanka can enhance their capacity to divide the China's policy towards their national interest, the benefits proposed by the initiative can outweigh the drawbacks it holds. Thus, the research compares the opportunities and threats these states face and analyses the similarities and differences they have regarding BRI's scope in their respective country.

Table of Contents

ACKNOWLEDGEMENTS	ii
LETTER OF RECOMMENDATION	iii
DECLARATION	iv
ABSTRACT.....	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
CHAPTER 1: INTRODUCTION	1
1.1 Background.....	1
1.2 Statement of the problem	7
1.3 Research Question	7
1.4 Research Objectives.....	8
1.5 Significance of the study.....	8
1.6 Delimitation.....	8
1.7 Organization of the study	9
CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK.....	10
2.1 Review of Literatures.....	10
2.2 Conceptual Framework.....	16
CHAPTER 3: RESEARCH METHODOLOGY	19
3.1 Research Methodology	19
3.2 Tools and Techniques of Data Collection.....	19
CHAPTER 4: CHINA'S GRAND STRATEGY	21
4.1 Why South Asia?	24
CHAPTER 5: CHINA-NEPAL IN RELATION TO BRI	30
5.1 History.....	30
5.2 Impact of BRI	31
5.2.1 Agreements	32
5.2.2 Projects.....	33
5.2.3 Aid, Investment disbursement	35
5.2.4 Opportunities and Challenges	37

CHAPTER 6: CHINA-SRILANKA IN RELATION TO BRI.....	41
6.1 History.....	41
6.2 BRI and Sri Lanka	42
6.2.1 Agreements	43
6.2.2 Projects.....	44
6.2.3 Aid, Investment disbursement	48
6.2.4 Opportunities and Challenges	49
CHAPTER 7: RESULT AND FINDING.....	55
References.....	60

LIST OF TABLES

Table 2.1: Projects and Amount Pledged Under BRI	14
Table 5.1: Projects run under China Aid till 2013	33
Table 5.2: Projects run under China Aid from 2013 to 2019.....	34
Table 5.3: Top 5 Bilateral Development Partners by Disbursement in Fiscal Year 2017-18	36
Table 5.4 Actual Aid Disbursement of China from FY 2010-11 to 2018-19	36

LIST OF FIGURES

Figure 1.1: Focus Areas of OBOR(BRI)	3
Figure 6.1: Value of Chinese development finance to Sri Lanka (\$ million).....	42
Figure 6.2: View of Colombo Port City (CPC) in 2016	46

LIST OF ABBREVIATIONS

ABC - Agricultural Bank of China
ADB - Asian Development Bank
ADBC - Agricultural Development Bank of China
AIIB – Asian Infrastructure Investment Bank
BCIMEC – Bangladesh-China -India-Myanmar Economic Corridor
BOC - Bank of China
BRI – Belt and Road Initiative
BRICS – Brazil Russia India China South Africa
BRIPC – Belt and Road Initiative Participating Countries
CCB - China Construction Bank
CCWAEC - China-Central Asia-West Asia Economic Corridor
CDB - China Development Bank
CDRMP – Comprehensive Disaster Risk Management Programme
CHEXIM - Export-Import Bank of China
CHEC – China Harbor Engineering Corporation
CIC - China Investment Corporation
CICPEC - China-Indochina Peninsula Economic Corridor
CMPH – Chine Merchant Port Holdings
CMREC - China-Mongolia-Russia Economic Corridor
CPEC - China-Pakistan Economic Corridor
CPCP – Colombo Port City Project
CICT – Colombo International Container Terminal
DRC – Development Research Centre of the State Council
FDI – Foreign Direct Investment
GOC – Government of China
GOSL – Government of Sri Lanka
HIPG – Hambantota International Port Group
HIPS – Hambantota International Port Services

HPDP – Hambantota Port Development Project
ICBC - Industrial and Commercial Bank of China
LTTE- Liberation Tamil Tiger Eelam
MDB – Multilateral Development Bank
MOFA – Ministry of Foreign Affairs
MOU – Memorandum of Understanding
NDB - New Development Bank
NELBEC - New Eurasian Land Bridge Economic Corridor
NRDC – National Development and Reform Commission
OBOR – One Belt One Road
ODA – Overseas Development Assistance
OECD – Organization for Economic Cooperation and Development
PPP - Public-Private Partnerships
PRC – People’s Republic of China
RMB – Renminbi
SOE - State-owned Enterprise
SRF - Silk Road Fund
SLPA – Sri Lanka Port Authority
UN- United Nation

CHAPTER 1: INTRODUCTION

1.1 Background

BRI, short for Belt and Road Initiative is China's leader Xi Jinping's highly ambitious infrastructure project connecting Asia, Europe and Africa and is considered a revival of the ancient Silk Road. This project has a goal of improving regional integration along with increasing trade and stimulating economic growth in order to connect the project to continents such as Asia, Africa and Europe across maritime and land routes. In 2013, with the motive to improve cooperation and connectivity, China announced its largest project Belt and Road Initiative. China's President Xi Jinping coined the name "Belt and Road Initiative" which in the past was referred to as "One Belt One Road" (Wijayasiri & Senaratne, 2018). Xi Jinping's Belt and Road Initiative was inspired from the concept of Silk Road established during the Han Dynasty 2,000 years ago which was an ancient network of trade routes which for centuries connected China to the Mediterranean along Eurasia (EBRD, n.d.).

Belt and Road Initiative was introduced for the first time by President of China during his visit to Indonesia and Kazakhstan in 2013 (Jiao, 2013). There are 140 countries while doing the thesis, who have signed the MoU with China to become the participating member of BRI (BRI Centre, 2021). The participating countries together under BRI, represent more than two thirds of the world's population, a third of the world's GDP and large energy resourced countries thus projecting a global importance of the project (Kondapalli & Xiaowen, 2017). China's Belt and Road Initiative is its most ambitious project and its main target is to complete the project by 2049 which coincides with its 100th anniversary (Thakur, 2020). BRI incorporates 140 countries with two third of the global population (Development Reimagined, 2019). Of all 140 member countries, Russia seems to be the "biggest destination" (Refinitiv, 2019) having both highest number of projects and highest value in the country. Centre of Security Studies (CSS), Zurich have claimed that "Russia intends to develop a high-tech industry as it has lobbied for BRI trade corridors". Likewise, in terms of higher number of projects Egypt comes in second position whereas in terms of value, Saudi Arabia comes second (Refinitiv, 2019).

The key beneficiaries of BRI are most expected to be developing states as there is a higher demand of infrastructure and BRI promises to fulfill the infrastructure gap through its investment. The initiative seeks to invest highest in the transportation and energy sector the most. The participation of the countries expecting to benefit from the initiative are most interested in the BRI's objectives of attaining hard infrastructure. South Asia and South East Asia, partly due to its proximity to China show their open interest in the project and seek to benefit from the initiative. Asian Development Bank (ADB) has estimated that Asia in total requires almost \$26 trillion investment in infrastructure to sustain its growth (ADB, 2017). Some countries such as India, Brazil, Bhutan are not member of the BRI. BRI is referred to as a means to increase its geopolitical power and have not agreed to be apart influence such as western power which is unsure about the initiative. But there are other nations from South Asia such as Bangladesh, The Maldives, Nepal, Pakistan and Sri Lanka and South East Asia which has given the initiative a high level of cooperation. The BRI initiative has also extended to North and South America.

China's OBOR summit on May 2017 is considered to be China's important diplomatic event as the summit proposed Xi's idea "Belt and Road Initiative" and launched a number of infrastructure projects across the three continents; Asia, Africa and Europe. Initially named OBOR, it attracted many misinterpretations whereby critics analyzed the OBOR project to have a single route having limited benefits whereas this initiative aims to connect three continents through five routes. To remove the confusion, OBOR was renamed to BRI.

To develop a massive initiative as BRI, has made numerous efforts from setting up institution, funding to develop regions along the BRI corridors and intensifying diplomatic ties to create a large support for the project (Kondapalli & Xiaowen, 2017).

Belt and Road Initiative is a multimillion project and this particular initiative constitutes of two components Belt and Road as (Kuo & Kommenda, 2018); Economic belt- economic belt constituting of 6 corridors that serves as a route to trade in and out of China and Maritime Silk road- strings of seaports from south china sea to Africa to promote trade.

The aspects of BRI can be understood through different lens. Looking through several aspects, BRI entails promises in economic development, military advancement, better public relationship and strengthened domestic cooperation. The development of infrastructures, motivation to

strengthen China’s People Armed Police, provincial mobilization, cultural exchange programs and enhanced tourism encircles the prospects of BRI.

The areas under BRI have been in an increasing number and priority projects are set up to be initiated. The key development projects under BRI are on the areas of energy, transportation and agriculture. But, BRI also promotes trade and investment between China and the member countries along the BRI corridor. South Asia and Southeast Asia are key regions for BRI to fulfill the development projects.

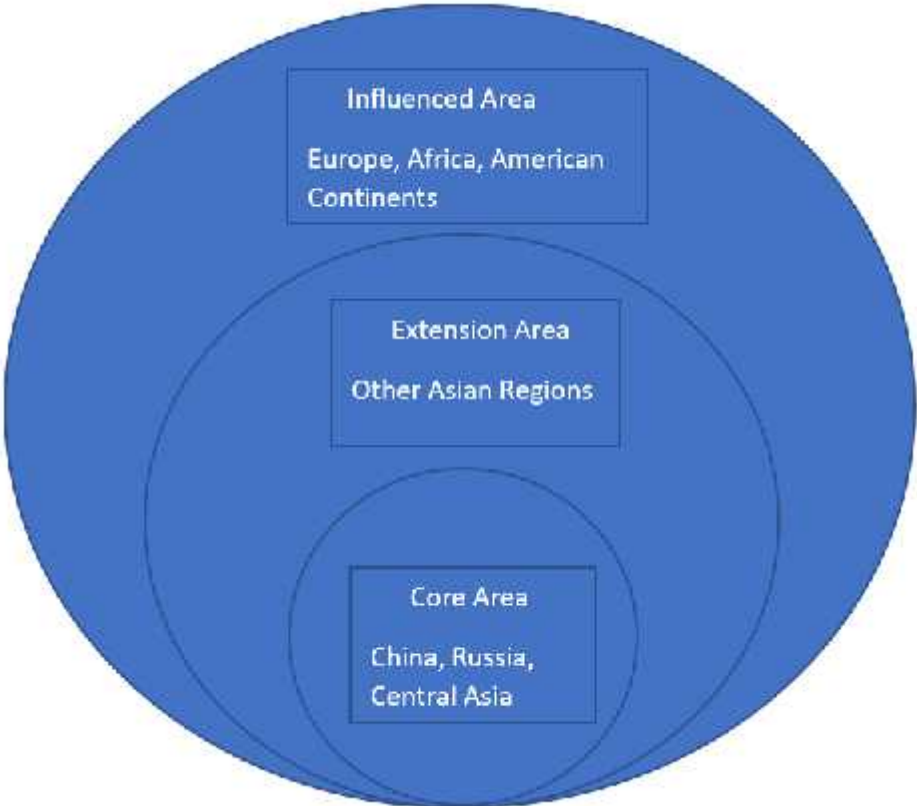


Figure1.1:Focus Areas of OBOR(BRI)

Source: Yongxiu&Songji, 2014, p. 33

South Asia falls under the extension area of BRI.While BRI proposes a strategic goal, it is important to analyze “What is the strategic position of South Asia in BRI?”Looking at China’s geography, China shares its border with the largest number of states. China is surrounded by 14 neighboring countries. Similarly, China is a central country as Europe, Africa, West, Central and

South Asia are located to the West of China. Furthermore, Wang Jisi states that “the economic and political center of Russia falls on the “Fast West” of China, Korea and Japan being the “Near East” of China and United States on “Fast East” across the Pacific Ocean for China”(Jisi, 2016, p. 98).

Thus, analyzing the geographical position of China, in its eastern side, China has a long coastal line in the western part of Pacific thus promoting the opening of China’s coastal areas. Whereas, on the western side, China borders Central Asian countries which are Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan. The Xinjiang area of China bordering Central Asia has an advantage of direct access to Pakistan through the Strait of Hormuz and the Indo-China Peninsula alongside Burma (Myanmar)(Cuiping, 2017). This adds up to the geographical advantage of China as it can further access the Bay of Bengal through Burma Port. As China neighbors 14 states, the majority of countries comprises of South Asia, Southeast Asia and Central Asia where it is South Asia accounting for highest number of land neighboring country. Thus, this emphasizes South Asia’s significant part in the action plan of BRI. South Asia lying in the Indian Ocean Region, projects its strategic importance to China and rest of the world. However, South Asia’s importance depends on the level of participation and depth of cooperation among countries due to increased distrust and strategic mutual doubt among China and few South Asian countries(Cuiping,2015).Thus, strategic importance of South Asia lies in relationship and interaction among South Asia, Central Asia and Southeast Asia. The underlying tension has illustrated that geography is only a “fundamental factor” and not “the key factor” or “the only factor” in determining a state’s political between and their relationship status.

The countries along the BRI are important destination for China’s foreign investment. And China’s foreign direct investment are currently higher in Southeast Asia and Central Asia in comparison to South Asia. China’s regional distribution of investment shows highest investment scale in Southeast Asia but the increasing rate of investment is greatest in Central Asia. But analyzing China’s investment through its national distribution’s point of view, its highest in Singapore, Russia, Indonesia, Kazakastan, Myanmar and Mangolia(Zheng & Liu, 2015). One of the reasons of the lowest China’s investment in South Asia as compared to other parts of Asia is security dilemma. China and India, the two rising countries has a potential to create Asian century if they cooperate. However, there seems tensions raised through competition among these states on having control over areas of their interest. Over the years, the bilateral

relationship between China and India shows cooperation on few projects such as construction of economic corridor between Bangladesh, China, India and Myanmar (BCIM). However, the progress of the project faces difficulties due to mutual doubt and distrust(Cuiping, 2017). Myanmar and Pakistan remain two gateways for China's entry in the Indian Ocean whereas India naturally poses an advantage with its geographical position lying in between Pakistan and Myanmar. Thus, despite India's reluctance towards China, if India and China tend to attain cooperation, it can benefit both of these countries.

Although there are some underlying issues in South Asia with respect to BRI, the potential benefits of BRI outweighs the issues and thus most South Asian countries have shown interest to join this initiative. Myanmar and Bangladesh depict their interest to join China despite facing difficulties in the BCIM economic corridor. Similarly, the China-Pakistan Economic Corridor Program (CPEC) had made progress and China-Nepal-India Economic Corridor has been proposed(Kondapalli & Xiaowen, 2017).

Currently, the South Asia in BRI includes two paths to achieve the land and sea links. The one is China-Pakistan Economic Corridor and the other is BCIM economic corridor attaining sea links from Southwest China to Indian Ocean passing from Southeast Asia and South Asia. The main progress of BRI in South Asia can be analyzed through; "construction of Sino-Pakistan economic corridor, progress of BCIM economic corridor and increased Investment cooperation between China and South Asian countries" (Zhu, 2018).

This thesis tries to analyze the relationship of China with Nepal and Sri Lanka within the umbrella of BRI. This study attempts to analyze the positive and negative impact of BRI toward developing states mainly Nepal and Sri Lanka and compare the economic benefits and opportunities China possess through its multibillion project BRI to Nepal and Sri Lanka. The objective of the study is to compare the agreements, selection of projects, aid and investment and progress till now between Nepal and Sri Lanka.

Nepal and China established diplomatic relations in 1955 and since then Chinese foreign aid has been a continuous support in Nepal's economy. For Nepal, the second biggest trade partner is China. Nepal became a part of BRI to reduce its dependency with India and with an aim to enhance its economic growth. BRI was introduced in 2013 and Nepal has shown interest in the project ever since, however only in 2017, Nepal became the official participating member of the BRI.

Similarly, China and Sri Lanka's relationship is also centuries old tied by cultural and religious value. Since the initiation of BRI, Sri Lanka has been actively involved within the BRI projects. In recent years, the significance of Sri Lanka with respect to China's development has grown. China has a positive attitude towards Sino-Sri Lanka economic cooperation while Sri Lanka is optimistic but with few dissents. Sri Lanka's strategic position in the Indian Ocean makes it the key small state in the "21st Century Maritime Silk Road"(Z, J, & R, 2015). There are very few researches in the importance of Sino-Sri Lanka economic cooperation., in a macro level, Sri Lanka's geographic location and orientation makes it important for China whereas researches on an industrial level, competitive industries in Sri Lanka depicts the necessity of cooperation between China and Sri Lanka. Likewise, on a micro level, the assistance of China through loans, technology transfer, specific engineering projects speaks for the Sri Lanka's development(Dan, 2016). The historical development of China-Sri Lanka relation appears through trade, development assistance and investment. The economic cooperation between China and Sri Lanka depicts a cooperative relationship between a large and small state based on mutual benefits(Rajapakshe, 2015).

From 2013, the Sino-Sri Lanka economic relation has seen a few changed reshaping their cooperation strategy. In 2014, Sino-Sri Lanka started free trade zone negotiation and until now the negotiation has reached to the fifth round. Likewise, in 2014, China and Sri Lanka Signed a "Memorandum of Understanding for Promoting "21st Century Maritime Silk Road" and "Mahinda Vision" Construction together under Sino-Sri Lanka Joint Trade Committee Framework" (Li, 2017). Also, the construction of Colombo Port City under the projects of BRI was initiated in 2014 in collaboration of China and Sri Lanka. Furthermore, the two countries signed another MoU on "Comprehensively Promote Investment and Economic and Technical Cooperation" on 2016(Shida, 2017).

Even though the bilateral relations between China and Sri Lanka faced new transition, there were various fluctuation in economic trade cooperation. In 2013, China outraced other countries becoming the top as in number 1 country to invest in Sri Lanka(Li, 2017). However, in 2015, majority projects of China were stopped as in the locals of Sri Lanka apposed the construction of various projects including the Hambantota port. But later with the operation of few projects completed by China led to renewed cooperative relationship between the two countries.

1.2 Statement of the problem

Belt and Road initiative, considered as an important initiation of China depicts it as its grand strategy. With the commencement of BRI, it is expected that Nepal and Sri Lanka will explore multiple opportunities in terms of connectivity and enhance development through projects related to road and railway infrastructures, hydropower and tourism. Sri Lanka's geostrategic location highlights its importance in the BRI projects. Sri Lanka falls in the major route of the maritime silk road creating herself an opportunity to become the trade hub joining Asia, Europe and Africa.

Nepal and Sri Lanka two geographically different states are brought under a single lens to analyze the objectives, impacts, benefits and challenges under China's multimillion project. The Chinese motivation towards these two states differ completely and thus the thesis tries to extract similarities posed by BRI within the different geostrategic importance of these two states and China's interest towards them.

Nepal and Sri Lanka both are politically and economically influenced by India. India projects its "Big Brother" attitude to both of these developing states and inherits regional rivalry with China, making it inevitable to study the role of India while analyzing the BRI's merits and demerits in regard to Nepal and Sri Lanka. Therefore, in this study while looking into the prospects of BRI's proposed benefits to both of these states, it is important to analyze the Indian Influence on both of these countries and the problems that can arise from Sino-India relation.

In this context, Nepal being an important factor in the economic belt and Sri Lanka posing an important position in the maritime silk road, the study focuses on how BRI has created impact in the development of small state like Nepal and Sri Lanka. Focusing on China's aid and investment, the study analyses the pattern of Chinese Aid and the major changes in the trend of Chinese Aid and investment with the emergence of Belt and Road Initiative. The study projects a comparison of China's Aid Regime with respect to two developing states both having important part in the BRI.

1.3 Research Question

In analyzing the trend of Chinese aid flow to Nepal post 2013, the following questions will need to be addressed:

- A. What is the grand strategy of China and how it incorporates BRI?
- B. What are the economic benefits and opportunities of China's BRI to Nepal, in comparison with Sri Lanka?

1.4 Research Objectives

The study has attempted to accomplish the following objectives;

-) To analyze the China's strategy of realizing "China Dream".
-) To compare the economic benefits and opportunities China's multibillion BRI project possess to Nepal and Sri Lanka
-) To understand the fundamental differences and similarities with respect to BRI in Nepal and Sri Lanka.

1.5 Significance of the study

The study focuses on Belt and Road Initiative and projects a comparative standpoint between two developing states; Nepal and Sri Lanka. There have been many scholarly discussions on the topic BRI with respect to South Asia and South East Asia. Despite BRI being a global approach, my study intends to focus only on two countries of South Asia and prepare a comprehensive study that considers the scope, impact and purpose of BRI with respect to these developing states and their underlying opportunities and threats. Through a comparative study, the study aims at understanding the similarities and differences BRI puts in two geographically different states. There has not been any comparative study that talks about BRI with respect to these two countries, thus that is the innovation of this thesis.

1.6 Delimitation

A comprehensive study, regarding the implications of BRI and its impact on Nepal and Sri Lanka requires a highly sophisticated research study that reaches every dimension of the problem. There are certain limitations set during the collection, analysis and interpretation of data. They are; information about the various aspects of BRI and the relation of China between Nepal and Sri Lanka is completely based on the secondary data and the study is only concerned with two developing states in analyzing the benefits and challenges towards them in case of BRI.

1.7 Organization of the study

The organization of the study consists of six chapters. The first chapter is the Introduction where the background of the study is laid out and the structure of the thesis is put forward where statement of the problem, objectives of the study, significance of the study and delimitations is defined. The second chapter is the Literature Review where the relevant literatures and scholars' different opinions on the BRI are summarized. Various books, articles, research papers are studied to fill the research gap in other chapters. The third part of the study is Research Methodology where the design of the research, study area, nature of data and the tools and techniques of data collection are discussed. The fourth chapter is about China's Grand strategy which analyses China's strategic approach to become regional and global power through BRI and outlays the role China plays in South Asia in promoting BRI. The fifth chapter is China-Nepal in relation to BRI which starts with the historical relation of China and Nepal and leads up to the discussion on the impact of BRI to Nepal, the major projects running in Nepal under China's aid and investments, agreements conducted and the progress of the projects. Similarly, the sixth chapter deals with China-Sri Lanka in relation with BRI, which in similar fashion starts with history, agreements, impact of BRI, the on-going projects in Sri Lanka and the progress. Chapter five and six depicts the impact of BRI, its objectives, agenda, projects, opportunities and threats with respect to two countries simultaneously. Chapter seven is Result and Findings. This chapter projects a comparative approach that depicts the similarities and differences in the impact of BRI between Nepal and Sri Lanka. All the findings of the research were presented systematically as per the research questions and objectives of the study.

CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 Review of Literatures

BRI is looked upon through the lens of comprehensive perspective by various scholars. BRI is considered to be breaking the traditional concept and is depicting a new aspect to globalization and this is well explained by Zang, Alon and Lattemann (2018) in their book by viewing BRI in various aspects such as legal, geopolitical, social, cultural and financial (Zhang, Lattemann, Alon, & Wenxian, 2018).

Belt and Road Initiative intends to produce a huge development opportunity for China and the countries involving along the routes. BRI serves as a circle of friends crossing Africa and linking the Eurasian continent. This initiative is a significant path taken by China to implement all-round opening up.

China and economies on the BRI have been rising as a share of the world economy. OECD, in its Business and Finance outlook (2018) analyses that, “BRI is overseen by the ‘Leading Group’ for promoting its work hosted by the National Development and Reform Commission (NRDC) which oversees and coordinated all BRI projects including inter alia with the Ministry of Commerce, the Development Research Centre of the State Council (DRC) and the Ministry of Foreign Affairs (MFA)” (OECD, 2018, p. 3).

Looking at the efforts made by China to set up the BRI initiative as a global agenda, BRI has made various progress. Kondapalli and Xiaowen (2018) explains BRI as China’s grand strategy and by 2016 BRI attracted more than 100 countries and international organization for the participation in the initiative. Similarly, Kondapalli and Xiaowen (2018) states that “China has signed cooperation agreement with over 30 countries along OBOR, and has cooperated with more than 20 countries on international production capacity. China has signed more than 40 MOUs with neighboring countries and international organizations on OBOR and some of them are working on preparation of bilateral cooperation program” (Kondapalli & Xiaowen, 2017).

BRI is considered to be so diverse that incorporates major cooperation fields thus providing a mutually beneficial floor to many developing countries in the current world. Therefore, BRI

promoted as a win-win project calls for a large participation of over 100 countries focusing to achieve common economic growth, development and prosperity. BRI extensively aims to achieve this common agenda by inhibiting the principles of joint collaboration and contribution, broad consultation and shared welfare. BRI project, since its inception that is in the period of past 4 years, has outgrown in investment and the number of participating countries(Wijayasiri & Senaratne, 2018).

This ambitious initiative, consisting of various routes by land and sea, aims to forge an integrated network of regional infrastructure with China all over the world. OECD in its Business and Finance outlook, iterates that “China has already signed 170 cooperation documents with 122 countries and 29 international organizations to build the BRI by the end of 2018”(OECD, 2018). China is also supporting a multilateral approach to investment including MDBs and private-public partnerships. The main cost of the BRI will be funded by China, other banks led by China and supported by the Asian Infrastructure Investment Bank (AIIB). In a period of 10 years from 2017 to 2027, the BRI projects intend to invest over USD 1 trillion in infrastructure development of its member states(OECD, 2018, p. 3). Other than AIIB, new funding mechanisms are established by China such as Silk Road Fund (SRF). Likewise, China’s investment for projects in the banner of BRI will be attained from commercial banks and other China owned enterprises.

To understand the BRI in depth, “Silk Road”, China’s ancient cultural and political impression needs to be studied and understood. Trade was the fundamental part in joining the East and West, the then Silk Route. Mainly silk and other goods produced by China was transported through the route which connected Asia, Africa and Europe which led to name the trading route as Silk Road. Silk Road played an important role in fulfilling the social, cultural relation between the East and West Regions. Later, slowly, Silk Road lost its charm due to many wars among countries that were present within this route. BRI is a concept introduced by China to replace the role of ancient Silk Road (Xie, 2019).

With the announcement of BRI, many scholars started to compare BRI with Marshall Plan of USA. Shen and Chang (2018) consider BRI as China’s Marshall Plan and project various similarities between the Marshall Plan of US in 1945 and China’s BRI in 2013. According to Shen and Chang, Both US then in 1945 and China at present are global powers who seek to

invest and export globally. The scholars explain their problem to be overcapacity at their respective timeline. Similarly, USA used Marshall Plan to internationalize dollar through trade and China intends to internationalize their currency RMB by utilizing BRI. Furthermore, both countries strategically use their initiative to counter their rivals and create a division ensuring the ally countries to stay on their side and not ally with their rivals. Example, in 1945 USA aimed to counter Soviet Union uniting with Europe whereas China at present wishes to counter USA while encouraging many developing and developed to countries to unite and participate in the BRI project. Finally, both of these plan focuses on generating diplomatic ties(Shen & Chang, 2018, p. 32).Lairson (2018) similarly depicts Marshall Plan as being similar to BRI in terms of economic scale, both initiative's scope and purpose(Lairson, 2018).

Besides, Marshall Plan, BRI led by China which aims at bringing China's regional and sub-national experiences to a global level is analyzed as a tool of China to realize it's China's Dream by extending its territorial influence by encircling countries through huge debt.(Yamanda & Palma, 2018) This project focuses on facilitating trade and investment and thereby development of neighboring countries. It has a very broad scope encompassing strategic, cultural and economic connectivity. This massive strategic initiative is often criticized to realize China's imperialism through huge investment in development of countries and leading to debt-trap. (Xie, 2019)Furthermore, it is a project mingled with China's trade policy, foreign policy and development policy.This initiative is diverse and has many objectives which gives an open thoroughfare.

According to Refinitiv database, transportation accounts for 47% of the total BRI investment with 1235 projects which is proposed at the value \$1.8\$ trillion(Refinitiv, 2019). The power and water sector fall on the second highest BRI development plan.

The objectives of BRI includes enhancing financial cooperation, trade, investing in infrastructure and establishing free trade zones along the BRI corridors and deepen people-to-people relations(OECD, 2018, p. 10).Likewise, to attain the pre-determined objectives, various institutional mechanisms to fund the projects are established such as:Agricultural Development Bank of China (ADBC), China Development Bank (CDB) and Export-Import Bank of China (CHEXIM) (EBRD, n.d.).These banks are set up by China with the purpose of trade financing, investment and international economic cooperation. Similarly, there are other state-owned banks, funds and international financing institutions are coordinated by China to implement the BRI.

To fully fund the total BRI project volume whose approximate estimation is USD 4 to 8 trillion, diverse funding channels such as BRI bonds, public-private partnerships (PPP) and private capital investment but also State-owned Enterprise (SOE) investment will be quite crucial for the success of the initiative (EBRD, n.d.). Through joint efforts, financial integration will be achieved to establish the AIIB and BRICS New Development Bank, and by developing trade infrastructure as well as through trade and investment cooperation it can increase connectivity. China with its massive plan and through its own establishment of funding mechanisms, intends to accumulate power in its hand and investment in the countries lying along the corridors depicts a strategic move to compete in global leadership.

BRI's massive objective and it's laid out a long-term plans and policies promises mutual benefits but BRI as some scholars point out is China's strategy to control some countries that are under Chinese debt and who may not able to pay back any sooner. Yamanda (2018) analyzed some BRI projects running in eight participating countries that are currently facing problems such as sovereignty issues, delay in running projects and ballooning deficits. Sri Lanka is considered to be seen under debt trap of China, as Sri Lanka has debt-driven infrastructure projects under China's investment. Many scholars criticize this as debt trap of China (Yamanda & Palma, 2018).

However, despite certain criticisms, China claims BRI to be beneficial not only to China but to all participating countries. China has time and again proposed BRI as a win-win agenda creating opportunities for all the countries involved especially the under-developed and developing ones.

Apart from global perspective, China has huge interest in South Asia, Central Asia and Africa. China has listed around 40 states from Sub-Saharan Africa, 17 from Middle East and North Africa, 18 from Latin America and the Caribbean, as its participating member of Belt and Road Initiative (BRI Centre, 2021). As of 2019, 40 out of 55 African countries have signed the MoU becoming the member countries of the BRI (Calabrese, 2019). Analyzing the developing states of Africa, three countries namely Congo, Djibouti and Zambia are mainly financed by Chinese government as the principal creditor (Risberg, 2019). There is a huge argument among scholars about the "debt-trap diplomacy" played by China through Belt and Road Initiative. However, Pearl Risberg a research associate at CSIS, states that "Chinese loans are not major contributor to debt distress in Africa, as only 6 countries contribute to China's heavy borrowing" (Risberg, 2019). Similarly, a study by AIDDATA produced positive economic effects of Chinese

investment (Bluhm, et al., 2018). BRI includes a wide array from economic, political, and military aspects thus making it harder to separate the positive and negative outcomes of the project with respect to developing states. China's investment in Africa is related to the respective countries' developmental goals. BRI includes infrastructure projects addressing roads, railways and energy in Africa's developing states. For example, China's involvement in 2600MW hydropower project in Nigeria, projects related to telecom equipment in Sudan and Ghana and road projects in other African states. On the one hand, Chinese investment in many developing states can create state dependency on China but on the other hand, developing states are joining BRI in order to acquire the socio-economic benefits that the initiative promises to provide. Nevertheless, the initiative undergoing in the implementation phase cannot determine the outcome therefore there are arguments on its pros and cons without any concrete research and data analysis on the impact of BRI in developing states.

Likewise, China in Asia, Southeast Asia plays a strong role in the global economy and China's strategic partner in the BRI's Maritime Silk Road. (Xie, 2019)

The effects of 2008 Financial Crisis led to the discussion of the end of the era of globalization established by the US and the world may require a new global system which can be developed by emerging economies China, India, Brazil and others. (Quinlan, 2011) BRI depicts China's promising alternative to Western order and similarly the large number of developing states inclining towards China in support of the project questions to replace the established Western global order (Zhang, Lattemann, Alon, & Wenxian, 2018).

The thesis focuses on two developing countries Nepal and Sri Lanka projecting a comprehensive study that focuses on the conditions and impact of BRI from a comparative standpoint.

Since the study focuses on developing states mainly Nepal and Sri Lanka within the prospect of BRI, the projects and amount pledged for these states under BRI is listed below:

Table 2.1: Projects and Amount Pledged Under BRI

Country	Projects declared under BRI	In amount pledged (In US dollar bn)
Nepal	108 projects including digitization of government departments and energy projects	\$8.3 bn
Sri Lanka	Hambantota port development (PPP) Colombo port city project	\$ 1.12 bn \$1,4 bn for land reclamation and construction

Source:(Jayamaha, 2017)

National Development and Reform Commission (NDRC), the ministry of Commerce of the People's Republic of China (PRC), the ministry of Foreign Affairs (MOFA), with authorization of the State Council issued an official outline on March 28, 2015, for the Belt and Road Initiative (EBRD, n.d.).

Many participating countries in BRI belong from Asia, China requires to build strong regional ties to enhance trust and exert influence. The developing countries of South Asia are interested to align with BRI to gain economic prosperity.

BRI is a global strategic plan and Nepal became a part of BRI, 4 years later of its announcement and for a country like Nepal, it is expected that BRI will enhance the living standard of people and bring developments and investments that will transform the economy of developing states.

Sri Lanka became a part of BRI and in 2014, the projects under the BRI umbrella began with the Colombo Port City Development and later in 2017 several roads and expressway, water and sanitation projects and further investments began in existed projects such as the revised Hambantota port deal.

Moving on to the South Asia, there is fewer study regarding the BRI and its impact on the region. The rising power India has its strong influence in the region. Despite the long-standing Indian influence in the region all South Asian countries except Bhutan has shown their interest and have become a part of the initiative so as to pursue their development agenda and attain economic independence from India. There have been numerous studies regarding the consequences of the South Asian countries falling into "debt-trap" policy of China. (Mehta, 2020) But few South Asian Analysts have responded in a different way in their articles. Sri Lanka, Nepal and Bangladesh have welcomed the Chinese initiative as the opportunity to obtain development benefits. Kamal Dev Bhattarai considers BRI as Nepal's "delicate dance" to

balance China and India(Bhattarai K. D., 2019). Similarly, Priyanka Moonesinghe asserts that Sri Lanka is “playing both sides” referring to its relation with China, United States and Indo-Pacific countries(Moonesinghe, 2019).

There have been significantly few researches mainly on the BRI’s both positive and negative impact on Nepal and Sri Lanka respectively and comparatively. This can be due to the projected negative impact of the initiative which is considered to outweigh the benefit it promises. Similarly, there is no comparative study on these two geographically different South Asian states regarding China’s impactful initiative. Thus, the study aims to fulfil the underlying research gap through comparative analysis of two developing states of South Asia.

2.2 Conceptual Framework

China’s BRI can be looked upon through various school of thought. Looking mainly through realism and liberalism theory of international relations, on the one hand, liberalists argue that BRI promises to create a win-win situation to everyone involved through economic integration and multilateral efforts, on the other hand, realists argue that BRI is China’s grand strategy to develop its regional influence, extend economic imperialism and establish its position in the Indian Ocean.

My research is based on the liberal school of thought as liberal lens gives better answer to the impact and economic benefits towards developing states. China’s initiation in investment in infrastructure in South Asia provides significance in collective economic benefits. Similarly, China claims to create a win-win situation that enable the economic capacity of its neighbors.

Realism assert that states are the only actor of international relations and the world affairs as struggle for power (Walt, 1998, p. 31) whereas Liberalism states that there are many actors of international relation and global peace can be attained through cooperation and interdependence of states(Heywood, 2011, p. 56). In my thesis, I have analyzed China’s Belt and Road Initiation under the liberal school of thought. Under the liberal theory, the major aspects for using the theory are; interdependency of states under BRI, China’s commitment to multilateralism and the possibility of new global leadership “does not include a complete revisionist agenda”(Nicolas, 2015). These liberal concepts under BRI are addressed by Andrew Moravcist, Justin S. Hempso-Jones and John G. Ikenberry in their works.

China's initiation of BRI is considered to be Beijing's grand strategy. Realist perspective draws the attention of China trying to establish itself as regional and global hegemon whereas through the liberal lens, China's motive constitutes of developing an interdependent economic system to promote mutually beneficial system in South Asia and the world.

I have used the liberal lens of analysis while presenting the motives, objectives of China and through which Nepal and Sri Lanka, two developing states face the opportunities and challenges under the initiative. At certain points, China's interest of realizing its grand strategy may depict arguments from a realist point of view. While most of the arguments are based on middle grounds of two theories. John Ickenberry says that China through the present international institutions portrays acceptance to international norms to attain its interests(Ickenberry, 2008).

Much of my thesis depicts the motive of China to achieve opportunity outside its borders while incorporating a large number of countries with developments and economic benefits to the participating countries. Focusing mainly on Nepal and Sri Lanka, my thesis incorporates liberal perspective while comparing different aspects under BRI. Likewise, the chapter discussing the China's strategies to challenge the American led world order and Indian influence in the South Asian regional arena, both liberal and realist lens has been used. Scholars such as Elizabeth Economy, Jonathan Holslag, Robert Sutter argue in between these two perspectives while analyzing China's motivation. Not considering realist view that see China's motive of establishing its global hegemony or liberalist view that see China's motive to establish interconnected and interdependent economic system, like these authors, I inherit the middle ground in analyzing China's motive in investing in the developing states for the expansion of its market for growth.

China portrays to have a liberal motivation in promoting the initiative. This can be described from various aspects. In case of policy, this initiative is proposed based on the domestic necessity both economic and social, within the western Chinese states. Likewise, under economic aspects, BRI objectifies to enhance international trade and promote the principle of free market. Also, BRI incorporates the principles of multilateralism. Furthermore, China promises to build "community of common interest" through BRI. These concepts established under BRI strongly supports the theory of Liberalism. Chinese President Xi (2018) asserted that: "To respond to the call of times, China is ready to jointly promote the Belt and Road Initiative

with international partners. We hope to create new drivers to power common development through this new platform of international cooperation; and we hope to turn it into a road of peace, prosperity, openness, green development and innovation and a road that brings together different civilizations(Jinping, 2018)”.

Under this statement by Chinese President, many analysts assert that BRI is the result of China’s domestic situation (Callahan, 2016). Johnston agrees this view and states five benefits China can attain from BRI: “1. sustainable economic growth and focused development on western provinces, 2. Exports surplus industrial capacity through infrastructure projects abroad 3. Internationalizes RMB 4. achieves higher returns for the accumulated foreign reserves and 5. Globalizes the Chinese financial system(Johnston, 2019, pp. 40-58)”. Similarly, focusing on South Asia, the BRI intends to focus on the infrastructure gap which enhances the South Asian states’ capability to reach its highest economic potential and establish the higher level of geo-strategic importance of region. Through BRI, China intends to develop a stronger relationship with its neighbors by investing in infrastructure development and promoting trade relations. Liberalist argue that China seeks to deepen the economic ties by promoting positive sum game with its South Asian neighbors through trade, multilateral investment and mutually beneficial economic corridors. The developing states of South Asia like Pakistan, Sri Lanka, Bangladesh, Myanmar and Nepal consider the arrival of China’s investment and industrial capacity to remove the hurdles they have been facing in the economic development(Johnson, 2015). The smaller players of South Asia can attain powerful ally while attaining the benefits of capital and resources from China. These arguments are only from a liberal lens. However, under realist lens, these same actions can create market dependencies on the side of developing states and an economic imperialism from China’s side.

Thus, my thesis is mainly guided by liberalist point of view whereas at some arguments realist lens has been used to question the motivation of China towards developing states.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Methodology

1. Research Design

The study is based on explanatory research design with qualified data as well. It depicts the trend of Chinese Aid and investment towards Nepal and Sri Lanka with the advancement of Belt and Road Initiative. Explanatory research design in this study helps to find the casual relation between concepts. Thus, to find of the cause and effect of Chinese Aid and investment regime towards developing states, this research design is chosen.

2. Study Area

The study area of this research is economic aspect. The period from 2013 to present is studied focusing on Chinese Aid and investment regime in Nepal and Sri Lanka.

3. Nature and Sources of Data

The nature of the data is qualitative. The primary data was collected from Ministry of Finance and the secondary data are collected from books, periodicals, scholarly journals, policy reports and government published reports such as Development Cooperation Report, Economic report. Similarly, materials from websites of Ministry of Finance, Ministry of Foreign Affairs of Government of Nepal, Nepal Rastra Bank were used.

3.2 Tools and Techniques of Data Collection

1. Primary and Secondary data sources

Out of primary data, information was collected directly through Ministry of Finance of Government of Nepal and through interviews. Interviews were conducted via open-ended questionnaire regarding Nepal-China Aid regime.

The secondary resources were used in case of China-Sri Lanka economic relations. Resources such as books, reports, data published by Sri Lanka Government websites were used. The aim of the study has been to maintain the research's validity and reliability.

2. Content

Content Analysis of the documents and information extracted from internet has been done. The data extracted from Ministry of Finance (Government of Nepal), joint statement of High-level visits, scholarly articles and published books were strictly undertaken to qualify the data or content of the study in a systematic and thematic manner.

3. Data Analysis

Data Analysis has been done through analytical method. The level of analysis is mainly based on state level (China-Nepal and China-Sri Lanka). Tables, graphs and diagrams has been used.

CHAPTER 4: CHINA'S GRAND STRATEGY

China's Belt and Road Initiative is considered as the grand strategy that lays out the long-term plans of China's domestic and economic reform along with a strategy to align the countries together in the BRI route with an aim to form China's power so as to influence the world. Scholars have claimed that BRI is China's grand strategy of realizing China Dream and the initiative proposes such tools and plans that showcase the vision of achieving the dream (Kondapalli & Xiaowen, 2017, p. 37).

Since the formation of China in 1949, China has had four strategies as revolution (1949-1977), recovery (1978-1989), building national power (1990-2003) and national rejuvenation (2004-present) (Economic Times, 2020). China's leader Xi's grand strategy for the next three decades is defined as "national rejuvenation" attained through domestic restructuring, economic and technological advancement and a strengthened military. By the end of 2050, four types of scenario are considered of what China might be at; "Triumphant China; a successful China in pursuing its grand strategy, Ascendant China; a successful in attaining many but not all goals of its strategy, Stagnant China; failure in achieving its long-term vision and Imploding China; China not only a failure but surrounded by many problems that threaten communist regime" (Scobell, et al., 2020).

The grand strategy of three decades that is by the year 2050, China will face a number of success and failure and possible scenarios for China might be either ascendant or stagnant China as while attaining its long-term goals China will also face many global challenges (Scobell, et al., 2020).

China has clearly listed its strategic objectives and depicts the Chinese vision to be a win-win situation to many countries as China's plan of attaining regional and global leadership is aligned with mutual economic development, cooperation and integration. The objectives and vision of China seem to call out competition and conflict with the US and its allies. China strategizes to manage its relationship with the US while creating its competitive advantage and resolving potential threats. While in Asia, China intends to reduce the perception of "China threat" through increased diplomatic ties, large capital flows, higher infrastructure investment for the economic advancement of the countries while creating itself as a regional power. Xi transformed China's

strategic diplomacy from initially developing artificial island to BRI initiative. The island and other activities on free waters depicted China's hegemony but the announcement of BRI and BRI's objectives and goals brought a big change in China's diplomatic relationships mainly in Asia. China, often compared to India as the rising power of the coming Asian Century, intends to establish itself as the sole regional power with the ultimate goal of changing the world order. The strategy of BRI here provides an opportunity to enhance China's influence to shape itself as the regional and global power. In 2015, China laid out the BRI objectives, policies and programs for the first time. The official document released by China depicted that China aims to solve the global financial crisis and uphold the global free trade regime (Kondapalli & Xiaowen, 2017, p. 39).

Historically, China, time and again, has tried to expand the country's influence in the international arena. Chinese have come up with long-term plans and project with such intention and inspiration. Such plans and projects have short lived in the China for example, "Hundred days Reform" by Qing Dynasty. Thus, scholars argue that BRI speaks the similar spirit of the popular Chinese proverb "foolish man who moved the mountains" as the project continue to uplift the Chinese energies on domestic and international scale (Kondapalli & Xiaowen, 2017). China who has faced centuries of humiliation from the western power and Japan and even today as China's economy relies on US, BRI is China's strategy to come out independent and instead dominate the world through BRI's two trading routes economic belt and the maritime silk route. Chinese leaders have depicted the rise of China to be very different from that of Nazi Germany or Japan in 1930. The then Germany or Japan rose with the aim of trying to dominate the other countries and did not succeed. However, currently China plays a different tactic in establishing its position. China through the new diplomatic strategy of major power relations with the United States is trying to attain its goal of establishing itself as the global power. China through this huge scale initiative using the new type of major power relations is inhibiting a win-win economic agenda and non-conflicting methods. China is expanding its relations connecting the periphery of China with the periphery of South East Asia, South Asia, Europe and Africa. Zheng has used the term "community of common interests" (Zheng B. , 2005) in his article while explaining the BRI project. The term "community of common interest" refers to expanding China's relationships with various countries under the BRI project and the member countries depicts a form of "alliance building" with primary goal of economic prosperity (Zheng B. , 2005).

The domestic aspiration of China also plays a role in forming China's grand strategy. The rise of China regionally and globally has been thought from long ago. Mao Zedong proposed the concept of forming China as the "intermediate zone" and the concept of Third World helped China become the permanent member of the United Nations in 1971. Similarly, consecutive leaders of China Deng, Jiang, Hu brought various domestic and international priorities. Xi Jinping since he took office has brought policies that has impacted globally. He introduced the policy of national rejuvenation and intends to coincide the BRI project with the idea of China's long standing "China Dream"(Aoyama, 2017). Xi through BRI proposes long-term plan of expanding China's influence for "Two Centennials" that is the 100th anniversary of the Chinese communist party in 2021 and anniversary of People's Republic of China in 2049. Xi's grand strategy for the two centennials aims to become the global power while rooting out the US (Pillsbury, 2011). Xi Jinping in his speech at the opening ceremony of Boao Forum, states that China Dream will be achieved as China from world's largest developing country turns into a rich country with strong army, culturally united and a harmonious society (Jinping, 2021).

China's foreign policy has incorporated "Peripheral diplomacy" (Sobol, 2018) and Xi's intention of building the Economic Belt and the Maritime belt provides a direction to China's peripheral diplomacy in attaining its national interest. BRI is considered to be a strategic plan that can change the course of power structure of Asia-Pacific and Eurasia. China is playing in an assertive manner understanding and responding to the regional necessity whereas USA is playing in a defensive manner and is closing its ears to new opportunities (Cossa & Glosserman, 2014). US scholar Scott Kennedy states that, "China's initiative is a powerful illustration of China's growing capacity and economic clout, and China's intent to deploy them abroad. Successful implementation of the initiative could help deepen regional economic integration, boost cross-border trade and financial flows between Eurasian countries and the outside world" (Kennedy & Parker, 2015). China's BRI initiative is based on economic agenda and not military implications so in the long-term China can rule out USA from Asia (Glaser, 2014). Through BRI, China projects peripheral diplomacy and partnership diplomacy where China while prioritizing neighboring countries projects all countries (large or small, developed or developing) to be equal and having similar importance to the implementation of the project. Therefore, as stated by Chinese scholar, "China uses BRI as a means of reducing tensions between China and Great powers and builds confidence with smaller powers" (Kondapalli & Xiaowen, 2017). China

intends to build partnership with a number of countries globally as China continues to promote a new type of diplomatic relations based on mutual benefits. China's attempt to ease its relationship with the US through great power relations failed and then China moved to the strategy of peripheral diplomacy. However, along with this China has formed a network of global relations both at regional and international arena to have an impact on global order.

China has set up Asian Investment and Infrastructure Bank (AIIB), New Development Bank (NDB), Silk Road Fund and China's strategy to replace the dollar by renminbi (RMB) has depicted the China's power trying to reconstruct the international economic system while establishing itself as the global power. BRI is often questioned as China's next economic diplomatic grand strategy.

Analyzing more in to the China's projected grand strategy, BRI as the Chinese claim, intends to fulfill the infrastructure gap in the developing states of Asia, Africa and other continents. While China shouts the benefits of BRI as "positive sum game" for all participants there are few speculations that the lack of transparency and the method of Chinese construction industry may not benefit the member countries. (Rathakrishnan, 2020) Chinese industry is considered to be a major player in Chinese economic growth but reaching to its peak, China faces issues like overcapacity of labors and materials and stagnation in its overall growth rate. Consequently, China proposed its plan to outsource its high capacity so as to rectify its ongoing issues at home and export the successful model of its growth abroad (Jie, 2018).

4.1 Why South Asia?

South Asia consisting of 8 countries namely India, Pakistan, Sri Lanka, Bangladesh, Afghanistan, Bhutan, Nepal and Maldives. South Asia falls in the topography of Indian plate and a gateway to access Indian Ocean. China is not a member of the South Asian Regional group that is South Asian Association for Regional Cooperation (SAARC) but China has increased its economic moves and investment in infrastructure development in the region. India has been the foremost nation in the integration and connectivity among South Asian countries. With China's increasing presence and influence in the region and SAARC's delayed progress in regional connectivity, China attains more scope to involve itself in the region.

China's BRI is a milestone to enhance south-south cooperation and an opportunity to make the 21st century as the Asian Century (Das, 2017). The major involvement of China in respective South Asian economies are:

Bangladesh

Bangladesh became the participating country of the BRI in 2016. Bangladesh is actively interested in the China's multimillion project with the motive of uplifting the country to a "middle income country by 2021 and a developed country by 2041" (MoFA Bangladesh, 2016). Bangladesh through the work under Belt and Road Initiative intends to enhance the sustainability and socio-economic wealth of its country.

Pakistan

China-Pakistan has a strong bilateral relation with India having diminished role. In 2013, the plans of building economic corridor between Pakistan and China was announced so as to connect China with Gwadar port of Pakistan. Similarly, China has huge investments in Pakistan, "China being the largest source of FDI for Pakistan in 2015-16" (Das, 2017, p. 131). The constant increasing flow of FDI from China has intensified the height to diplomatic relation between China and Pakistan. The economic corridor between Pakistan and China, was announced before the BRI initiative, however, it was reframed as "China-Pakistan Economic Corridor (CPEC)" as a part of the BRI project in 2015. A long-term plan spanning from 2017 to 2030 has been set up by China-Pakistan for the completion of the economic corridor (Mardell, 2020). China's projects in Pakistan includes major areas as transportation, energy and Gwadar Port. Similarly, with the increasing speed of corridor construction, the long-standing Pakistan's problem of "weak economic autonomy" and "no pillar industry" is likely to be solved (Hu, 2017, p. 73).

Afghanistan

China has taken interest in attaining political stability in Afghanistan through economic engagement. Afghanistan's interest under the BRI is not just economic benefits but to attain the nation's domestic stability and regional security. There is a huge US and Indian interest in Afghanistan. However, China intends to invest in Afghanistan's reconstruction process to create regional stability through China's economic assistance. China has invested in projects like "MesAynak Copper mine" in order to held peace talks through Quadrilateral Coordination Group

with the Taliban (Mudabber, 2016). The country however needs to balance the influence of US, China and India so as to attain parallel benefits from the respective countries. Afghanistan being a country standing with the damages done by terrorism, it needs to prioritize the security issues. Nivedita Das Kundu states that, “There are concerns regarding the impact of China–Pakistan Economic Corridor on security and stability in the border regions of Afghanistan once the US troops are withdrawn from the country” (Kundu, 2016).

Sri Lanka

The projects of Sri Lanka under the BRI began with the Colombo Port City project. Another important project under BRI’s Maritime Silk Road is Hambantota sea port in Southern part of Sri Lanka. The development of Colombo Port City was initiated in 2014 with the investment plan of US\$1.4 billion by China (Das, 2017). Sri Lanka’s strategic location in the Indian ocean provides it an advantage in the 21st century Maritime Silk Road. Establishing Sri Lanka as a trade hub, China’s energy imports from Middle East and mineral imports from Africa pass through Sri Lanka.

Bhutan

China intends to establish diplomatic relationship with Bhutan (Thimpu) under China’s (Menon, 2016)current South Asia Policy. China-Bhutan relationship depict tensions from early 1951 with China involving the Central and Northwestern Bhutan’s territory in its map. Also, with Bhutan and India’s deep relationship and India’s reluctance to join BRI, the BRI may not attract Bhutan as well.

Nepal

BRI provides the opportunity of connectivity and integration. Nepal has openly and actively supported the initiative and intends to achieve the benefits it provides so as to attain economic independence and uplift the country from the group of least developed countries to middle-income countries. Similarly, the disadvantages posed by Nepal’s landlocked structure can be eliminated through the connectivity and integration through BRI (Ghimire & Singh, 2016).

India

India has adopted “Issue Diplomacy” with regard to its relation with China. India focuses on the problems and specific issues that exist between India and China and thus India raises such issues in regular intervals creating a conflictual environment (Ye, 2017). Despite the opportunities offered by BRI, India is against joining the initiative due to security and strategic importance. China-Pakistan Economic Corridor involves some disputed territories and thus India is in opposition to China’s BRI (Madan, 2016). China and India both are the rising powers contributing in the root of forming Asian Century. China-India’s smooth relation can play as a game-changer in the advancement of South Asia but the constant rivalry between the two countries seem to occur due distrust. As Menon states that “The risk in India-China relations comes from the mutual gap between perception and reality. China and India need to bridge gaps in perception and share responsibilities at both regional and sub-regional level and carry forward development initiatives” (Menon, 2016). India’s reluctance towards China’s BRI is due to various strategic issues such as inclusion of BCIM within the BRI, the issue of disputed territories in China-Pakistan Economic Corridor and the fear of Chinese influence in the Indian subcontinent (Das, 2017).

The Chinese employing its construction abroad for example, Pakistan’s Gwadar Port under Chinese investment includes only Chinese workers involved in its construction thus the local communities and people are not able to generate economic values. Another example is Hambantota Port of Sri Lanka constructed by China and is a joint venture of China and Sri Lanka where the China owns more than 80% of its share (Abi-Habib, 2018).

China’s grand strategy is considered to be successful in developing states. Chinese exporting its construction model while importing its own company, workforce, materials and equipment strategizes to take back whatever value is created through its investment (Kaura, 2018). Despite these demerits, developing states due to its low capacity to build and operate on its own and the debt they are incurred with while accepting Chinese fund encourages the host countries to accept the underlying conditions of Chinese investment (Rathakrishnan, 2020). Majority of the BRI member state are economically weak and do not possess necessary skills, labor force or capital thus creating asymmetrical power with China.

Countries like Sri Lanka, Nepal, Pakistan is under obligation to China and other developed states. Likewise, under BRI projects, China provides loan to the host countries to build an

infrastructure project and keeping few examples in mind, these infrastructures are most often joint ventures between China and the host country or between China and any company of the host country. As the debate among scholars is prominent about the debt-trap policy of China, if the loan can't be paid by the host country, often Chinese company or government undertake the operation of the particular project under lease for a long period of time. Even though China attains the maximum benefits, the developing states invite Chinese finance as this can uplift their economic and social development to some extent. Similarly, China also acknowledges its opportunities in the developing states and enhances the objectives of BRI as a win-win agenda.

In order to rise China as a regional hegemon, China could spread economic dependency on one hand but there is challenge that China faces in South Asia to balance India and its influence in the region (Brewster, 2018). The dominance of India is so huge that disrupting Indian influence to build BRI projects in Asia without attaining Indian support has few implications towards China's ambition. China aims at building economic corridors under BRI surrounding South Asia while creating ports that encircles India (Rathakrishnan, 2020). China strategizes to cater the economic growth of countries so as to reduce their dependency towards India and thus Chinese support to those countries can shake the regional influence of India. China has differing relationship with South Asian countries. Pakistan's rising political relationship with China allows China to favor Pakistan's security and project certain level of threat to India. Similarly, China's economic relationship with Nepal, Bangladesh and Sri Lanka intends to reduce their Indian dependency on security and trade and elevate their market dependency with China. China understands that India is its sole competitor having a higher sphere of influence in the region. Thus, China through BRI wishes to undermine India's political clout in the South Asian territory.

China and Indian rivalry rise higher with China's investment in the construction of ports under its Maritime route in Indian Ocean as India perceives that China's motive to build commercial ports might have underlying goal to use it as naval bases in future. Therefore, if the debt-trap policy as speculated gives China the control over the dual-use ports and other construction projects, India fears the risk of Chinese militarization in the area leading to decreased Indian hegemon. Similarly, China's investment in ports like Gwadar Port near Strait of Hormuz give China access to regional trade route that has great strategic value (Pant, 2018). India imports

higher proportion of oil from these Strait and thus China's control over the over threatens India's energy security concerns.

On the one hand China enhances its economic control in South Asia to deduce the smaller state's dependency towards India. On the other hand, China is trying to attain access in the Indian Ocean so as to increase its control while reducing Indian influence. China's high ambition to create a new global order starts with establishing new economic order in the South Asian region. In doing so, China perceives India as an impediment and thus wishes incorporate and influence areas through BRI to obtain its grand strategy.

CHAPTER 5: CHINA-NEPAL IN RELATION TO BRI

5.1 History

Nepal is a least developed country and very much depends on a south neighbor and has its own production in agriculture, industries and other sectors which are insignificant and the economy is more dependent upon remittance. Nepal has been increasingly acquiring Foreign Aid through bilateral and multilateral mechanisms and in various forms such as grants, loans and technical assistance. Nepal has been attaining foreign aid for over six decades, the first foreign aid being granted by United States of America in 1950. Nepal and China established diplomatic relations in 1955 and since then Chinese foreign aid has been a continuous support in Nepal's economy. Chinese Foreign Aid aims to help the developing countries in achieving economic prosperity and political security. Foreign Aid is an important tool of diplomacy and China uses it in helping under developed and developing countries so as to establish its global image and in long run enhancing its global influence as a part of its national interest. China declares that its foreign aid is entitled to no political attachment and is only based on mutual cooperation and benefit. Chinese Foreign Aid is based on South-South cooperation and eight principles of economic aid and technical assistance (China, 2011). China is the second biggest trade partner of Nepal. Nepal became a part of BRI to reduce its dependency with India and with an aim to enhance its economic growth. Nepal made a decision to be a part of BRI for two strong reasons, one was to end the monopoly whereas the other was for rapid economic development. Another decision to be a part of BRI was further confirmed when there was an economic blockade in the southern border. Nepal had a very troublesome period around 2015-2017 with the destruction of earthquake, engaging in rebuilding and repairing the roads and other infrastructures. Nepal with the ongoing devastation effects could not be decisive towards BRI which created misunderstanding with China because during that time India had openly refused and criticized BRI and was not ready to be a part of BRI. India's intention during that time was to delay Nepal's adherence and to drag Nepal in its sphere of influence as much as possible. That time was a very stressful time for Nepal. The opening ceremony of BRI was held in Beijing on May 12, 2017 where the Deputy Prime Minister of Nepal Krishna Bahadur Mahara along with a team flew to participate in the

ceremony and then signed MOU and Nepal finally became a part of BRI (BRI News, 2020). With Nepal's decision to be a part of BRI, it is expected that China's assistance to Nepal have further increased since the commencement of BRI.

Viewing the long relationship between Nepal and China, China's policy towards Nepal has always appeared to have two major objectives; expanding influence in Nepal and suppressing anti-China Tibetan activities(Mathou, 2005, p. 517). China's main concern was Tibetan issue and does depicts interest in internal politics. China supported development and political stability in Nepal and did not interfere with the establishment of democratic practices in 2007. China's motive towards Nepal can be analyzed in terms of strategic, economic, political and humanitarian aspects. China's foreign aid dynamics has changed over the years and China's global aid flow has grown highly in the last decade. China's increasing global power and raised its outward FDI flow by 10%(Tripathi, 2016). Similarly, China's foreign aid to Nepal has also been raised since 2008 and since 2008/2009 China till date constantly falls under the top 5 bilateral partners(Development Cooperation Report 2017/18, 2018). Also, China's investment in Nepal have exceeded India in 2014 for the first time.

5.2 Impact of BRI

BRI is XI's ambitious foreign policy project. BRI, then known as OBOR was announced in 2013. It was warmly welcomed by Nepal's Sushil Koirala government. Since the inception of the multibillion project, Nepal has been interested and Nepal has openly showed her desire to magnify connection, cooperation and integration between Nepal and China. BRI gives an opportunity to upgrade trade, infrastructure, energy and tourism to attain development(MOFA, 2015).

Nepal welcomed the project during Sushil Koirala's government but later signed the project in 2017. In March 2016, Nepal signed 'Trade and Transit agreement' with China during the first tenure of Prime Minister KP Sharma Oli. The door of BRI was then opened for Nepal after the historic agreement. Nothing much was accomplished even though the base for BRI was made much earlier. For instance, 22 different development projects were submitted by five different ministries during the SherBahadurDeuba's government to be built under BRI. The planned projects were Culture-Tourism and Civil Aviation, Water supply, Sanitation, Irrigation, Physical Infrastructural and Transportation and Hydro-energy sectors. The ministries however failed to

grab the benefits from China's ambitious development project as the detailed proposal submitted was a failure. With the return of Prime Minister KP Oli, it is highly expected that Nepal would grab the opportunity and benefit from the China funded BRI projects. BRI which particularly aims at trade and economic development will certainly benefit Nepal.

Nepal desires to benefit from this project in areas of hydropower, infrastructure and tourism. Nepal officially became a part China's foreign policy project when Nepal's Foreign Secretary and Chinese Ambassador in Nepal signed a Memorandum of Understanding (MoU) on the framework agreement on China's One Belt One Road Initiative (currently known as Belt and Road Initiative BRI). This MOU emphasizes on setting up border economic zones and build China-Nepal transit infrastructure projects. The signing of the agreement took place two days before the summit of Belt and Road Forum for International Cooperation happening in Beijing on May 12, 2017 in Kathmandu (Bhattarai D. , 2019).

Nepal became a part of BRI on May 2017, 4 years later of its announcement (Giri, 2017). However, BRI project is a global strategic plan and for country like Nepal, it is expected that BRI will bring investments and development that will transform the economy of developing states and enhance the living standard of people. Nepal seeks to benefit from BRI mainly through; advancing its potential source that is hydropower (with a view to enhance export of energy) and creating a connecting link with China so as to remove Nepal's sole dependency with India. China strives to boost cooperation in connectivity sectors including logistic systems, transit transport, transport network and related infrastructure development such as road, civil aviation, railway, power grid, information and communication (MJ, 2017).

Nepalese policy makers assert that this MoU is a new door with multiple opportunities for infrastructure development and economic growth. BRI will include cross-broader highways, railways, transmission lines and internet connectivity that will contribute to bringing drastic changes in Nepal's socio-economic landscape (Bhattarai D. , 2019, p. 9).

5.2.1 Agreements

Nepal officially became a part of BRI in 2017 by signing on MoU during the prime minister-ship of Pushpa Kamal Dahal. Nepal made a decision to join the BRI with a belief that the visionary approach will offer opportunities for collaborations, partnership and cooperation for mutual benefit. Nepal's President "Bidya Devi Bhandari" at the invitation of China's President

“Xi Jinping” paid her visit to China in April, for the opening of second Belt and Road Forum for International Cooperation. During her visit, Bidya Devi Bhandari expressed Nepal’s firm support to the BRI project. She also highlighted the need for better cooperation to ensure enhanced connectivity to achieve sustained growth and development. During their visit, seven agreements were signed by the two countries. The most crucial agreement was on transit and transport and therefore is a cornerstone of Nepal-China relations, this is because it has officially ensured landlocked Nepal’s right to sea.

5.2.2 Projects

BRI is a global project but for a least developed state like Nepal, BRI proposes to enhance the advantageous sectors of Nepal inducing the economy and living standards of the people. China and Nepal have a relationship from ancient times, even before BRI, China has been providing aid and assistance to Nepal. The table below depicts projects under China’s assistance before the BRI project was introduced.

Table5.1:Projects run under China Aid till 2013

Sectors	Project
Commerce	Tatopani Frontier Inspection Station Project
Road Transportation	SyaprubesiRasuwegadhi Road Project
Road Transportation	Improvement of Kathmandu RingRoad
Education	Banepa Polytechnic School
Hydro Electricity	Upper Trisuli 3A Kathmandu 220KV Transmission line and 132KV Line Bay Extension Works Project
Hydro Electricity	Upper Trisuli 3A Hydroelectric Project
Home Affairs	Nepal National Armed Police Academy
Home Affairs	Donation of Security Equipment
Energy	Economic and Technical cooperation (Small Projects)
Energy	Budgetary Support
Livelihood	Comprehensive Disaster Risk Management Programme (CDRMP)
Others	Livelihood Recovery for Peace (LRP) Project

Source: Ministry of Finance (MoF, 2019)

With the introduction of BRI, China has emulsified the Chinese aid regime and projects to its participating countries. BRI is not just a project but a global strategy of China to become the global power. With this prospect, China has introduced a list of aid policies and projects to the BRI member countries so as to expand its influence and exert its power throughout the world. Similarly, with the BRI project underway, Nepal has also seen a raise in China's aid and investment in various projects.

The table below illustrates the 12 projects under China Aid within the time frame of 5 years from 2013.

Table 5.2: Projects run under China Aid from 2013 to 2019

Sectors	Projects
Air Transportation	Pokhara Regional International Airport
Commerce	Emergency Petrol Products
Commerce	Tatopani Frontier Inspection Station Project
Earthquake Reconstruction	Post-Disaster Reconstruction Aid Project Plan
Electricity	Upper Trishuli 3A Hydroelectric Project
Energy	Economic and Technical cooperation (small projects)
Health	Medical Equipment for National Ayurveda Research and Training Centre
Health	Emergency Medical Supplies and Epidemic Prevention Supplies
Health	Medical equipment's for B.P. Koirala Memorial Cancer Hospital
Home Affairs	Nepal National Armed Police Academy
Housing	Emergency Relief Goods (Three Batches)
Hydro Electricity	Upper Trishuli 3A Kathmandu 220KV Transmission line and 132KV Line Bay Extension Works Project
Livelihood	Comprehensive Disaster Risk Management Programme CDRMP
Others-Economic	Livelihood Recovery for Peace LRP Project

Others-Economic	Economic and Technical Cooperation (small projects)
Peace and Reconstruction	Targeted cash assistance for Nepal's Reconstruction
Road Transportation	Improvement of Kathmandu Ring Road in Nepal
Tourism	Procurements of Aircrafts from China (CMA 60 3Y12E)

Source:Ministry of Finance(MOF, Aid Management Information System of Nepal, 2019)

Within the timeframe 2013-2019 (2013-07-16 to 2019-07-15), there have been 18 active projects and the total commitment from China is 937,953,654 and the total disbursement is 434,199,555 (MOF, Aid Management Information System of Nepal, 2019).

After the commencement of China's largest project, China has emulsified its projects in certain sectors like Energy, Electricity, Air transport and peace and reconstruction. Looking at Post 2013, China has put its hand on major projects in economic and technical cooperation (small projects) that included maintaining and widening Kathmandu Ring Road. Similarly, under the Chinese Aid's Road Transport sector, the first segment, 10-km Kathmandu's Koteswor-Ekantakuna-Kalanki Road started in 2012 has been constructed. Similarly, after this, China is interested in developing the second segment of Kathmandu Ring Road that is 17-km Kalanki-Chabail-Kotshwor linking road(Subedi, 2017). Similarly, under Air Transport, China is developing a major infrastructure that is Pokhara Regional International Airport. China Export-Import Bank (China Exim Bank) pledged a soft loan of 215.96 million US\$ for this project (Mu, 2017).

5.2.3 Aid, Investment disbursement

The Foreign Aid structure of China towards Nepal is based on political, economic, strategic and humanitarian aspects.China's is strategically interested in Nepal as China is mainly concerned about the Tibetan issue and does not wish Nepal to be used for anti-Chinese activities. Nepal always supported China by adopting to China's One China Policy but the case of Tibetan Refugees is the major concern for China. Second, China wishes political stability of Nepal for its own interest(Pandey, 2020).

Similarly, China's economic motive towards Nepal is not open. Nepal is a small state for China to be interested in its market. Instead, China's motive to invest in developing railway link and developing

interconnecting road infrastructure fulfills China’s ambition of trade diversification through Nepal. Nepal is an important route for China to intensify its trade. China’s humanitarian interest can be seen by its support during earthquake and other disaster. China’s foreign policy states good neighborhood policy and principle of Panchasheel and under this China fulfills its humanitarian interest by providing rescue operations and post-reconstruction projects. The 2015 earthquake devastated Nepal and China was one of the major countries to help Nepal in providing relief and rescue operations. Under these motives of China has been a good friend to Nepal. China has been within the top 5 donors of Nepal.

Table 5.3: Top 5 Bilateral Development Partners by Disbursement in Fiscal Year 2017-18

Bilateral Donors	Disbursement (in USD)	% of Disbursement
United Kingdom	123.8	7.6
USAID	117.8	7.3
Japan	106.2	6.5
China	58.7	3.6
Switzerland	56.8	3.5

Source: (MOF, Development Cooperation Report, 2018)

Table 5.4 Actual Aid Disbursement of China from FY 2010-11 to 2018-19

	Fiscal Year	Amount (US\$)
Actual Disbursement	FY 2010-2011	18,843,988
	FY 2011-2012	28,344,923
	FY 2012-2013	34,120,033
	FY 2013-2014	41,381,522
	FY 2014-2015	39,239,073
	FY 2015-2016	54,399,294
	FY 2016-2017	55,592,916
	FY 2017-2018	58,727,078
	FY 2018-2019	150,387,379

Source: Development Cooperation Reports 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-2019 Ministry of Finance, Government of Nepal.

The increasing trend of Chinese foreign aid can be studied by analyzing the disbursement amount by China in various Fiscal Years. Table 3 shows an incremental trend of foreign aid disbursement of China from 2010 up to 2013 and there is decrease in aid from 2013-14 to 2014-15. However, the Chinese Aid shows an incremental pattern from 2015 to 2019. The actual disbursement increases from 18 billion US dollar to 41 billion US dollar from 2010 to 2014 and a slight decrease in 2014-15 comparing with actual disbursement of 2013-14. But the actual disbursement increased slowly from 2015-16 from 54 billion US\$ to 150 billion US\$ on 2018-19(MOF, Development Cooperation Report, 2018). Overall, the foreign actual aid disbursement seems increasing.

China's Foreign Aid regime has a way of providing aid and is strictly bilateral that is government to government (or country to country). China provides aid as grant interest-free loans or through assistance by sending rescue teams, medical teams or technicians. China provides aid based on the need of the recipient country. China has followed a pragmatic foreign aid policy and has shifted from demand-based aid to need-based aid. Especially after 2000, China made this shift and provides aid depending upon the need of the recipient country and also seeks certain returns as a donor.

In the context of Nepal, China has been providing aid since 1965 A.D and the present analysis of Chinese Aid depicts the picture that China provides more loan than grant in the recent years. Chinese investment has also increased simultaneously after 2008 and in terms of investment in Nepal, for the first time China outthrew India in 2014. Similarly, there is an increasing trend in incoming Chinese tourist in Nepal. In 2015-16, "China contributed 42 percentage of total FDI to Nepal and there is increase in Chinese Overseas Development Assistance (ODA) also. Comparing between China and India, China's aid overtook Indian aid in 2015, growing steadily from USD 19 million in 2010-11 to USD 38 million in 2014-15"(Nyoupane, Kulkarni, Bhatia, Deutekom, & Lee, 2016).

Understanding the Chinese Aid and investment in Nepal after the commencement of China's largest project, China has emulsified its projects in certain sectors like Energy, Electricity, Air transport and peace and reconstruction. Looking at Post 2013, China has put its hand on major projects in economic and technical cooperation.

5.2.4 Opportunities and Challenges

BRI, a global initiative includes international organizations, developed countries and both under-developed and developing countries. BRI is most likely to result in opportunities and perks

throughout the infrastructure supply chain, from the smallest service providers to the largest construction firms. Nepal has many advanced opportunities from the providing:

-) Once the projects under the BRI go into operation, there remains a high chance for collaboration to propel the country's economy further by creating a value-chain for mutual advantages.
-) China-Nepal railway project and trans-Himalaya multi-dimensional connectivity would be a game changer as it would unlock Nepal's development opportunities in the long run.
-) As the long-awaited dream of rail came true, BRI is deemed a pool of opportunity as rail would overhaul the existing development impasses.
-) Since the BRI agreement, Nepal and China have witnessed a huge number of cultural exchange program. The China Cultural Centre was established in Nepal and since then, many cultural teams have made bilateral visits.
-) An increased number of Chinese tourists have created jobs and further added revenue to Nepal. This inflow of tourist to Nepal will further more increase because of BRI projects.
-) For Nepal, BRI has become a viable instrument to boost connectivity, trade and investment. It will connect Nepal with the multi-modal transport networks of China. Furthermore, Nepal will also be connected to the 21st Maritime Silk road with access to the Port of Guangzhou in South China and the Gwadar Port in Pakistan through Tibet.

During the first tenure of KP Sharma Oli as a Prime Minister in March 2016, Nepal signed 'Trade and Transit Agreement' with China. That particular agreement opened the door of BRI for Nepal. The base for BRI was although made much earlier, but nothing much was achieved at the time.

Nepal has a long history of dependance on foreign aid and investment. If all the projects under BRI are by debt then for Nepal, it is an important task to evaluate the risks of participating in projects under the BRI. Nepalese economy is challenged by the high corruption rates and slow development. As mentioned above, the debt trap could be a huge risk and the inability to pay back loans can result in a crippling economy, a loss of political power and in the worst-case scenario, a loss of sovereignty.

Nepal has an open border with India and China's sensitive part 'Tibet' and this geopolitical location possess great security concern for both India and China. This has a direct impact on Nepal's foreign policy. Nepal on the other hand is going through prolonged transitions and political instability and hence, the major challenges of Nepal would be to address the security concerns of India and China and then maintaining political stability to achieve the gains of BRI smoothly.

India's Role:

Nepal and India have a long history of political, economic, social and military cooperation. Amongst South Asian countries, Nepal shares the longest historic relationship with India in case of military cooperation (Liu, 2017). Likewise, India influences Nepal in terms of political decisions as well. The Peace and Friendship Treaty in 1950 powers India to exert its influence to Nepal as it includes clauses like: "Nepal cannot oppose India in International issues, Nepal can only import arms with the approval of India, India can veto Nepal's decision on the employment of foreigners and India can use Nepal's military deployed at Indian border against China" (Wagner, 2016).

India also recruits Gorkha soldiers from Nepal for its Gorkha Regiments. It is estimated that there are over 12,000 Gurkha people in Nepal who served in the Indian army (Ghosh, 2013). Nepal-India relationship has always faced various controversies. The open border, mutual employment among both the countries, people-to-people relationship has influenced the Nepal-India relationship. There have been various linkages among the Nepalese political parties with India leading to public dissatisfaction on Nepal's reliance towards India as Nepal's interest are sacrificed over Indian interest. However, India requires Nepal's cooperation to work on counter-terrorism activities. India fears the open border can lead to the entry of Islamic extremist group in India. For instance, two terrorists related to Islamic extremist group were arrested in the Nepal-India border in 2013 (Liu, 2017). Therefore, India knows the importance of Nepal's role for its security concerns.

Due to various consequent events, Nepal is heavily reliant to India economically and politically and India consequently depicts its big brotherly attitude and exerts its political influence whenever it suits the Indian side. Nepal has always tried to maintain an equidistance relation with its two neighbors India and China. Many scholars predict that Nepal tends to play India card

or China card with respect to its interest. The recent events of Nepal trying to attain economic independence from India through China has created many debates. Participating in the BRI has raised one of such issues and India's reluctance to join BRI creates a challenge to both China and Nepal to attain maximum benefits from the initiative.

CHAPTER 6: CHINA-SRILANKA IN RELATION TO BRI

6.1 History

China and Sri Lanka's relationship can be traced back to the 4th century with the visit of Faxian- a Chinese monk. Sri Lanka has been at the center of ancient silk road connecting Asia with Europe. The Rubber/Rice agreement in 1952 between China and Sri Lanka marks the first bilateral agreement between two countries which occurred even before establishing diplomatic relationship. This pact ensured that Sri Lanka imported rice from China while China imported rubber from Sri Lanka. This pact was intact for five years and was renewed every five years. This pact was considered to be very durable and successful South-South agreement in the world as it occurred despite the protests made by USA which threatened to withdraw US Aid from Sri Lanka (Wijayasiri & Senaratne, 2018). Not only USA, many western and European countries too withdrew aid from Sri Lanka. China and Sri Lanka established diplomatic ties in 1957 and in 1962 two countries signed their first agreement on Economic and Technological Cooperation.

During Sri Lankan Civil War (1983-2009) between Sri Lanka and Liberation Tigers of Tamil Eelam, many countries were reluctant to help Sri Lanka making discourse about human right issues. China helped Sri Lanka by supplying weapons and providing aid and support to combat the terrorist group. This helped strengthened China Sri Lanka relations even more. The state visit of the then Sri Lankan Prime Minister Sirimavo Bandaranaike to China strengthened the China- Sri Lanka relationship and increased the Chinese Aid to Sri Lanka. The Chinese leaders also reciprocated the state level visits strengthening the bilateral relationship between two countries. In 1981, Sri Lanka-China society was formed and similarly, Sino-Lanka Joint Trade Committee and Sino-Lanka Economic and Trade Cooperation Committee was established. In 2005, during the Sri Lankan President Mahinda Rajapaksa, eight MoU and agreements were signed in areas such as urban development, television, radio, industry, health, agriculture, technology etc. By 2010, China became the top finance partner of Sri Lanka. Over the years, China and Sri Lanka have had strong ties culturally and economically (Fernando, 2020).

In the 1970's, China's first infrastructure investments took place in the form of outright grants in Sri Lanka, which involved the construction of a convention center. Grant-based relations were upgraded to a commercial model in the early 2000s, that utilized interest bearing loans and

infrastructure related foreign direct investment (FDI). Therefore, the administration of President Mahinda Rajapaksa (2005-2015) with Chinese support proposed important transport, energy and telecommunications projects- including the Mattala International Airport in 2010, the coal fired Norocholai power station in 2006, the Colombo International Container Terminal (CICT) at the Colombo port in 2011, the Hambantota port in 2007, and the Lotus Tower in 2012 as seen in figure below.

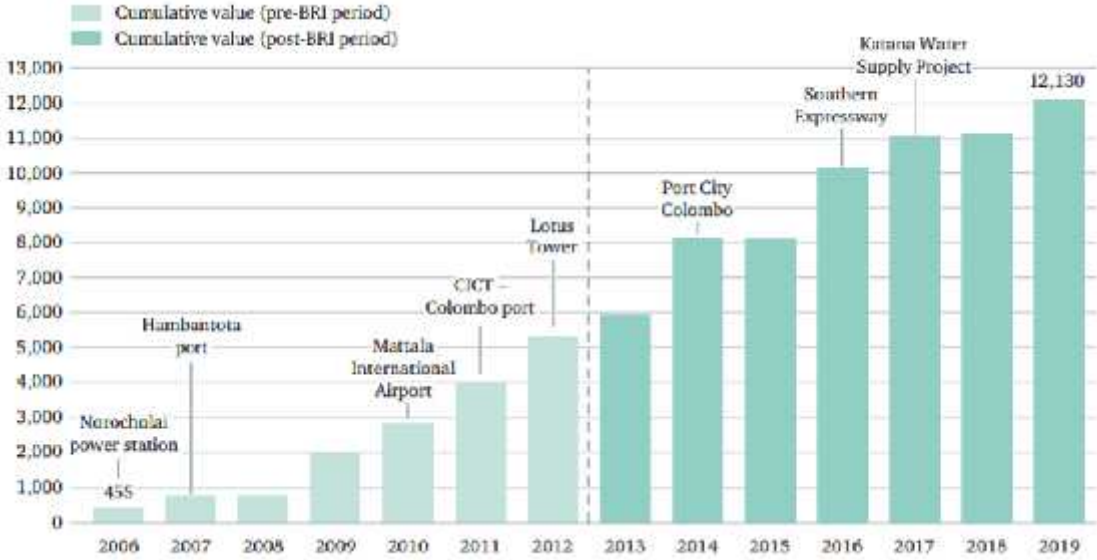


Figure 6.1: Value of Chinese development finance to Sri Lanka (\$ million)

Source: (Wignaraja, Panditaratne, & Kannangara, 2020)

The above chart depicts committed funds up to July 2019.

6.2 BRI and Sri Lanka

The projects of Sri Lanka that could perhaps come under the BRI umbrella began with the Colombo Port City development (located near the Colombo port) in 2014 and in 2017 several road and expressway, water and sanitation projects, and further investments began in existing projects such as the revised Hambantota port deal.

BRI has mainly two components, land route and maritime sea route. Sri Lanka’s strategic location places its importance in the second component that is sea route of BRI. BRI’s objectives include connectivity, trade, financial integration and people to people contacts. China falls under the top exporter, foreign aid donor and investor of Sri Lanka. With the regard, the

investment of China in the mega projects of Sri Lanka, cultural and academy exchange with China and Sri Lanka, Chinese tourist flow to Sri Lanka fulfills the major objectives set by BRI. Sri Lanka's geostrategic position in the middle of the Indian Ocean creates an opportunity to establish Sri Lanka as the trade hub. China's energy imports from the Middle East and Mineral imports from Africa pass through Sri Lanka(Patil & Spittel, 2013). Thus, the major investment of China in Sri Lanka is to facilitate the maritime sea route. Under BRI, China has provided \$8billion of finance to Sri Lanka(Jayamaha, 2017). With the collaboration of Chinese administration and Asian Infrastructure Investment Bank (AIIB), \$32billion funding has been proposed to Sri Lanka for projects under infrastructure development (Economic Times, 2017).

China has provided aid to Sri Lanka after its independence to support its development. Chinese Aid Regime to Sri Lanka has been in mainly three forms; loans, grants and interest free loans(Jayasundara, 2017). China surpassed Japan and became the top donor to Sri Lanka. Similarly, in 2016, China also surpassed India and became the largest source of imports to Sri Lanka (Wijayasiri & Senaratne, 2018, p. 379).

Despite Indian interest in Sri Lanka, the current Sri Lankan administration have balanced Chinese and Indian interest and influence in the country. Sri Lanka's current foreign policy depicts higher weight towards China as it sided with China in the South China Sea dispute, has been seeking Chinese investment in the development of infrastructures and has showed interest in the BRI project(Wijayasiri & Senaratne, 2018).

6.2.1 Agreements

Prime Minister Wickremasinghe and President Sirisena both showed a keen interest to actively participate into BRI and build Sri Lanka as the hub of Indian Ocean. Sri Lanka and China signed four important cooperation agreement including the Outline of the Medium and Long-Term Development Plan for investment, China-Sri Lanka economic and technical cooperation agreement, the Framework Agreement for the Promoting of Investment and Economic Cooperation, Economic and Technological Cooperation, financing cooperation agreements. These agreements cover future key cooperation areas and projects.

6.2.2 Projects

Among the BRI projects in Sri Lanka, few projects have significantly contributed in Sri Lanka's growth while few projects have attracted drawbacks such as use of Chinese labor force leading to lack of knowledge to the local labor force.

The Hambantota Port project initially started in 2009 and since its operationalization, the project was operating at a loss. As a result, the Sri Lanka Port Authority (SLPA) renegotiated a deal with China Merchant Port Holdings (CM Ports) in December 2017, where CM Ports injected USD 1.1 bn for 99-year lease and for an 85% stake (Awareness News, 2020). This constituted an additional 15 acres for the industrial zone which then created a great presence for the Sri Lanka Navy. Chinese investments have transformed the port in three main ways: introduction of a port-related industrial zone, sharing best practices and improving connectivity. One of the important measures taken to improve the profitability included capitalizing on Hambantota's strategic location and setting up a port-related industrial zone. The port is located six nautical miles from the traditional east-west shipping route, where roughly 36,000 ships use the route every year. As a result, there is a locational advantage which means that the port is well connected to a broad maritime network. As such, this zone will further attract industries that are looking to connect their regional markets. Some of the services which would be offered includes: ship repairs, modern bonded warehousing and transshipment facilities. By far, they have received 30 expressions of interest from various firm to invest and set up in the zone. This zone has elevated the value of the port and CM Ports have also put in place a complementary mechanism, that would further ensure that port-services are utilized.

Sri Lanka is a part of maritime silk road of BRI, thus at present focusing on developing sea ports, the Hambantota Port Development Project (HPDP) and Colombo Port City Project (CPCP) are listed under the Belt and Road Initiative Projects (Wijayasiri & Senaratne, 2018).

HPDP and Proposed Industrial Zone

Hambantota Port is of strategic importance under the maritime silk road and to China. China's energy imports from Middle East are imported through this lane. China imports two thirds of the oil through south of this port. Thus, this initiative proposed to build a secondary port at the coastal town of Hambantota to expand the capacity. The project was started in 2008 on China's investment but operated by Sri Lanka. However, currently China increased its funding for this

project and now consists of 70% of share of the port and the remaining 30% is owned by the Sri Lankan Port Authority (Wijayasiri & Senaratne, 2018).

Similarly, China has increased investment to develop an industrial zone in the 15000 acres of land adjacent to the Hambantota Port. The industrial zone of Hambantota is being developed for shipping services and to process other industrial products (mainly seafood and agricultural products) (Shida, 2017).

Since its operation began in 2011, the Hambantota port which is built with a loan from EximBC has not yet been financially feasible. To reduce the burden of loan repayment and to make Hambantota port viable, the former Government of Sri Lanka sought Chinese assistance. As per figures announced by the Government by the end of 2016, the port's annual loan repayment commitment stood at \$59 million accompanied by a loss of \$304 million. The Government of Sri Lanka (GOSL) and China Merchants Port Holdings Ltd (CMPH- a global Port Operator) on 29th July 2017 signed a Public – Private Partnership (PPP) agreement under a 99-year lease to develop Hambantota Port with GOSL 30% stake and CMPH holding 70%. China Merchants Port Holdings Ltd (CMPH) paid The Government of Sri Lanka (GOSL) \$1.12 bn and the Public-Partner Partnership (PPP) was created to turn around port operations with no further increase in national debt (Jayamaha, 2017).

To facilitate the process, two local companies will be developed. They are:

- J Hambantota International Port Services (HIPS): Sri Lanka Port Authority (SLPA) (50.7%) and China Merchants Port Holdings Ltd (CMPH) (49.3%). Of the 50.7% owned by Sri Lanka Port Authority (SLPA) in Hambantota International Port Services (HIPS), 8.7% is from Hambantota International Port Group (HIPG) in which China Merchants Port Holdings Ltd (CMPH) has 85% stake. Hambantota International Port Services (HIPS) will manage, operate and develop common user facilities, including security services in and around the port (Jayamaha, 2017).
- J Hambantota International Port Group (HIPG): Sri Lanka Port Authority (SLPA) (15%) and China Merchants Port Holdings Ltd (CMPH) handles terminal/commercial and business operations (Jayamaha, 2017).

The Colombo Port City Project (CPCP) and the Colombo International Financial Zone (CIFZ)

For the development of a new Colombo International Financial Zone (CIFZ), in addition to the construction of the Colombo Port City Project (CPCP), the Government of Sri Lanka, together with the China Harbor Engineering Corporation (CHEC) and the Urban Development Authority (UDA) signed a Tripartite Agreement. Colombo Port City Project (CPCP) would play an instrumental role in China's Belt Road Initiative due to Sri Lanka's strategic location on the Maritime Silk Road (MSR). Although the project had a setback in March 2015, due to the suspension of operations and recommencement in September 2016, China Harbor Engineering Company (CHEC) believes that the Colombo Port City Project (CPCP) would be beneficial.

However, it will give Sri Lanka a world class city status in South Asia when completed by 2041. Presently, 45% of the sea land reclamation is completed. The project would cost around USD 1.4 bn just for the construction and land reclamation, according to China Harbor Engineering Company (CHEC) (Jayamaha, 2017).



Figure 6.2: View of Colombo Port City (CPC) in 2016

Source: (Jayamaha, 2017)

Colombo International Financial Zone (CIFZ)

Colombo International Financial Zone also known as Colombo Port City is a part of BRI project intended to create a financial center along the Colombo coastline by 2030. This financial center is being developed to provide the ancillary services for the shipping industry by providing insurance and logistical services (Wijayasiri & Senaratne, 2018).

This Zone consists of 269 hectares of land with the investment of US\$1.4 billion and a complex building of \$13billion investment making it the largest foreign direct investment projects in Sri Lanka(Wijayasiri & Senaratne, 2018). Without doubt, China has emerged as the top investors of Sri Lanka after the initiation if BRI projects.

The Colombo International Financial Zone (CIFZ) is intended to create an environment to attract financial service companies and reputed international banking with economic benefits to Sri Lanka which is to be located within the port city. In July 2017, the Tripartite Agreement was signed which encompasses the perception of establishing a Colombo International Financial Zone (CIFZ) in the Port City, which will be introduced shortly and it is governed under a new act titled Colombo International Financial Zone (CIFZ) Law. Sri Lanka however, needs to give utmost attention to the preparatory work. For the construction of Colombo International Financial Zone (CIFZ) building, it is reported that China Harbor Engineering Company (CHEC) will be spending an additional \$1 bn. China Harbor Engineering Company (CHEC) and Government of Sri Lanka is a joint venture which is confident in effecting a mixed development consisting of pilot schemes with retail, residential, commercial office and hospitality components. Local development companies and investment institutions are searching for other opportunities whereas the property developers are actively involved in negotiating expressions of interest from investors/second tier developers from Malaysia, China, Singapore and Indian. The sea ports of Hambantota, Colombo and Trincomalee and the international airports, Mattala and Colombo are to linked as special economic zones by rail and road creating corridors to real estate and these all developments would make Colombo Port City Project (CPCP) a visible benefit to Sri Lanka under the new Maritime Silk Road (MRS).

Colombo Port Expansion

Colombo Port is one the primary hub and has been facing many issues relating to its capacity. Thus, under BRI, the expansion of Colombo port is another project. The development of Colombo International Container Terminal is listed and it is a joint venture of China and Sri Lanka. The construction of new south container terminal was started in 2011 (Bloomberg, 2013).

Mattala Rajapaksa International Airport (MRIA)

MRIA is the second international airport in Sri Lanka and it is situated in Hambantota and its construction was started in 2009 with a total fund of US\$209 million out of which US\$190 was provided by China through EXIM Bank (Wijayasiri & Senaratne, 2018).

Mattala Airport is funded by the Exim Bank of China, but since its opening, the airport continues to make losses due to infrequent flight arrivals. To build a road that connects the road between the airport and the Port, there have been some plans. In relation to that, a Joint Venture or Public-Private Partnership is essential to operationalize Mattala airport. To bring in a new business to the Mattala airport, The Hambantota Port Development Project (HPDP) planned entrepôt trade and proposed industrial zone. India and Government of Sri Lanka are believed to have a meeting whether to establish a Public- Private Partnership (PPP) to turn around the airport.

6.2.3 Aid, Investment disbursement

There have been many speculations regarding the Chinese finance and how it has led a debt trap in Sri Lanka, but these investments have also created a positive contribution to the maritime sector as a whole.

China is one of the main sources of foreign investments of Sri Lanka and one of the largest infrastructure construction partners. China-Sri Lanka trade and economic cooperation has created more than one hundred thousand job opportunities for the local people and also trained tens of thousands of managers and technicians and also promoted the rapid development of various sectors.

China's both flagships projects are supported by loans and are located at strategic points on the global sea trade route: the Hambantota Port Development and the Colombo Port Project. The infrastructure project funding usually comes through the Chinese Government companies. For

example: Hambantota's \$1 billion in loan comes from the China Harbour Engineering Company Ltd (Bhatiya, Kulkarni, Lee, & Gayakwad, 2016). Such large projects make it convenient for China to draw Sri Lanka into its 21st Century Maritime Silk Road Projects, all which are part of the One Belt, One Road Initiative. During the BRF (Belt and Road Forum), President Xi Jinping announced that China will offer CNY 400 million as aid given gratis to Sri Lanka, and CNY 2 billion for the period 2018-2020 (Bhatiya, Kulkarni, Lee, & Gayakwad, 2016).

In today's time, China is the largest investor for Sri Lanka with funding and investment of nearly \$15 billion. The Chinese money trail to Sri Lanka is tracked by Gateway House regarding its whereabouts.

Thus, Chinese investment has helped uplift the capacity constraints faced by Sri Lanka so as to redirect its growth. Hambantota port was a very crucial investment as it increases Sri Lanka's ability to diversify into other port-related services and to accommodate greater volumes. In addition, Sri Lanka stands a chance to expand its maritime network, through international linkages that materialized, improving port connectivity. New technologies and modern processes that were adopted will also further enable Sri Lanka to compete better with regional markets.

6.2.4 Opportunities and Challenges

BRI possess both opportunities and challenges to Sri Lanka. The major opportunities and benefits proposed by BRI are:

-) The already established 65 IPZs on the BRI can be linked up with the input suppliers and construction-related materials.
-) The logistics services and bulk shipping at Colombo and Hambantota ports will increase with the demand increment in raw materials which will therefore increase with the progression of infrastructure projects.
-) For high-speed railways, engineering machinery, ports, nuclear power and high voltage power grids there will be equipment and component manufacturers manufacturing it all.
-) Sri Lanka has a cheaper, faster port and shipping operations which makes it convenient to expand into other markets. European trade, from SEA and infrastructure improvements alone have been benefitting from consumers, new markets and new trading opportunities and European trade is expected to get a boost of 65 from it.

-) In the fight against climate change, China is a major player which may enable NGOs, engineering firms, clean energy companies in Sri Lanka to set up companies to work on sustainability projects and clean energy.
-) BRI through on-line trade encourages trade and financial digitization which therefore enables more and more people to buy services and goods that were previously out of reach, which would then help enhance inclusion and localize benefits.

However, there have been claims regarding the risks for Sri Lanka being stuck in a ‘debt trap’ by accepting Chinese outbound investment and the displacement of its local workers by both illegal and legal Chinese labor. There are also certain concerns that the Chinese investments has increased security risks for Sri Lanka and the neighborhood and has led to environmental damage. Furthermore, there is criticism that institutional weakness in Sri Lanka is resulting in nonperforming infrastructure projects including a lack of policy planning and transparency funded by Chinese investment. The pattern of Chinese investments reveals a nuanced picture of costs and benefits. Similarly, it shows that a matrix of Chinese, Sri Lankan and multilateral policies are required to minimize any risk of Chinese amounts and maximizing the benefits.

Sri Lanka, compared to most other countries is having a natural advantage due to its strategic location. However, for making use of the opportunity, there is no consensus offered to Sri Lanka, at national level. Sri Lanka in order to benefit from BRI, should prepare a comprehensive framework that comprises of: operational, legal, institutional, regulatory support for implementation of BRI and clear policy decisions with time targets for each stakeholder. To sort out continuous monitor progress and operational issues, the Government of Sri Lanka needs to set up a central Unit/Department. BRI is a huge project so Sri Lanka should be mindful about its requirement to cooperate and work at different speeds with other projects. The Government of Sri Lanka needs to decide on its policy framework and the authorities should thus identify priority projects which could be then listed under BRI. Further attention should be given to establish legal and regulatory aspects, including contract laws, arbitration procedures, consistent trade and investment policies, appropriate institutional support, remedies for labor issues, skills development and capacity building, potential redundancy of employees, compensation packages for affected parties etc. In this context, Sri Lanka needs to focus on procuring BRI benefits over 3 decades into the future.

There are many projects which have failed in Sri Lanka, due to the lack of frequent policy changes and national consensus introduced by consecutive governments. Sri Lanka in order to gain the top most imperative, at first it needs to prepare for hard bargaining in preserving national integrity and sovereignty. Secondly, it needs to set up an effective institutional framework and policy which would identify national priorities and as the country is already behind in terms of BRI readiness than others in the region, appoint a professional decision-making body. However, in order for Sri Lanka to ensure that these all investments have a specific economic impact, certain domestic policies are there which further needs to be implemented. To understand how Sri Lanka should further move ahead, a national Port Strategy would be helpful. This strategy would really be useful and would ideally encompass a port strategy and integrated transport, which is drafted in line with the vision 2025 goals.

Sri Lanka can further become more prudent, by optimizing and analyzing the right model for infrastructure expenditure, implement forward looking policies and then ensure that the projects are chosen based on the right metrics. And, Sri Lanka to ensure equal returns and better balancing of risk and control, more needs to be done to level the playing field between local and foreign investors. Sri Lanka, through an open dialogue with China, to further strengthen ties between the two countries, can encounter greater transparency, negotiate better loan terms and discuss backward linkages. Sri Lanka can also work to ensure political stability. Given the opportunities from its geostrategic location, Sri Lanka aims to establish itself as a regional hub in Indian Ocean and thus it continuously pushes to remain a potential player in the region. However, the infrastructure financing gap remains a major obstacle, given the tight budgetary conditions. Sri Lanka could further benefit by leveraging global initiatives such as the BRI to improve connectivity and to develop infrastructure. Chinese investments financed the necessary infrastructure in to the ports and also provided modern and technology processes needed for Sri Lanka's ports to compete in a competitive regional market. Sri Lanka may be able to develop a stronger competitive edge by improving connectivity, providing diversified port-related services and creating an environment that is attractive to new businesses and ship liners. However, to ensure these economic gains be realized, Sri Lanka needs to robust domestic policy framework.

India's Role:

Sri Lanka and India has a delicate security relationship (Liu, 2017). Similarly, the India's proximity to Sri Lanka and cultural linkages between the Tamils of India and Sri Lanka has made India one of the influential external power in the economic and political aspects of Sri Lanka (Destradi, 2014). The conflict between Sinhala and Tamil people in Sri Lanka has existed since the country's independence in 1948. The continuum of the conflict has affected in the political stability of the country. Likewise, it is one the major factors in India-Sri Lankan relationship. The cooperation of these countries started in 1971 when India supported Sri Lanka to prevent the leftist guerrillas from getting arms and ammunition (Sakhuja, 2004). Similarly, during the outbreak of civil war in Sri Lanka, India and Sri Lanka signed an agreement through which India deployed peacekeeping troops in Sri Lanka. India for the first-time deployed troops through bilateral means without attaining the authorization from United Nations (Muni, 1993). However, the India's peacekeeping effort was a failure and it was withdrawn being unable to stop the Sri Lankan civil war.

Thus, India stepped back and was not involved in the mediating or stopping the war, neither did it come forward for the reconstruction. Sri Lanka and India signed a cease-fire agreement under Norway's mediation in 2002. The inconsistencies of Indian-Sri Lankan relationship began in the 1980, when India at first supported the Liberation Tigers of Tamil Eelam (LTTE) to pressurize the Sri Lankan government and later India itself got involved to mediate the war by sending its peacekeeping forces (Destradi, 2014). In 2004, India again came forward to enhance military cooperation with Sri Lanka to fight together against the Tamil rebels. India's assistance towards Sri Lanka involves providing weapons and giving training to Sri Lankan police and army. The civil war ended in 2009 with military and intelligence cooperation between India and Sri Lanka. The huge strike from the government killed all the member of the Tamil rebel group thus ending the long civil war. There lies a political influence of India in fighting against the Tamil Tiger rebels. Tamil rebels through suicide attack led to the assassination of Rajiv Gandhi due to which India did not support it.

The end of war raised several issues of human rights violations and crimes where the Sri Lankan government fired on the "no-fire zones" which led to the death of many Tamil Civilians. India also condemned the act of Sri Lankan government for causing casualties of the innocent Tamil

people during the attack towards the rebels (Liu, 2017, p. 149). At the same time, India 'played a key role in warding off international pressure on Sri Lanka' (Subramanian, 2011). Despite the differences, the Indian support to Sri Lanka was an attempt of the Indian government to not lose its sphere of influence against the growing China's influence. India helped in rebuilding the east and north of Sri Lanka post-war. The issue of the Tamil people is still considered an important issue that affects the India-Sri Lanka relation. Despite few differences between these two countries, there is an extended cooperation in the field of security. The two countries have agreed on establishing annual dialogue on national defense and furthermore, India provides training the Sri Lankan army. Similarly, the navies of these country collaborate for military exercise on the sea of Sri Lanka. In 2013, State of Tamil Nadu recommended Government of India to propose UN to establish an independent investigation commission to investigate on the issue of war crime of Sri Lanka. In 2012 and 2013, New Delhi voted in the UN that issues resolutions asking Sri Lanka to act on providing 'justice, ensure accountability and reconciliation' (2012 resolution) and conduct 'independent investigation regarding human rights law and humanitarian violations.' (2013 resolution) This subsequently led the Indian government to suspend the annual dialogue on national defense with Sri Lanka (Kumar & Dikshit, 2013) Similarly, New Delhi also influenced Sri Lanka in the 13th Amendment of the Sri Lankan Constitution which establishes the system of provincial councils and thus India has its hand in the ensuring council elections in the North island (Group, 2013). In September 2013, the elections for the provincial council were held where the Tamil National Alliance attained a glorious victory.

India and Sri Lanka agreed upon the continuation of training the army and signed an anti-terrorist agreement which asserts that India would train the military officers of Sri Lanka. Almost more than 80% of the army officers received training from India through the clause of this agreement (Srinivasan, 2013). Thus, this depicts that India influences its neighboring countries depending on its internal matters.

Presently, Sri Lanka's economic and military strategic engagement through BRI has raised India's attention regarding its neighbor. Sri Lanka invites China's investment with increased military engagement with under the umbrella of BRI projects or under foreign relationship with China. This has increased Indian attention as India having its own sphere of influence towards its neighboring countries remains aware of its decreasing influential position. Sri Lanka having its

geostrategic importance to both India and China wishes to attain benefits from both sides. However, India is reluctant to give China a hold over the Indian Ocean. There is a shift of India's policy in dealing with its neighbors in South Asia due to the growing role of other regional powers like China in decision making of developing states. The Sri Lankan approach to extend its relation with China through BRI has attracted India's attention to employ a "vision for the region, making disproportionate concessions to smaller states for the achievement of common goals"(Destradi, 2014).

CHAPTER 7: RESULT AND FINDING

BRI is a China's strategic way of attaining economic diplomacy as it is a contemporary map of rebuilding the ancient Silk Road. The China's strategy to strengthen relationships with countries through BRI depicts a motive of mutually beneficial sustainable development. My thesis argues that BRI is inclined towards liberal approach as it creates a win-win environment through extensive potential of economic and social development to the participating countries through flow of capital and economic assistance, efficient allocation and use of resources and integration of markets. BRI intends to address the issue of China's regional disparity as the country's economy rises in a modern way. Similarly, China is willing to use BRI to balance the Chinese economic growth by addressing the excess capacity and strategizes to migrate the surplus factories and generate employment to Chinese enterprises.

Focusing on two South Asian states, Nepal and Sri Lanka, there are several similarities on how BRI leaves its footprint in these two states. BRI has an impact on both of these developing states in a similar fashion. The initiative focuses on economic connectivity and interdependence so as to build a common security ground within the BRI countries. Nepal and Sri Lanka intend to benefit from the BRI through investment in infrastructure, transport, energy and communication. China has an ancient old relationship with both of the South Asian countries and had traded with them ever since. The historical relationship of China is profound with both of these states, both having their diplomatic relationship tied with China in 1950s. Since then, China has been an important state in helping to provide assistance to Nepal and Sri Lanka. Despite many arguments, both Nepal and Sri Lanka strategize to use BRI to enhance their foreign policies, attain higher bargaining power and reap maximum economic and social benefits. Likewise, these two developing states are using China's initiative to employ a balancing strategy towards other states and obtain economic independence in the long run. Another important similarity between these two states is the Indian influence. Both being the neighbors of India have always been politically and economically influenced by India as India projects a "big brotherly attitude" to both Nepal and Sri Lanka. India has a large sphere of influence towards all of South Asia but India particularly has political, social and cultural interest with Nepal and Sri Lanka. India has always actively tried to exert more influence to both of these neighboring

countries so as to diminish its rival China's relationship with them. With India's influence on side, Nepal and Sri Lanka have tried to create a balanced relationship with China. Despite India's loud resistance towards BRI, both of the states have shown their interest and became a member country of BRI despite India's opposition.

Another similarity is that China aid regime is quite same towards both states. China's aid regime towards Nepal and Sri Lanka is based on loans, grant and interest-free loans. Comparing the two developing states, China has a list of sectors it wishes to invest in both countries. China had its investment in both Nepal and Sri Lanka from a long time, but the arrival BRI project led China to invest mostly in areas of transport, infrastructure, industrial development and communication in Sri Lanka. Similarly, after BRI, China intends to invest more on the areas of hydropower, infrastructure and tourism in Nepal. Despite the extensive development goals proposed by the BRI, there are certain challenges. Being developing states, there are similar challenges faced by both of the developing states with respect to BRI. The inability to pay back loan and falling under debt-trap, elevated policy corruption and shift of dependency from India to China are few examples that both of these developing states may face in the future. Likewise, the great Indian challenge poses similar threat to both of these nations even though the nature of Indian influence and Indian interest differs with respect to Nepal and Sri Lanka.

Comparing the impacts posed by BRI in Nepal and Sri Lanka, there are several differences that depict the differences in the benefits and drawbacks this initiative can have towards these geographically different developing states of South Asia. Nepal and Sri Lanka have differing geographical status through which China seeks to benefit individually. Being developing countries, both seek to be a part of BRI with an interest to increase the long received Chinese Aid and investment and enhance its own economic and social development. With the BRI initiative, many new sectors for development and growth have been surfaced.

Sri Lanka's geography poses a higher advantage to attract China's interest. Sri Lanka lies in the Maritime Silk Route of the BRI. Sri Lanka's geostrategic location in the Indian ocean provides Sri Lanka an advantage to develop itself as a trade hub. Sri Lanka being on the Maritime Silk Route would be the link to China's coastal cities, to Africa and Europe. China has already increased trade with the countries falling on maritime silk route and due to Sri Lanka's geographic importance, China invested over \$8 billion in Sri Lanka. The development of

Hambantota Port and Colombo International Financial Zone is undergoing through massive Chinese investment. This has increased dissatisfaction of India as India is reluctant to give China hold over the Indian Ocean.

China has been an advocate of globalization and presents BRI as a means to connecting, integrating economies presenting a win-win environment for all the countries involved. BRI projects in Nepal, if attained as per the plan, Nepal can surpass the dependency with India and can unlock the development opportunities through multi-modal transport networks. Similarly, BRI is a long-term project and currently the projects have been going at a slow pace, however in the long run, Nepal can benefit to connect with the Maritime Silk Route through the Port of Guangzhou in China and through Gwadar Port in Pakistan reached via Tibet. However, there are certain challenges, Nepal needs to assure the debt ratio placed by China under these projects. Nepal faces challenges of inability to pay back loans, slow development, high corruption, loss of political consensus and security issue through open border.

Similarly, in case of Sri Lanka, BRI has created an opportunity to establish Sri Lanka as the trading hub. The two ports of Sri Lanka, Hambantota Port and Colombo City (CIFZ) are significant projects to uplift the Sri Lankan economy. Also, the establishment of industrial zones, development of high-speed railways, nuclear power, high voltage power grids and cheaper, faster shipping operations offer immense benefits to Sri Lanka.

However, Sri Lanka faces the loss of political consensus just like Nepal. In order to make the best use of the opportunities offered by BRI, Sri Lanka faces domestic political challenge. The frequent changes in national policy creates the hurdles for Sri Lanka. To reap out the benefits offered by China's comprehensive initiative, it needs a coherent policy framework, strengthened institutions and the projects should be prioritized and put forward its bargaining power by establishing regulatory aspect such as contract laws and labor laws. Despite political issue, Sri Lanka is faced with a larger challenge of undergoing debt trap. Many scholars have claimed that Sri Lanka's acceptance of Chinese loan-based investment on large infrastructure projects can lead to debt trap. Also, another major issue faced by Sri Lanka is that the locals are facing unemployment due to the replacement of Chinese workers on the under-going China's projects. Sri Lanka seems to be facing political issue, security issues, labor issue and environmental damage.

BRI projects infrastructure financing for a large part of the participating countries, the questions arise of the credit bubble that the participating countries will face and how China plans to attain sustainable financing. Scholars predict the massive financing from China to more than 70 will create a challenge for sovereign debt sustainability. BRI is indeed a comprehensive and way more complex initiative which needs to incorporate both cultural economic and political economic analysis. BRI speaks the spirit of Silk Road as in connectivity, interdependence and trade. BRI's goal of economic development should align with cultural aspect and equal importance should be given to people-to-people contacts.

The success of BRI lies in the social, financial and geopolitical factors and can mark the major changes in the status of global power and world economy. China through BRI, has expanded its investment and thus aims towards technology transfer to the developing countries in Asia that can create huge opportunities through industrial development, higher employment, decreased costs that will benefit all the participating countries creating a balanced economic development. The success of BRI lies in aligning economic development to connecting people in the BRI route through the means of cultural exchange programs, educational ties, social participation and interaction etc. China's grand strategy of BRI inherits the China's Dream stating that China's political and academic discourse continuously speak of China still being a developing country and has faced humiliation for centuries from western countries and Japan. BRI is a global initiative with strategic considerations thereby often referred to as China's grand strategy in the making. China focuses on the economic, diplomatic, cultural and military factors so as to realize its strategic opportunities in-order to the change the regional and global order.

China's high ambition through this project signifies China's rising power, strength and its intention to unite the world under one initiative. Many developing states seek to reap the benefits from this multimillion initiative. Nepal and Sri Lanka, the two small South Asian countries intend to play on the economic opportunities while turning away China's undue implications. Both of the states seem to inherit a dual approach to attain China's developmental plans to enhance its capabilities on the one side and disregard the long tolerated Indian hegemonic attitude by attaining economic independence. Certainly, these two states may strategize a neat division of Chinese policy but there is an underlying risk of entanglement in debt and other security issues that may linger for many years. Both Nepal and Sri Lanka share similar concerns regarding the

BRI and its negative implications. But these states are in dire need to fulfil their “infrastructure gap” which BRI promises but they both require assistance in capacity building so as to access the BRI projects with respect to their national interest and priorities. Thus, a strong ability is required to select, assess, monitor and select the funding modalities of the project. This can address the underlying risk and challenges posed by BRI.

Lastly, despite differences on geographical strategy, project selection, modalities, policy framework, Nepal and Sri Lanka both requires political consensus, a similar approach to balance the external factors to protect their interest and a long-term plan to mitigate their respective potential risk and threats that come along with the proposed benefits of BRI.

References

- Abi-Habib, M. (2018, June 25). How China Got Sri Lanka to Cough Up a Port. *The New York Times*.
- ADB . (2017, February). *Meeting Asia's infrastructure needs*. Retrieved from Asian Development Bank: [https://www.adb.org/publications/asia-infrastructure-needs#:~:text=Developing%20Asia%20will%20need%20to%20invest%20%2426%20trillion%20from%202016,\(climate%2Dadjusted%20estimate\)](https://www.adb.org/publications/asia-infrastructure-needs#:~:text=Developing%20Asia%20will%20need%20to%20invest%20%2426%20trillion%20from%202016,(climate%2Dadjusted%20estimate).).
- Aoyama, R. (2017). "One Belt One Road": China's New Global Strategy. *Journal of Contemporary East Asian Studies Vol.5 No.2*.
- Awareness News. (2020, February 13). *China's Grand Strategy; The Belt And Road Initiative*. Retrieved from Awareness News: <https://www.theawarenessnews.com/articles/chinas-grand-strategy-the-belt-and-road-initiative>
- Bhatiya, R., Kulkarni, K., Lee, L., & Gayakwad, S. (2016, December 1). *Chinese Investments in Sri Lanka* . Retrieved from Gateway House: <https://www.gatewayhouse.in/chinese-investments-sri-lanka-2/>
- Bhattacharai, D. (2019). Understanding Belt and Road Initiative. *Journal of APF Command and Staff College*, 1-2.
- Bhattacharai, K. D. (2019, May 3). Nepal's Delicate Dance with China on BRI . *South Asian Voices. Bloomberg*. (2013, August). Retrieved from Sri Lanka opens \$500 Million Port Terminal Built by China: <https://www.bloomberg.com/news/articles/2013-08-04/sri-lanka-to-open-500-million-container-terminal-built-by-china>
- Bluhm, R., Dreher, A., Fuchs, A., Parks , B., Strange, A., & Tierney, M. (2018). *Connective Financing: Chinese Infrastructure Projects and the Diffusion of Economic Activity in Developing Countries*. AIDDATA. Retrieved from AIDData.
- Brewster, D. (2018, January 29). *Dangers of China building the Belt and Road into South Asia*. Retrieved from Central Tibetan Administration : <https://tibet.net/dangers-of-china-building-the-belt-and-road-into-south-asia-david-brewster-for-inside-policy/>
- BRI Centre, G. (2021, January). *Countries of the Belt and Road Initiative (BRI)*. Retrieved from Green Belt and Initiative Centre: <https://green-bri.org/countries-of-the-belt-and-road-initiative-bri/>
- BRI News. (2020, 04 22). *China's Belt & Road Initiative and Nepal*. Retrieved from Belt and Road News: <https://www.beltandroad.news/2020/04/22/chinas-belt-road-initiative-and-nepal/>
- Calabrese, L. (2019, October 15). *ODI 60 years of Impact*. Retrieved from Making the Belt and Road Initiative work for Africa: <https://www.odi.org/blogs/10797-making-belt-and-road-initiative-work-africa>

- Callahan, W. A. (2016). China's "Asia Dream" The Belt and Road Initiative and the new regional order. *Asian Journal of Comparative Politics*, 1(3).
- China, G. o. (2011). *China's Foreign Aid (White Paper)*. Government of China.
- Cossa, R., & Glosserman, B. (2014, December 1). A Tale of Two Tales: Competing Narratives in the Asia Pacific. *Centre for Strategic and International Studies*.
- Cuiping, Z. (2017). *The South Asian Direction of "OBOR" Strategy: Geopolitical Pattern, Indian difficulties and Breakthrough Part*. Beijing: Springer.
- Dan, S. (2016). Research of Deepening China-Sri Lanka Economic Cooperation under the strategic framework of "21st Century Maritime Silk Road". *Journal of Lanzhou University of Finance and Economics*, 9-14.
- Das, K. C. (2017). The Making of One Belt, One Road and Dilemmas in South Asia. *China Report 53 Volume 2*, 131.
- Destradi, S. (2014, January 14). *Domestic Politics and Regional Hegemony: India's Approach to Sri Lanka*. Retrieved from E-International Relations: <https://www.e-ir.info/2014/01/14/domestic-politics-and-regional-hegemony-indias-approach-to-sri-lanka/>
- (2018). *Development Cooperation Report 2017/18*. Kathmandu: Ministry of Finance, Government of Nepal.
- Development Reimagined. (2019, September 26). Countries along the Belt and Road-What does it all mean? *Infographic Analysis*.
- EBRD. (n.d.). *Belt and Road Initiative*. Retrieved from European Bank for Reconstruction and Development (EBRD): <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>
- Economic Times*. (2017, May). Retrieved from China Willing to give Sri Lanka \$24 billion more as part of OBOR: <https://economictimes.indiatimes.com/news/international/business/china-willing-to-give-sri-lanka-24-billion-more-as-part-of-obor/articleshow/58716674.cms>
- Economic Times*, T. (2020, October 20). *China's grand strategy and how it intends to attain it*. Retrieved from The Economic Times (News): <https://economictimes.indiatimes.com/news/defence/chinas-grand-strategy-and-how-it-intends-to-attain-it/articleshow/78765054.cms>
- Fernando, N. (2020). *Sri Lanka-China Relations and teh BRI*. Retrieved from OBOReuropa: <https://www.oboreurope.com/en/sri-lanka-china-relations-and-the-bri/>
- Ghimire, P., & Singh, Y. P. (2016, July 15). *China's One Belt One Road Initiative and opportunities for Nepal*. Retrieved from Nepal Foreign Affairs: , <http://nepalforeignaffairs.com/chinas-one-belt-one-road-initiative-and-opportunities-fornepal/>

- Ghosh, P. S. (2013). An Enigma that is South Asia: India versus the Region. *Asia Pacific Review*, 100-120.
- Giri, S. (2017, May 12). *Nepal, China sign deal on OBOR*. Retrieved from The Kathmandu Post: <https://kathmandupost.com/national/2017/05/12/nepal-china-sign-framework-deal-on-obor>
- Glaser, B. S. (2014, March 13). China's Grand Strategy in Asia. *Centre for Strategic and International Studies*.
- Group, I. C. (2013). Sri Lanka's Potemkin Peace: Democracy under Fire. *Asia Report No. 253*.
- Heywood, A. (2011). *Global Politics*. New York: Palgrave Macmillan.
- Hu, S. (2017). Connecting the "One Belt One Road" Initiative with the Interconnected Himalayan Region-Reflections on the Construction of the China-Nepal-India Economic Corridor. In *Annual Report on the Development of Indian Ocean Region, The Belt and Road Initiative and South Asia* (p. 73). Beijing: Springer.
- Ickenberry, G. J. (2008). The Rise of China and the Future of the Liberal International Order. *Foreign Affairs*, 87(1), 23-37.
- Jayamaha, R. (2017). Potential Economic Benefits of Belt and Road Initiative (BRI) and Opportunities for Sri Lanka. *Regional Centre for Strategic Studies*, (p. 23).
- Jayasundara, P. (2017). Sri Lanka China Economic Cooperation. *The Island of the Lion and the Land of Dragon*.
- Jiao, W. (2013, 09 08). *Xi proposes a 'new Silk Road' with Central Asia*. Retrieved from China Daily: https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/08/content_16952228.htm
- Jie, Y. (2018, August 08). *China's Belt and Road plan hobbled by ironies and mismatches*. Retrieved from Financial Times: <https://www.ft.com/content/26280f16-9a53-11e8-9702-5946bae86e6d>
- Jinping, X. (2012, November 16). *Full text of Xi's address to the media*. Retrieved from China Daily: http://www.chinadaily.com.cn/china/2012cpc/2012-11/16/content_15934514.htm
- Jinping, X. (2018, September). *Chinese President Xi Jinping's speech at opening ceremony of 2018 FOCAC Beijing Summit*. Retrieved from Xinhua Net: http://www.xinhuanet.com/english/2018-09/03/c_137441987.htm
- Jisi, W. (2016). *Great Power Strategy: Research and Reflection on International Strategy*. CITIC Publishing Group .
- Johnson, K. (2015, February 12). *Foreign Policy*. Retrieved from China, Sri Lanka and the Maritime Great Game: <http://foreignpolicy.com/2015/02/12/china-sri-lanka-and-the-maritime-great-game-silk-road-xi-port/>.

- Johnston, L. (2019). The Belt and Road Initiative: What is in it for China? *Asia & the Pacific Policy Studies*, 6(1).
- Kaura, V. (2018, October 29). *Understanding India's response to China's Belt and Road*. Retrieved from Asia Times: <http://www.atimes.com/understanding-indias-response-chinas-obor/>.
- Kennedy, S., & Parker, D. A. (2015, April 3). *Building China's One Belt One Road*. Retrieved from Centre for Strategic and International Studies: <https://www.csis.org/analysis/building-china%E2%80%99s-%E2%80%9Cone-belt-one-road%E2%80%9D>
- Khanal, R. (2014, Feb 4). *Nepal's trade dependency on India swells in 2000s*. Retrieved from Kathmandu Post: <https://kathmandupost.com/money/2014/02/04/nepals-trade-dependency-on-india-swells-in-2000s#:~:text=Shipments%20fell%20sharply%20to%2016.15,24.01%20percent%20in%20the%201980s.>
- Kondapalli, S., & Xiaowen, H. (2017). *ONE BELT ONE ROAD China's Global Outreach*. Delhi: Pentagon Press.
- Kumar, V., & Dikshit, S. (2013, March 18). *Defense Dialogue with Sri Lanka Called Off*. Retrieved from The Hindu: <http://www.thehindu.com/news/national/defence-dialogue-with-sri-lanka-called-off/article4522570.ece>
- Kundu, N. D. (2016). 'Continental Aspect of the One Belt One Road: India's Perspective. In N. D. Kundu, & B. K. Sharma, *China's One Belt One Road: Initiative, Challenges and Prospects*. Delhi: Vij Books.
- Kuo, L., & Kommenda, N. (2018, July 30). *What is China's Belt and Road Initiative?* Retrieved from The Guardian: <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>
- Lairson, T. (2018). The Global Strategic Environment of the BRI: Deep Interdependence and Structural Power. In *China's Belt and Road Initiative Changing the Rules of Globalization*. Springer.
- Li, Y. (2017). Re-shaping the Sino-Sri Lanka's Economic Relations Under the Framework of the "21st Century Maritime Silk Road" Initiative. In C. Zhu, & W. Rong, *Annual Report on the Development of the Indian Ocean Region*. Beijing: Springer.
- Liu, P. (2017). The Security Structure in South Asia and its Impacts on Belt and Road Initiative. In *The Belt and Road Initiative and South Asia* (pp. 139-170). Springer.
- Madan, T. (2016, March 14). *What India thinks about China's One Belt, One Road Initiative (but doesn't explicitly say)*. Retrieved from Brookings: <https://www.brookings.edu/blog/order-from-chaos/2016/03/14/what-india-thinks-about-chinas-one-belt-one-road-initiative-but-doesnt-explicitly-say/>

- Mardell, J. (2020, May 20). The BRI in Pakistan: China's flagship economic corridor. *Mercator Institute for China Studies*.
- Mathou, T. (2005). *Tibet and Its Neighbors: Moving toward a New Chinese Strategy in the Himalayan Region*. Asian Survey.
- Mehta, J. (2020, June 17). China's growing threat via debt trap diplomacy. *Mint ePaper*.
- Menon, S. (2016). China, the World and India. *China Report*, 52(2), 129. Retrieved from China, the World and India.
- Mihaly, E. B. (1965). *Foreign Aid and Politics in Nepal*. London: Oxford University Press.
- MJ, X. i. (2017, May 27). *Participation in Belt and Road Initiative serves Nepal's interest*. Retrieved from Xinhua.net: http://www.xinhuanet.com/english/2017-05/20/c_136300343.htm
- MOF, M. o. (2018). *Development Cooperation Report*. Kathmandu: Ministry of Finance.
- MoF, M. o. (2019). *Aid Management Information System of Nepal*. Retrieved from Government of Nepal, Ministry of Finance: https://amis.mof.gov.np/web/guest/home?p_p_auth=0C0pxDht&p_p_id=advancesearch_WAR_AMPportlet&p_p_lifecycle=1&p_p_state=maximized&p_p_mode=view&p_p_column_id=column-1&p_p_col_count=4&advancesearch_WAR_AMPportlet_action=searchactivity
- MOF, M. o. (2019). *Aid Management Information System of Nepal*. Retrieved from Government of Nepal, Ministry of Finance: https://amis.mof.gov.np/web/guest/home?p_p_auth=0C0pxDht&p_p_id=advancesearch_WAR_AMPportlet&p_p_lifecycle=1&p_p_state=maximized&p_p_mode=view&p_p_column_id=column-1&p_p_col_count=4&advancesearch_WAR_AMPportlet_action=searchactivity
- MOFA. (2015). *Wang Yi holds talk with Minister of Foreign Affairs Mahendra Bahadur Pandey of Nepal*. Kathmandu: Ministry of Foreign Affairs .
- MoFA Bangladesh, M. o. (2016). *Joint Statement of The People's Republic of China and The People's Republic of Bangladesh*. Dhaka: Government of Bangladesh.
- Moonesinghe, P. (2019). *South Asian Voices*. Retrieved from Playing Both Sides of Fence: Sri Lanka's Approach to the BRI: <https://southasianvoices.org/both-sides-of-the-coin-sri-lankas-approach-to-bri/>
- Mu, X. (2017). Retrieved from Xinhua: <http://news.xinhuanet.com>
- Mudabber, Z. (2016, May 3). *Where does Afghanistan fit in China's Belt and Road?* Retrieved from The Diplomat: <http://thediplomat.com/2016/05/where-does-afghanistan-fit-in-chinas-belt-and-road/>
- Muni, S. D. (1993). *Pangs of Proximity. India and Sri Lanka's Ethnic Crisis*. New Delhi .

- Nicolas, D. P. (2015). *Chinese Infrastructure in South Asia: A Realist and Liberal Perspective*. California: Naval PostGraduate School.
- Nyoupane, B., Kulkarni, K., Bhatia, R., Deutekom, J., & Lee, L. (2016). Retrieved from <http://www.gatewayhouse.in/chinese-investments-in-nepal>
- OECD. (2018). China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape . *OECD BUSINESS AND FINANCE OUTLOOK*, p. 3.
- Pandey, A. (2020, November 12). *STIMSON*. Retrieved from Economics and Influence: Chinese Investment in Nepal: <https://www.stimson.org/2020/economics-and-influence-chinese-investment-in-nepal/>
- Pant, H. V. (2018, October 29). *India Challenges China's Intentions on One Belt, One Road Initiative*. Retrieved from YaleGlobal Online : <https://yaleglobal.yale.edu/content/india-challenges-chinas-intentions-one-belt-one-road-initiative>
- Patil, A., & Spittel, G. (2013). *South Asia in the Decade: Challenges and Prospects*. Singapore: World Scientific.
- Pillsbury, M. (2011). *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower*. New York: Henry Holt & Co.
- Quinlan, J. P. (2011). *The Last Economic Superpower*. New York: McGraw-Hill.
- Rajapakshe, R. S. (2015). Similarity of interests between government and their impact on their bilateral relations: Case study of China-Sri Lanka relations. *International Journal of Scientific Research and Innovative Technology*, Vol. 2 No. 11.
- Rathakrishnan, S. (2020). China's Grand Strategy: A new economic order in South Asia. *Journal of International and Public Affairs*.
- Refinitiv. (2019). *BRI Connect: An Initiative in Numbers 3rd Edition* . London.
- Risberg, P. (2019, April). The Give-and-Take of BRI in Africa. *New Perspectives in Foreign Policy Issue 17*, pp. 43-47. Retrieved from Centre for Strategic and International Studies (CSIS).
- Sakhuja, V. (2004). India and Sri Lanka Towards a New Relationship. *Indian Defense Review 19 N. 04* , 158.
- Scobell, A., Burke, E. J., Cooper III, C. A., Lilly, S., Ohlandt, C. J., Warner, E., & Williams, J. (2020). *CHINA'S GRAND STRATEGY, Trends, Trajectories and Long-term Competition*. Santa Monica, Calif: RAND Cooperation.
- Shen, S., & Chang, W. (2018). A Comparative Study of Belt and Road Initiative and the Marshall Plan. *Palgrave Communications Vol 4, Issue 1*, 32.
- Shida, W. (2017). Bilateral Ties Between China and Sri Lanka.

- Sobol, M. (2018, August 23). China's peripheral diplomacy: Repeating Europe's errors in dealing with the neighbourhood. *Asian Journal of Comparative Politics*.
- Srinivasan, M. (2013, April 20). *Navy Cadets of India, Sri Lanka Speak the Same Language*. Retrieved from The Hindu : <http://www.thehindu.com/news/international/south-asia/navy-cadets-of-india-sri-lanka-speak-the-same-language/article4636943.ece>
- Subedi, B. (2017). Retrieved from Kathmandu Post: <http://kathmandupost.ekantipur.com>
- Subramanian, N. (2011, March 17). *How India kept pressure off Sri Lanka*. Retrieved from The Hindu: <https://www.thehindu.com/opinion/lead/How-India-kept-pressure-off-Sri-Lanka/article14950828.ece>
- Thakur, D. R. (2020, April 20). *China's Belt and Road Initiative and Nepal*. Retrieved from Telegraphnepal.com: <http://telegraphnepal.com/chinas-belt-and-road-initiative-and-nepal/>
- Tripathi, A. (2016). Retrieved from My Republica: <http://www.myrepublica.com>
- Wagner, C. (2016). The Role of India and China in South Asia. *Strategic Analysis* , 307-320.
- Walt, S. M. (1998). International Relations: One World, Many Theories. *Foreign Policy*, 110.
- Wignaraja, G., Panditaratne, D., & Kannangara, P. (2020). Chinese Investment and the BRI and Sri Lanka. *Asia-Pacific Programme* (p. 4). Chatham House.
- Wijayasiri, J., & Senaratne, N. (2018). China's Belt and Road Initiative(BRI) and Sri Lanka.
- Xie, W. (2019, 09 04). The Belt and Road Initiative in Southeast Asia; Motivation, Strategies and Challenges. *University of Miami, Scholarly Repository*.
- Yamanda , G., & Palma, S. (2018, 3 28). *Is Belt and Road Initiative Working? A progress report from eight countries*. Retrieved from NIKKEI Asia: <https://asia.nikkei.com/Spotlight/The-Big-Story/Is-China-s-Belt-and-Road-working-A-progress-report-from-eight-countries>
- Yan, J. (2018). The BRI in Southeast Asia . In C. A. Institue, *China's Belt and Road Initiative and Southeast Asia*. KualaLumpur : CIMB Southeast Asia Research Sdn Bhd (CARI).
- Ye, H. (2017). Modi's Attitude towards China, "Issue Diplomacy" and Prospect of India's Participation in the OBOR Initiative. In *Annual Report on the Development of the Indian Ocean Region, The Belt and Road Initiative and South Asia* (p. 35). China: Springer.
- Yongxiu, B., & Songji, W. (2014). Silk Road Economis Belt: The Strategic Corridor of China Going Global. *Journal of Northwest University(Philosophy and Social Science Edition)*.
- Yu, Y. (2007). Analysis on the Development of Sino-Sri Lanka Relations . *Southeast Asian Study*, 39-44.
- Z, R., J, Z., & R, Z. (2015). The 21st Century Maritime Silk Road: Sino-Sri Lanka Bilateral Maritime Cooperation. *China Oceans Law Review*.

- Zhang, Lattemann, C., Alon, I., & Wenxian. (2018). *China's Belt and Road Initiative: Changing the rules of Globalization*. New York: Palgrave Macmillan.
- Zheng, B. (2005). China's "Peaceful Rise" to Great-Power Status. *Foreign Affairs Journal*, 84(5).
- Zheng, L., & Liu, Z. (2015). Space Pattern of Direct Investment of China along "The Belt and Road". *Progress in Geography*.
- Zhu, C. (2018). Modi-led Government's Policy Towards China. In C. Zhu, *India's Ocean, Can China and India co-exist?* Springer.