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A Savvy BRI Partner in India's Neighbourhood: Bangladesh's Balancing Act Amid Debt Crises and Power Rivalry in South Asia

Silvia Tieri

Abstract

South Asian countries' reaction to the Belt and Road Initiative (BRI) has not been uniform. Except for Pakistan, whose alliance with China and enmity with India are overt, for other countries the BRI posed the question of dealing with power competition - the India-China rivalry - as recipients of development finance. Smaller countries traditionally close to India found themselves faced with the dilemma of welcoming the BRI to reap economic benefits while simultaneously maintaining existing economic and - in the case of some - strategic relations with New Delhi. Considering the relatively less debated case of Bangladesh, this paper argues that Dhaka proved apt at navigating the opportunities and challenges posed by the BRI, balancing Chinese money with Indian influence and avoiding the debt distress which fell upon other regional BRI partners.

Keywords: Bangladesh; BRI; deals; debt trap; South Asia

Introduction

Years after its inception, the Belt and Road Initiative (BRI) is a global although still loosely defined initiative. South Asia is one of its key regions, as it was envisioned to host a large number of "mega-projects" which promised to deliver economic dividends for both the partner countries and China. Economic considerations aside, many pointed out that the latter's interest in some of them is also strategic.

South Asian countries' reaction to the BRI has been not uniform and largely dependent on their positioning vis-à-vis regional hegemon India. A rival of China, India condemned the initiative[1] and promoted alternative ones while Pakistan, a traditional ally of China, became one of the largest recipients of BRI funds (Boni 2020: ch. 5; Garlick 2022). The question was more nuanced for other smaller countries that maintain a close relation with India but also seek cash to pursue development projects. On the one hand, the BRI represented an opportunity to access large Chinese funds thus diversifying dependence from India and boosting the economy via better connectivity and increased trade. On the other, it imposed the need for caution, to avoid jeopardising bilateral ties with New Delhi and falling into debt distress. Indeed, with regard to the latter point, there have been two cases from South Asia - Pakistan and Sri Lanka - which have been discussed rather widely in connection to their BRI participation. Both became recipients of Chinese loans financing projects envisioned or later included under the BRI. Also, following a debt crisis, both resorted to renegotiating their debt[2] (Bennon and Fukuyama 2022), thus becoming examples par excellence of China's alleged "debt diplomacy", even though it is debatable whether their financial troubles were actually or entirely due to a supposed Chinese "debt trap".[3] The Maldives, also a South Asian BRI partner, undertook the path of debt renegotiation as well.

This paper considers the comparatively less discussed case of Bangladesh, a "small country" whose interests lie with both China and India, and a BRI signatory since 2016. It argues that, from the point of view of the recipient government's stakes and negotiation autonomy, Bangladesh's dealings with China in the context of the BRI appear to have been alert, selective, largely balanced, and when needed assertive, thus overall effective in making the Chinese initiative work for Dhaka's agenda.

The paper is structured as follows. First, it provides a context presenting the variables that the BRI introduced within the South Asian region, whose international relations setting is Indo-centric. This section delineates India's position vis-à-vis China and the BRI, and the consequent incentives and disincentives that the Chinese initiative posed for other South Asian countries such as Bangladesh. Then, the paper delineates the Bangladesh-China partnership: Dhaka's and Beijing's respective stakes, and salient features of Bangladesh's BRI participation, including problematic ones such as Chinese-locals relations, sustainability questions, and deals cancellations. The paper then proceeds to close-up on six BRI projects the two governments had committed to during a critical meeting in 2016 (which saw the signing of most Sino-Bangla MoUs) and that were later cancelled. Here it is argued that while *prima facie* such cancellations could appear as drawbacks in the development of the BRI in Bangladesh, they actually reveal a selective and confident approach by the Bangladeshi side. To argue this, the discussion traces the evolution of the projects and considers their cancellations vis-à-vis the of BRI loans in the region. In the last section, the paper considers the BRI from a strategic angle and suggests that Bangladesh navigated it performing a successful balancing act between the two competing powers.

The BRI in South Asia

It is hard to understand the significance, opportunities, and challenges that China's BRI has introduced in the set-up of South Asian relations without placing at the centre India and its approach to the region. India is the largest country in South Asia in terms of geographical location, territorial extension, GDP, international weight, and military resources. Being the hegemon power, India sees itself as the natural and legitimate preserver of the regional order. It is consequently averse to developments which potentially alter such order and jeopardise its central position, whether they might be coming from within the region, like in the case of neighbouring Pakistan, or from beyond it, like in the case of China, which is now not just an Asian power but also a global super-power in all rights.

India and China have a complex relation. Despite sharing significant historical connections and a common cultural heritage, as well as an important political past which saw them as vocal critics of imperialism on the Asian and world stage, contemporary Sino-India relations have been strained. Their souring has been largely due to competition over influence in South Asia, i.e. China's incursion in the region and India's resistance to the same. In the post-colonial period, as India's relations with Pakistan deteriorated, China built with the Islamic Republic a friendship known to be "higher than Himalayas, deeper than ocean, sweeter than honey, and stronger than steel".[4] The Indo-China War of 1962, which saw New Delhi's defeat and scarred India's psyche in dealing with China, did not pose an end to the territorial dispute between the two, as proved by the most recent 2017 Doklam military standoff and the following 2020 skirmishes.[5] The rivalry between the South Asian hegemon and the Asian super-power vis-à-vis other South Asian countries has extended to all major aspects of foreign relations, from trade and economic cooperation to defence and strategic partnerships, to foreign aid.

India did not participate in the first Belt and Road Forum for International Cooperation conveyed by Xi Jinping in Beijing in May 2017. Before the event took place, the Indian Ministry of External Affairs released a statement explaining India's position.[6] According to the document, India had two major problems with the initiative. The first one was that the BRI does not pay due consideration to India's concerns on sovereignty and territorial integrity. This is due to the fact that the key China Pakistan Economic Corridor (CPEC), one of the largest BRI projects in Asia, crosses the region of Kashmir, whose control is retained partly by Pakistan and partly by India and that has been object of a yet unresolved decades-old dispute which brought the two neighbours to war in 1965 and 1999. China's decision to place the corridor within a disputed territory left India no other choice but to boycott it, as any endorsement of the project would have jeopardised India's territorial claims.

Secondly, in the statement India hinted that China was set to carry out the BRI with poor compliance to international standards concerning financial, socio-economic, and environmental sustainability. This latter point placed India in a somewhat new position vis-à-vis the debate on aid because, like other non-traditional donors, India had earlier condemned the "Western" model of aid which is based on such standards. Both non-traditional donors and recipients blamed the Western paradigm for being ineffective, cause of aid-dependency, and for coming along with heavy conditionalities that are perceived as an infringement of the recipient's sovereignty and create a paternalistic and non-egalitarian aid relationship (Baaz 2005; Woods 2008). China and India had found common ground in this critique, presenting themselves as alternative providers of aid that share with recipients (preferably called "partners") a common heritage - that of being non-Western, post-colonial nations - and hence similar development needs and strategies (Mawdsley 2012). This is why when India called out China on the question of international standards, it seemed to somewhat contradict what it had earlier preached, along with China and other non-Western providers of aid.[7] However, India's critique had some merit. Although free from political-economical conditionality such as the pro-democracy and pro-liberalisation reforms prescribed by Western bilateral and multilateral donors, China's aid too comes with some form of actual conditions. For example, Chinese deals typically opt for materials and contracting firms sourced by direct procurement from China, without free tender bidding. In any case, India's absence at the 2017 BRI Forum and its statement served to mark its disapproval of the BRI initiative in particular and Chinese aid in general. As a matter of fact, India became the main BRI critic along with the US. In addition, little after the BRI Forum, India-China relations reached a new low following the Doklam standoff (June-August 2017).

Besides criticising the BRI, India has also worked to create alternatives to it, although these have gained much less traction so far. The Asia-Africa Growth Corridor, jointly planned with Japan and targeted to African countries,[8] and the EU-India Connectivity Partnership open to Africa, Central Asia, and the Indo-Pacific[9] are some examples.

The fate of the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) well exemplifies India's boycott of the BRI. The project of connecting Southwest China with Northeast India via Myanmar and Bangladesh started in 1999. India has been traditionally reluctant to enter a multilateral regional mechanism including China in light of growing rivalry as well as outstanding issues, such as China's support to anti-India insurgency in the Indian Northeast, which was among the areas to be connected by the proposed corridor. Nonetheless, the BCIM was pursued at the intergovernmental level under the Indian National Congress' (INC) tenure. However, with the advent of the nationalist Bharatiya Janata Party (BJP) to power, India's scepticism gained the upper hand, leading to a more assertive foreign policy towards China and a closer relation with the US, whose interest lies in status-quo preservation and containment of Chinese influence. The BCIM thus made little to no progress. India tried instead to revive and promote alternative mechanisms of regional cooperation focusing on connectivity infrastructure in South and Southeast Asia which it deemed freer from Chinese influence and hence better suited to serve its purposes, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)[10] and the Mekong-Ganga Cooperation (MGC)[11], although with limited success. The Indian government also rekindled relations with Southeast Asian neighbours through the ASEAN framework (Association of Southeast Asian Nations)[12] and the Act East Policy.[13] The BCIM, however, made a comeback in 2015 through the BRI when Xi Jinping announced it as one of the "economic corridors" constituting the Silk Road Economic Belt. Earlier in 2013, Bangladesh had given its endorsement to the project at the Bangladesh-China inter-governmental study group meeting in Kunming.[14] However, the BCIM did not figure in the new list of BRI projects resulting from the 2nd Belt and Road Forum of April 2019, showing that India's reluctance succeeded in having it aborted (Plagemann, Datta and Chu 2021).[15]

India did not participate in the second Forum either. While Pakistan - the "all-weather" friend of China whose relations with India remain strained - and Nepal were the only South Asian countries marked present at the high-level event, Afghanistan, Bangladesh, Sri Lanka, the Maldives remained active members of the BRI by entering new deals.[16] According to a 2020 Chatham House report, the cumulative value of Chinese infrastructure investment (committed funds) to Sri Lanka for the period 2006-July 2019 amounted to USD 12.1 billion, of which six billion were committed after the announcement of the BRI in 2013 (2013-July 2019).[17] The same report estimates that the ratio of cumulative (pre- and post- BRI) Chinese infrastructure investments vis-à-vis the destination country's GDP for the same period was 8 per cent for Bangladesh, 14 for Sri Lanka, 15 for the Maldives, and 16 per cent for Pakistan.[18]

Overall, India's displeasure with the Chinese connectivity initiative did not prevent other countries in the region from becoming and remaining BRI members, although it came with the need for caution for those who have traditionally maintained close ties with New Delhi, like Sri Lanka, Nepal, and Bangladesh.

Bangladesh - whose case this paper considers - entertains solid bilateral ties with India. The relationship between the two neighbours is not free from problems, including border management (Sur 2021; Ranjan 2021a), water sharing (Ranjan 2021b: ch. 3), Bangladeshi irregular immigration in India (Tieri 2021), and anti-India sentiment, caused by a sometimes-bullying attitude by New Delhi and more recently also by Bangladeshis' concerns over India's latest citizenship law reforms (Ranjan 2019). However, the relation with India remains fundamental in light of geographical proximity (the two countries share more than four thousand kilometres of international border), shared heritage and history (Bangladesh seceded from Pakistan in 1971 thanks to Indian military support), and interdependent interests. On the one hand, Dhaka needs friendly ties with its immediate and mightier neighbour (Hossain 2019). On the other, India recognises Bangladesh's geopolitical relevance as one of China's gateways to the Indian Ocean, and for being territorially contiguous to India's Northeast, which is land-locked, comparatively less integrated with the Indian mainland, and with a history of anti-government insurgency with cross-border ties (Bhaumik 2016; Pattanaik 2019). The Indo-Bangla relationship got consolidated under the governments led by Sheikh Hasina's Awami League (AL), which many in Bangladesh consider excessively pro-India, although it was during the same period that the country intensified its economic partnership with China as well. During a 2019 interview, Bangladeshi Prime Minister Sheikh Hasina dismissed BRI's potential risks for India declaring that "being such a big country and big economy, India should not worry about it. Rather, they can also join so that all the countries can benefit economically".[19] It is incontestable that as a road-, infrastructure-, and energy- oriented framework (however loosely defined) offering comparatively easy access to development finance, the BRI potentially presents to developing countries and emerging economies multiple benefits to reap. As this paper shall argue, the Bangladesh leadership has proved rather able at securing them to the advantage of its own development agenda.[20]

Bangladesh's Involvement in China's BRI

Although Sino-Bangla relations had an unhappy beginning - with China siding with Pakistan during the 1971 war and delaying Bangladesh's diplomatic accreditation and membership in the UN - the two countries have enjoyed stable bilateral ties since the late 1970s. Under the AL governments headed by Sheikh Hasina, the two countries came closer, mainly through trade, purchase/supply of Chinese armaments, and mega-infrastructure projects financially supported by China to various extents and often implemented by Chinese firms. At present, China is ahead of India as Bangladesh's first trade partner[21] and arm supplier, being Bangladesh the world's second largest buyer of Chinese weapons after Pakistan.[22]

Overall, so far Bangladesh has found in China an important trade partner and a source of development finance whose support helps Dhaka avoiding over-reliance on India. Bangladesh's closeness to China has also the effect of keeping India on the alert vis-à-vis the risk of Chinese inroads in what Delhi traditionally perceives as its own backyard. Bangladesh's in-betweenness makes it subject to constant scrutiny and at times pressure from New Delhi; but it also gifts Bangladesh with an empowered negotiating position that Dhaka seems, to a large extent, skilled to exploit. While greater power competition among immediate neighbours can be daunting to navigate for smaller countries like Bangladesh, it also causes the competing parties to be more attentive and generous with them in the interest of securing their complying behaviour and preventing them from getting closer to the rival. As a consequence, smaller and geopolitically critical countries like Bangladesh end up courted by competing powers and gain in bargaining power (Plagemann, Datta and Chu 2021: 2266; Plagemann 2022).

On the backdrop of an already widening economic partnership, Bangladesh became a BRI signatory state in 2016, a year which also saw Xi Jinping's visit to Dhaka.[23] On that

occasion, Xi and Hasina signed MoUs for 27 deals in investments and loans, for a total estimated worth of approximately twenty billion USD.[24]
While retrieving full details regarding cost and status of the projects is difficult at times, according to most third-party reports Chinese projects in Bangladesh are largely financed through commercial loans. As of March 2021, the Bangladeshi newspaper *The Daily Star* estimated that only seven MoUs out of the 27 signed by Hasina and Xi in 2016 had been followed by binding commercial agreements, for a total of 5.4 billion USD; and that China had actually disbursed 981.36 million USD out of that amount.[25] As of August 2022 , the Bangladeshi Finance Minister reportedly set the figure of disbursed funds at USD 3.8 billion.[26] An article by the Vivekananda International Foundation concurred to maintain that disbursement of Chinese funds has been slow.[27]

The China-Bangladesh BRI Partnership: Lights and Shadows

Although, differently from the Pakistani and Sri Lankan cases, none of the projects sponsored by China in Bangladesh has featured an explicit strategic scope, Bangladesh' participation in the BRI is important from a strategic point of view as well. Indeed, Bangladesh is a maritime nation located in the middle of the Bay of Bengal and neighbouring India's land-locked and geopolitically critical Northeast. In this sense, the BRI can be seen as a tool to support the expansion of China's influence in the area. In addition to this, it promises to yield dividends for both countries by boosting connectivity and trade. China, who is already Bangladesh's major trade partner, is to gain from widened access to the Bangladeshi markets. For Bangladesh, on the other hand, the BRI is primarily an opportunity to expand trade and diversify exports, and upgrade its infrastructures. Last but not least, Bangladesh's upcoming graduation from least developed country (LDC) to middle-income country (MIC), scheduled for 2026, will cause the termination of preferential access to market and debt relief linked to the LDC status.[28] From this point of view, the BRI offers a timely opportunity, but one not free from challenges.
Various Chinese-backed projects have been marred by slowdowns, violent incidents, and criticism over their economic and environmental sustainability. One example is the Payra power plant inaugurated by Sheikh Hasina in March 2022 and built by Bangladesh-China Power, a joint venture between state-owned North-West Power Generation Company Limited and China National Machinery Import and Export Corporation. The plant has a capacity of 1,320 megawatt and is fuelled by Indonesia-imported coal. Its total cost neared 2.5 billion USD.[29] As reported by "The Business Standard", "$1.984 billion is debt funded solely by the Export-Import Bank of China and the remaining $0.496 billion was provided by shareholders [...] the loan tenure is 15 years including four years of a grace period" and the interest rate 2.98 per cent.[30]
In June 2019, widespread unrest among the Bangladeshi workers of the plant, ignited by a rumour, caused them to clash with the Chinese employees, injuring six, of whom

one eventually succumbed to injuries. To bring the area under control the plant managers placed thousands of workers on two-weeks leave and the government of Bangladesh resorted to deploying special forces.[31]

Another violent incident set in one of China's mega-projects took place in April 2021 at the S. Alam power plant in Banshkhali. At least seven Bangladeshi workers were killed as the police opened fire, reportedly to protect Chinese workers in response to a massive protest by Bangladeshi workers concerning work conditions, including their request of observing Iftar during Ramadan. The protesting Bangladeshi workers were allegedly overseen by a Chinese contractor.[32] The Bangladeshi group S. Alam, by whose name the plant is popularly known, has a seventy per cent stake in the project and two Chinese firms, SEPCOIII Electric Power Construction Corp. and HTG Development Group, the remaining thirty per cent; China financed seventy per cent of the total cost of the project, which is around 2.5 billion.[33] The state had resorted to violence to quell dissent already in April 2016, when four protesting villagers had been killed by the police. In February 2017 violent clashes took place between supporters and opponents of the project.[34] Which is blamed to have disrupted the life of locals who lost land and livelihood when plots were acquired for building the plant.[35] Clashes between Chinese and Bangladeshi workers, and between Chinese workers and locals were reported also in connection to other projects in February 2021[36] and in May 2022[37] respectively.

In addition to issues concerning land grabbing, Bangladeshi labour's work conditions, and the relations between Chinese and local workforce, certain China-backed mega-projects have been criticised due to their actual viability, like the power plants in Payra and Banshkhali. In March 2022, Prime Minister Hasina inaugurated the Payra coal-fired power plant following the completion of its second phase. On the occasion, Hasina claimed that with Payra Bangladesh achieved for the first time one hundred per cent electricity coverage.[38] However, critics have pointed out for years that Bangladesh has an exceeding power capacity, i.e. produces more electricity than it can consume,[39] which results every year in costly "capacity payments".[40] The country is thus importing coal, which is an expensive and polluting energy, to produce power it does not manage to consume and consequently has to pay for. Last but not least, projects like these are detrimental because they "weaken Bangladesh's position as a country that suffers due to climate change though it has contributed very little to global greenhouse gas emissions".[41] Germanwatch's Global Climate Risk Index 2021 placed Bangladesh seventh among the ten "countries most affected by extreme weather events (2000-2019)".[42] The 2022 *Country Climate and Development Report for Bangladesh* by the World Bank recommended decarbonisation as one of the three priorities for Bangladesh's "climate resilient growth".[43] In August 2020, the government of Bangladesh signalled its intention of moving away from coal-based energy towards liquefied natural gas (LNG) and appraise the ongoing energy projects, but it nonetheless went ahead with mega-projects like the expansion ("phase 2") of the Payra power plant, adding a second unit along the first one ("phase 1"), which had already started commercial operations in 2020. Meanwhile, China declared it would not launch new coal-based projects overseas and refrained from doing so in 2021.[44]

A Savvy Taker: Bangladesh's Selective Approach

Slowdowns and growing costs of mega-projects, which sometimes even resulted in the cancellation of the same, have thrown a shadow on Chinese-Bangladeshi infrastructure partnerships, raising questions about the agreement between the parties involved and the transparency of transactions. At the same time, these incidents arguably stand proof to a certain willingness and ability of Dhaka to deal with Beijing on its own terms. In 2021, the Joydebpur-Ishwardi double-line project - an important China-funded project whose MoU was among the many signed in 2016 - was reported to have suffered a major setback as China withdrew its commitment to fund it quoting unsatisfactory preliminary studies.[45] A closer look at the happenings concerning the project between 2017 and 2021, however, shows that China's stepping back on previous agreements stemmed from a unilateral revision of the same undertaken by Bangladesh. In December 2018, the Cabinet Committee on Government Purchase (CCGP) approved the Joydebpur-Ishrwadi project proposal at a cost of Tk 11,586.68, and in March 2019 the Bangladesh Railways (BR) sought a Chinese loan for implementing it via the Chinese embassy in Dhaka.[46] However, in October 2019, the Prime Minister Office formed a committee to review the negotiated contract prices of three Chinese projects, including the one in question. As a result of that, in November 2019, in order to reduce the cost of the project, the Prime Minister Office made the BR reduce the contract price which had been earlier approved by the CCGP. After that, in March 2021, the Chinese embassy in Dhaka said that the Chinese government would not fund the project due to "lack of in-depth preliminary work and insufficient feasibility study". Besides, the Chinese firm contracted to implement the project did not agree with the reviewed price and pulled out. In the face of China's backtracking, in August 2021, on instruction of the Bangladeshi Railways Ministry, the Economic Relations Division (ERD) requested the Chinese government to reconsider the decision not to finance the Joydebpur-Ishwardi.[47] But in October of the same year, China reportedly communicated its refusal to rethink the decision. One month later, in November 2021, Prime Minister Hasina instructed the Railways Ministry to approach the ERD to search for alternative funding sources for the three projects with Chinese participation which the government of Bangladesh had subjected to revision, including the Joydebpur-Ishwardi double-line project - the other two being the Joydebpur-Mymensingh-Jamalpur dual gauge conversion and the Akhaura-Sylhet dual gauge project. In the same month, Bangladesh was reported to have entered negotiations with the Japan International Cooperation Agency (JICA) for the funding of the Joydebpur-Ishwardi, and to have received India's expression of interest to fund the same project as well as the Akhaura-Sylhet dual gauge project via the EXIM bank.[48] The case of the Joydebpur-Ishwardi project is telling of Bangladesh's selective and assertive dealing with China, a proof of confident leadership for a small country eager to fill its infrastructure gap. When it deemed the cost of the already negotiated project excessive, the government of Bangladesh proceeded to revise it unilaterally through an inter-ministerial mechanism, and present the result to the Chinese partners, i.e. the funding government and the contracting firms. When these were not ready to accept its terms, it promptly looked for alternative funding sources.

The project just discussed is not the only case. Others that can be quoted as examples are the Dhaka-Sylhet highway; the pre-metering project for Bangladesh Power Development Board (BPDB) distribution zones; the Gazaria power plant; the "Balancing, Modernisation, Rehabilitation and Expansion" (BMRE) of jute mills; and the Sonadia port.

Like the Joydebpur-Ishwardi project, the Dhaka-Sylhet four-lane highway was among those agreed upon in 2016, included in a list "in a memorandum of understanding (MoU) highlighting investment and production capacity cooperation, signed during Chinese President Xi Jinping's Dhaka visit in October 2016".[49] Reportedly, the project was to be implemented by China Harbor Engineering Co, Ltd. (CHEC), already contractor of major BRI undertakings including Pakistan's Gwadar Port and Sri Lanka's Hambantota Port.[50] In 2018, the government of Bangladesh cancelled the project because the CHEC had allegedly attempted to bribe Bangladeshi officials, and proceeded to blacklist the firm.[51] Based on most recent (yet not updated) news reports, in March 2021 the government of Bangladesh decided unilaterally to eliminate from the abovementioned list this and other four projects - for a total of five, i.e. those mentioned at the beginning of the paragraph - and asked China to have them substituted with other projects via the Chinese Embassy in Dhaka.[52] The Dhaka-Sylhet project seems to be currently active, although with a very slow pace and huge delays, contracted to a Bangladeshi-Chinese joint venture, with funds from the Asian Development Bank.[53]

Meant to optimise the electricity provision system, the pre-metering project for BPDB distribution zones, like those previously discussed, dated back to 2016, and was scrapped from the MoU list by Bangladesh in March 2021.[54] It appears to be under implementation by a Bangladeshi state-owned company, jointly funded by the government of Bangladesh and the Asian Development Bank[55] (but proceeding at a very slow pace).[56]

The project for a 350 megawatt coal-fired thermal plant in Gazaria was allegedly cancelled from the Bangladesh-China MoU list simultaneously with the abovementioned metering project, in March 2020. According to "The Financial Express", Rural Power Company Limited (RPCL), a state-owned Bangladeshi company which was to implement the project in a joint venture with Chinese state-owned PowerChina and Hubei Hongyuan Power Engineering Co., withdrew from it mentioning locals' opposition to the plant construction as the motivation.[57] Based on updates reported by the Bangladesh Working Group on External Debt, in September 2018 RPCL engaged the Japanese conglomerate Murabeni to conduct a feasibility study for a LNG-based plant planned in the same site earlier assigned to the Chinese plant, and it eventually cancelled the latter. [58]

The 2016 MoU list also included the project of BMRE of the public sector jute mills. Jute had always been a traditional Bangladeshi export in which the country had a natural edge, but the Bangladesh Jute Mills Corporation (BJMC), which was the project's stakeholders together with China Textile Industrial Corporation (CTEC), had been recording sustained losses for years, hence the need for optimisation.[59] In 2016, CTEC was reported to have already conducted a feasibility study.[60] However, in 2020, the government of Bangladesh shut 25 jute mills down. China asked Bangladesh to resume the modernisation project supported by a Chinese loan.[61] Dhaka's decision not to go ahead with it, conveyed in 2021, reportedly angered China.[62]

These additional examples concur to show that, while dealing with the projects, the government of Bangladesh did not hesitate to pursue its own interest without regard for China's preference or pressure. When it realised that previous agreements were not satisfying it, it unilaterally cancelled them.

Last but not least, the case of the Sonadia port might be considered. A deep seaport has been necessary to Bangladesh for optimising maritime trade, as the already congested port of Chattogram (Chittagong)'s relatively shallow waters do not allow larger cargo ships to enter. However, in September 2020, the government cancelled the construction of a deep seaport on the island of Sonadia, in the bay of Cox's Bazar. Cabinet Secretary Khandker Anwarul Islam reportedly justified the decision mentioning risks to the island's biodiversity, although the government of Bangladesh had commissioned a feasibility study in 2008,[63] approved the draft to set up the port in 2012, and committed in 2014 to sign a MoU in the future (which eventually never took place).[64] It is most likely that the ongoing construction of another deep sea port in nearby Matabari with Japanese support was the real reason behind the move. Thus, the government of Bangladesh appeared to cancel a project that had turned out redundant, despite Chinese explicit interest in the same.

It can be useful to have a glimpse of what was happening with other BRI members at the same time. The 2018 *Asia in 2025 Report* by the Overseas Development Institute analysed the impact of the BRI on the ratio national debt/gross national income (GNI), among other things. It found out that BRI-related debt increased national debt considerably, in absolute terms, in three South Asian countries: plus sixty per cent in the Maldives, plus 59 in Pakistan, and plus 74 in Bangladesh. These numbers show that the three had signed up for receiving a considerable amount of Chinese funds. However, when total debt/GNI ratio was considered, the numbers turned into 62, 38, and 28 per cent respectively, thus revealing that the real weight of the BRI debt was least for Bangladesh. This arguably shows that, among the main recipients of BRI finance in South Asia, Bangladesh kept its debt to a healthy level in the first place, in both the pre- and post- BRI period.[65] Likewise, a Centre for Global Development Policy paper from the same year on the debt implications of the BRI identified eight countries at high risk of debt distress as a result of BRI lending, including two from South Asia: the Maldives and Pakistan (along with Djibouti, Kyrgyzstan, Laos, Mongolia, Montenegro, and Tajikistan).[66] The two countries eventually initiated debt renegotiation with China in 2019 and 2020 respectively.[67] Moreover, in December 2017 came the notorious Sri Lanka-China Concessional Agreement through which Colombo started repaying its debt by leasing the Hambantota port to China for 99 years or, more precisely, "China transferred funds equivalent to the loan amount (1.1 billion USD) to the Sri Lankan government in exchange for an 85 per cent equity stake in the port company under a 99 year concession".[68] This became the most popular example of China's alleged "debt diplomacy". Sri Lanka's debt renegotiation was seen as a rapacious "asset seizure" by China and criticised as politically controversial - albeit analysts showed that Sri Lanka's troubles with foreign debt pre-dated the BRI (though the BRI arguably worsened them); and China was not Sri Lanka's only creditor.[69] In any case, considering Bangladesh's cancelled Chinese deals in light of BRI developments simultaneously taking place in the region, it can be argued that Bangladesh's trajectory turned quite different compared to other fellow recipients of BRI finance, in two aspects. The country managed to keep its foreign debt under control, both in terms of overall debt and in terms of the BRI component of it. Also, at the time when others started resorting to renegotiating the terms of loans they could not manage to pay, Bangladesh opted for prevention and withdrew from the deals it deemed undesirable, at times unilaterally.

Bangladesh's Balancing Act Between China and India: Money and Influence

One of these unilateral pull-outs concerned the Sonadia port, as seen in the previous section. Possible economic redundancy aside, the decision of stalling the once fast-tracked project in Sonadia and eventually scrapping it must be also read in the context of strategic relations developing in the immediate region (South Asia) and macro region (Indian Ocean Region). A prospective China-backed port in Sonadia, in the middle of the Bay of Bengal and not far from the Indian shores, had reportedly ruffled New Delhi's feathers. While China's presence in South Asia kept growing, with the BRI as its most recent manifestation, India grew wary of it. India's anxieties include the possibility of being victim to maritime encirclement through ports - whose construction was initiated or later included under the BRI umbrella - which are strategically located and feature Chinese presence to different extents, a concept popularised by the catchy name of "String of Pearls"[70]. India allegedly lobbied with Bangladesh against the Sonadia project, as reported in Indian news in 2016, years before the decision of scrapping Sonadia was made official by Dhaka.[71] Afterall, it does not appear to be a coincidence that the alternative to Sonadia which would have eventually gained the upper hand, Matabari, is built with the support of Japan, a maritime Indian Ocean Region power who is an important development partner of Bangladesh but with whom India has no

issues and instead a progressively deepening strategic relation, including under the framework of the Quadrilateral Security Dialogue (QUAD).
In sum, dropping Sonadia and going ahead with Matabari also meant that Bangladesh decided to - or was made to[72] - turn the back on China in order to eliminate any chance of Beijing's strategic inroads in the Bay of Bengal which New Delhi might dislike, thus clarifying and confirming Dhaka's strategic alignment as pro-India.
China, the BRI, the QUAD, and Bangladesh's involvement in both initiatives were at the centre of another recent incident which demonstrated Dhaka's promptness in resisting excessive Chinese pressures, at least publicly. In May 2021, in a press conference in Dhaka, Chinese ambassador to Bangladesh Li Jiming reportedly said that Bangladesh's involvement in the QUAD would be detrimental for its relationship with China, and should be therefore avoided.[73] The QUAD is a loose alliance between United States, India, Japan, and Australia[74] which has been opposed by China for being overtly anti-Chinese.[75] US's Indo-Pacific Strategy aimed at retaining control over the order in the macro-region has the QUAD as one of its pillars, and assigned an important role to Bangladesh, that is wooing for greater involvement.[76] The Chinese diplomat was indeed quoted as saying that the framework in question is "a military alliance aimed against China's resurgence and its relationship with neighbouring countries".[77] Bangladeshi Ministry of Foreign Affairs Abul Kalam Abdul Momen promptly responded that as a sovereign country Bangladesh decides its own foreign policy.[78] While Momen also added that Bangladesh had not yet taken any decision regarding the QUAD, his rebuke appeared as a clear push back against China's overstepping. In the same period, Gower Rizvi, advisor to the Bangladeshi prime minister, reportedly declared that "we are part of China's BRI but we are very willing to be a part of the Indo-Pacific relationship", thus underscoring Bangladesh's effort to go beyond the logic of exclusivity while navigating India-China competition in the region.[79] Overall, these appear good examples of the balancing act in which Bangladesh keeps engaging to conjugate a traditionally close and multi-faceted relation with India with a significant economic partnership with China. In the effort not to offend either of the two giant neighbours and to keep reaping benefits from both sides, Dhaka gave signs to be willing to resist China's attempts to push its strategic interest into Sino-Bangla relations. This appears consistent with the country's foreign policy posture since independence. Bangladesh's self-perception as a small state pushed it to adopt the approach of "friendship to all" by actively engaging powers both bilaterally and multilaterally and avoiding exclusive alliances (Plagemann 2022: 742-46).[80]
Also the timing of deals and statements is often telling. Consider this latest incident. In June 2022, an official statement of the Ministry of Foreign Affairs reported:"[i]t has come to the attention of the Ministry of Foreign Affairs that some quarters are trying to portray that the Padma Multipurpose Bridge which is scheduled to be inaugurated on 25 June by the Hon'ble Prime Minister Sheikh Hasina has been constructed with

the assistance of foreign funds and is a part of the Belt and Road Initiative. Ministry of Foreign Affairs categorically asserts that the Padma Multipurpose Bridge has been entirely funded by the GoB [Government of Bangladesh] and no foreign funds from any other bilateral or multilateral funding agency has financially contributed to its construction [...]."[81]

Explicitly stating that the Padma mega-project, a 6.15 kilometres-long multipurpose bridge on the large and turbulent Padma river, is *not* part of the BRI (it was built by Chinese contractors; but not with Chinese funding), Bangladesh was seen once again raising its voice against unwanted forays from the Chinese side, and doing so at a strategic moment. The statement came just a few days before the 7th Round of the India-Bangladesh Joint Consultative Commission which saw the two Foreign Ministers Momen and Jaishankar meeting in New Delhi,[82] ahead of Hasina's visit in September 2022.[83]

In conclusion, despite China's critical and ever-expanding role as a development partner, ever more so in the era of the BRI, the examples considered above suggest that Bangladesh has strived and to a great extent managed to pursue the way of alertness, selectiveness, and balance in order to extract financial support from Beijing without entering into the strategic sphere of China in any way which could alienate it from other partners, first and foremost India. Bangladesh thus appears to be skilled in walking the tightrope between Indian influence and Chinese money, avoiding break-ups from any of the two giants and getting the attention of both.

Indeed, many Chinese and Indian deals seemed to have developed as a reaction to one another, many times to the benefit of Bangladesh. As already mentioned, in October 2016 while Xi was in Dhaka, China and Bangladesh signed numerous MoUs included under the BRI umbrella through which the former pledged a prospective sum of about 24 billion USD in investments and loans. When in April 2017 India announced loans for five billion USD to the benefit of Bangladesh, the move appeared as a direct reaction to the Chinese offer.[84] Most recently, in early 2023, both India and China confirmed they would fund the development of the Mogla port in southwest Bangladesh, with a line of credit and a concessional loan respectively.[85]

Conclusions

By entering the Indo-centric space of the subcontinent, the China-sponsored BRI introduced for the countries of the region new economic and strategic variables to ponder. As such, it was received with diverging reactions. As much as Pakistan became the BRI's poster boy in South Asia, India became one of its most vocal critics. However, the picture appeared more nuanced for smaller countries holding traditionally close ties with New Delhi, like Bangladesh, which were faced with two compulsions. On the one hand, the BRI represented an opportunity to access large Chinese funds thus diversifying dependence from India. On the other hand, it imposed the need for caution, neither to fall into debt distress, nor to jeopardise bilateral ties with New Delhi. As it takes shape across the country mostly in the garb of mega- infrastructure and energy projects, along with potential for growth, the Bangladeshi chapter of the BRI showed multiple problematic aspects. However, if considered from the point of view of the recipient government's stakes and negotiation autonomy, Bangladesh appears to have pursued an alert, selective, largely balanced, and when needed, assertive approach to BRI deals in order to make the Chinese initiative work for its agenda. Bangladesh proved so far a savvy BRI partner.

Silvia Tieri is a PhD candidate at King's College London - National University of Singapore.

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