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Belt and Road Initiative: An Economic Analysis

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The Belt and Road Initiative (BRI), officially released in 2013, is China's policy to improve road connectivity, maritime connectivity, and economic development on a trans-continental scale. The belt and Road Initiative is one of China's biggest ambitions to achieve efficient road and maritime transportation by joining Asia with Europe and Africa which simultaneously consist of 64% population and 30% of world GDP. The objective of this paper is to review some peer-reviewed publications to get in-depth about the BRI Initiative and articles on the "Be&R" initiative led by China. Based on the techniques of the bibliographic approach, several research papers were extracted systematically from the Jstor database. In the research paper, we tried to answer 7 questions which are as followed-

- 1. What is Belt and Road Initiative?*
- 2. How it will impact China's economy and its people?*
- 3. What will be the impact of the Belt and Road Initiative on India?*
- 4. What will be the impact of the Belt and Road Initiative on the West?*
- 5. What are the Laws related to transportation in India as well as around the globe?*
- 6. What will be the effect of the Belt and Road Initiative on Maritime Transportation and how much will it cost?*

7. How India can counter the effects of the Belt and Road Initiative?

So the main objective of the Research Paper is to dig deeper to know more about Belt and Road Initiative.

Keywords: *BRI initiative, economy, transportation, public policy.*

INTRODUCTION

President Xi Jinping of the People's Republic of China announced the Belt and Road Initiative in 2013. The President referenced the ancient Silk Road when announcing intentions to build investment and trade networks and establish new institutional ties to bring Asia, Europe, Africa, and the Middle East closer together. Through improved connectivity, the Belt and Road Initiative (BRI) intends to achieve greater economic assistance. The BRI idea emphasizes connectivity as a key enabler of trade growth and prosperity. The Mediterranean Basin, which serves as a "hub-of-hubs" connecting Asia, Europe, and Africa is at the centre of this network. BRI could readily be extended to a worldwide around-the-world transportation system, based on Chinese investments in Australia, and Central and South America. The BRI is also linked to China's "Made in China 2025" plan, which intends to see China overtake the United States and Japan as the world's leading high-tech industrial producers by 2025. The rate of BRI investment has slowed, and China's external investment has dropped by more than 20% since 2016. Domestic economic variables also play a role in these data. In 2019, China's economy grew at 6.1 percent, the weakest since 1990. The BRI has a broad geographical reach. At a news conference conducted at China's Ministry of Transport in Beijing on July 26, 2018, it was reported that China had signed a total of 38 bilateral and regional marine agreements, covering 47 nations along the BRI route. In March 2019, a memorandum of understanding (MoU) containing 29 accords was signed with Italy. Even though such MoUs have no official legal character and do not confer rights or duties, they demonstrate China's ambition to anchor the BRI in an increasing number of countries. The Chinese government's BRI internet portal shows 129 nations that have signed some form of BRI cooperation agreement with China.



HOW DOES IT IMPACT CHINA’S ECONOMY AND ITS PEOPLE?

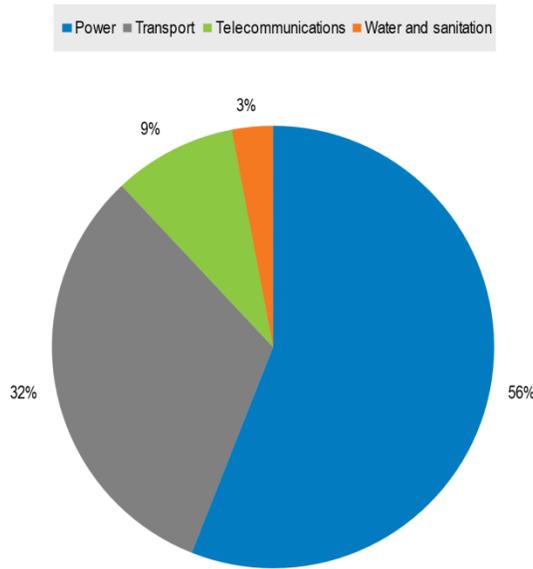
Through the financing of BRI projects China is expanding its regional and international influence. The China Development Bank, the Export-Import Bank of China, China’s four largest commercial banks, the AIIB, and the Silk Road Fund are examples of multilateral Chinese organizations that are financing BRI projects. Estimates of Chinese investment under the BRI range from \$1 trillion to \$8 trillion, with \$1 trillion being the most commonly stated figure. An insufficient “emphasis on infrastructure and growth,” fueled China’s formation of the AIIB. Early concerns in the West were that China would exploit the AIIB for its own political and economic purposes, particularly to dispose of excess SOE capacity via BRI projects. While these techniques have been seen in BRI projects sponsored by AIIB bank and thus remained a minor role thus far. Even if China has a large enough part in the AIIB (26.6 percent) to effectively reject “decisions requiring a supermajority,” To date, it has not exercised its veto power. The AIIB will likely be used more frequently to fund BRI projects as the BRI

expands into countries that are more cautious in their contacts with China or have alternative financial choices¹.

The majority of BRI-related loans have similar characteristics. Chinese loans, for example, are typically provided by “state-funded and state-owned policy banks,” such as the China Development Bank and Exim Bank of China. The most striking feature of the great majority of early BRI projects is that they are almost entirely financed by Chinese government-controlled banks and funds. Given the stakes in terms of security, this seems reasonable. While the China Development Bank and Exim Bank have contributed about 45 percent of BRI finance, China’s four main state-owned commercial banks have contributed 51 percent. The Silk Road Fund, which also funds BRI projects, is a \$40 billion fund affiliated with the People’s Bank of China. Some state-run banks have expressed a desire to prevent greater BRI spending due to the lack of expected financial returns on many projects. However, because the BRI is so tightly linked to Xi Jinping and is now incorporated directly into the Constitution, criticizing it is seen as a direct attack on the CCP. 45 Furthermore, the inclusion of the BRI in the Constitution may be an attempt to strengthen central government control over the project, which includes aspects involving Chinese corporations, provinces, and other entities. The Silk Road Fund, which also funds BRI projects, is a \$40 billion fund affiliated with the People’s Bank of China. The State Administration of Foreign Exchange is one of the four Silk Road Fund shareholders.

Source: ADB, 2017.

¹Andrew Chatzky and James McBride, ‘China’s Massive Belt and Road Initiative’ (Council on Foreign Relations, 28 January 2020) <<https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>> accessed 25 May 2022



China Development Bank, China Investment Corporation, and China Exim Bank Some state-run banks are reportedly looking to avoid greater BRI spending due to the lack of expected financial returns on many projects. However, because the BRI is so tightly linked to Xi Jinping and is now incorporated directly into the Constitution, criticizing it is seen as a direct attack on the CCP. Furthermore, the BRI's inclusion in the Constitution could be an attempt to strengthen central government province control over the project, components of which Chinese corporations, provinces, and even prefectures have taken the lead in implementing.

WHAT IS THE IMPACT OF BRI ON INDIA?

Belt and Road initiative will play a big role in deciding India's future in the global market. This infrastructure project will be significant for India too as the project will increase the networking in China drastically and this could be a major challenge for India. If the Belt and Road initiative achieves its ambitions then it will cause a whole lot of trouble for India and the competition in the global market will rise drastically. Along with trade and commerce, India will face a big threat in defence too due to this initiative as China will surround India from all the sides as the initiative will go on. China has already constructed several dams in the Indo-Pacific region and this is a concern for the national security of India.

The main reasons why India disapproved Belt and Road Initiative².

- **China-Pakistan Economic Corridor (CPEC)** - The China-Pakistan Economic Corridor (CPEC) is a key component of China's multibillion-dollar Belt and Road Initiative (BRI), which aims to enhance China's global influence by investing in infrastructural projects. To help Pakistan become a manufacturing powerhouse, it wants to enhance the country's transportation network, energy projects, the Gwadar deep-water port, and Special Economic Zones (SEZs) by 2030. Gwadar (in southern Pakistan) is linked to Kashgar or Kashi in Xinjiang province (China's northwest area) via a vast network of roads and trains as part of the CPEC. The majority of CPEC's funding comes from substantially subsidized Chinese loans.
- **Lack of consultation** - China didn't take into consideration India's stand before going ahead with this initiative. The conditions could have been better if China would have taken into consideration India's perspective on the issue.
- **Transparency Issue** - India has mentioned the importance of openness in infrastructural projects like this and as there was no consultation about the initiative, India has several transparency issues.
- **The string of Pearls Theory** - China is expanding its military presence in the Bay of Bengal and the Arabian Sea by establishing ports in Sri Lanka, Pakistan, and Bangladesh as part of the Maritime Silk Route (MSR). As a result, MSR is merely an economic cloak for the "String of Pearls" Theory.
- **North East India** - China is fighting India's North East policies by encouraging a stronger presence in these areas, including Arunachal Pradesh, which China claims as its territory. India's security may be jeopardized as a result of this. The corridor which joins India and North Indian states is known as the "Chicken neck" strait. The trait is just 22 km long and so it is a very sensitive area for India. If militants take control of the corridor, then they can potentially carve out these northeast states out of India and due

² Chanchal Sharma, 'India and Belt and Road Initiative' (*Legal Service India*)
<https://www.legalserviceindia.com/legal/article-3243-india-and-belt-and-road-initiative.html>
 accessed 25 May 2022

to the sensitivity of this area, India is not willing to agree on BRI as the probability of losing North-eastern states will rise drastically if BRI passes through this corridor.

Aside from the possibility of China-built dual-use (civil-military) ports reaching from Pakistan to Myanmar, the potential of India losing its strategic edge in the Indian Ocean region due to an expanded Chinese naval presence looms large. The Belt and Road Initiative is a key aspect of China's grand strategy, with the potential to reshape sub-regional security architecture and tip the IOR power balance in China's favour.

For China, South Asia is an area of contradictions. Except for Bangladesh, all of South Asia's overland countries share land borders with China, although Sri Lanka and the Maldives are Indian Ocean Island nations. The Indian Ocean is the largest ocean on the planet. The most successful BRI project, the China-Pakistan Economic Corridor (CPEC), and BRI's most important country, India, both pass via South Asia. When confronted with adversity. According to BRI, India is the Asian Infrastructure Investment Bank (AIIB) and the largest borrower (AIIB). In addition, South Asia is home to a diverse range of cultures. It is home to one-fourth of the world's population and has had an annual population growth of 2% on average. Over the last two decades, the economy has evolved drastically. Because of their youthful populations, South Asian countries have enormous economic growth potential, making this region ideal for the BRI. One-fifth of all South Asians between the ages of 14 and 24 are between the ages of 14 and 24. South Asia's booming market, with a population of 2.5 billion people, is an appealing place to invest and interact. The persisting COVID-19 pandemic, on the other hand, poses a severe threat to South Asia's expanding potential over the next decade.

Although India has rejected BRI projects, China believes that India will cooperate with other BRI components. China hopes that it will Convince India that BRI is in its interest or at least, that India should not oppose BRI as it will create geopolitical tensions which can disrupt the working of both nations. An example of China's inclination toward this approach can be seen by the fact that India is the biggest debtor of China-led AIIB which shows how important India

is to the strategic planning of China³. The biggest problem that India seems to have with BRI is due to CPEC (China- Pakistan Economic Corridor). India views Jammu and Kashmir as its territory. It recognizes Pakistan occupied Kashmir as its territory and both the countries have been fighting for this area for years. As CPEC is likely to pass through Pakistan-occupied Kashmir which India recognizes as illegally occupied by Pakistan, India has a very good reason to oppose the project as it will affect the sovereignty and national security of the country. As then-Indian Defense Minister A.K. Antony said "China has occupied nearly 38,000 square kilometers of Indian land in Jammu and Kashmir since 1962." Even in the 70th session of the UN General Assembly in 2015, the Indian representative states that "India has worries about the projected China-Pakistan Economic Corridor since it crosses through Indian land that Pakistan has illegally controlled for many years." The territorial sovereignty will be a threat with this corridor and the security issue is not just a strategic move to prevent China from flourishing. The shift in Beijing's stance on Kashmir, India argues, demonstrates the two countries' burgeoning strategic cooperation. According to India, the CPEC demonstrates China's ascendancy as Pakistan's key external partner. As a partner, the United States will be replaced. This comes at a time when relations between China and the United States are deteriorating, while relations between India and the United States are improving and tensions are building. With the establishment of Kashmir as a geographical link between India and China. Between China and Pakistan, the long-standing geopolitical divide is widening. New Delhi and Beijing are two cities that share a border.

Now the question is how India can counter Belt and Road Initiative. The following are how India can counter Belt and Road Initiative-

- Project Mausam - It is India's soft power strategy to bring Indian Ocean countries together by their cultures, practices, and traditions. The project comes under the Ministry of Culture and its main objective is to reconnect the communication between countries of the Indian Ocean and improve their culture.

³ Jabin T. Jacob, 'China's Belt and Road Initiative and its implications for India' (*Heinrich Boll Stiftung*, 25 February 2019) <<https://in.boell.org/en/2019/02/25/chinas-belt-and-road-initiative-and-its-implications-india>> accessed 25 May 2022

- SagarMala - It is a port-led direct and indirect infrastructural project to improve the infrastructural capacity of the countries. The project seeks to improvise the capacity of major and non-major ports of the countries along with initiating their modernization process. This will majorly help the under-developing countries in increasing their trade throughout the world
- Chabahar Port - In 2019, the Indian corporation "India Ports Global Limited" took over the Shahid Beheshti Port in Chabahar, Iran. India, Iran, and Afghanistan representatives met to finalize economic and transit corridor routes connecting the three countries. A 'Chabahar Day' ceremony was organized on February 26, 2019, to promote and popularise Chabahar's port. Iran's government has recently made several decisions that could affect India's Central Asian strategy. The Port could have played an important role in the strategic trade and commerce flourishing of India but as the Taliban has taken over Afghanistan, the port seems to be of no use now as they are not likely to support this initiative by India.
- Naval Ports - Several naval ports have been developed by India in countries such as Madagascar, Seychelles, and Mauritius.
- Indian Ocean Rim Association - India is a member of the Indian Ocean Rim Association (IORA), which was founded in 1997. The main objectives are Sustainable Growth, Economic Cooperation, Liberalisation, and Social Development.
- Alliances - India is forming partnerships with countries that share its values, such as Japan. Japan has pledged to support India's "Act East" initiative by building and developing reliable, sustainable, and resilient infrastructure that will increase connectivity both within India and between India and other countries in the region. Japan and India may enhance rail and road connectivity across the Eurasian region in tandem with the BRI.

HOW DOES IT IMPACT THE INDIAN ECONOMY AND ITS SEA ROUTE?

Prime Minister Narendra Modi's "Make in India" initiative focuses on Indian foreign policy, which promotes the country's economic prospects by exploring trade channels and strengthening ties with significant powers critical to India's economic recovery and

geopolitical rise. As a result, India should, to the extent practicable and without risking national security. The BRI allows Asian countries to form internal friends to ensure the region's long-term stability. India's unwillingness to participate more significantly and productively in the BRI would be a missed opportunity. India will have to strike a difficult balance between the huge long-term economic benefits that BRI offers and the necessity to minimize the potential security threat in the Indian Ocean region. The new seaport Gwadar in Pakistan is among the most important Chinese developments in the Indian Ocean. A 2017 agreement in Sri Lanka resulted in the formation of two firms associated with the port of Hambantota. The China-Pakistan Economic Corridor is another big project in the Indian Ocean (CPEC). This connects China to Pakistan, namely the deep seaport of Gwadar. It is expected to play a significant role as a container and energy product hub. The plan is to build a land bridge between China and Pakistan and then use the port of Gwadar to export goods to Africa and West Asia. India's objection to the CPEC is for several reasons. The first and most crucial reason is that the CPEC travels through a mile stretch of land that is contested between India and Pakistan. Gilgit-Baltistan is considered by India to be a component of the princely state of Jammu and Kashmir, which was invaded by India. India sees China-Pakistan cooperation in this area as a threat to its sovereignty and territorial integrity. Prime Minister Modi also stressed the importance of both countries showing awareness and respect for each other's primary concerns during the second Raisina Dialogue in 2017. While the CPEC has been branded a "corridor of opportunity" in Pakistan, some worry it will expand into a bilateral military alliance between China and Pakistan against India.

Another reason for criticism of BRI is the lack of consultation with India before its start. Issues of transparency: When it comes to mutual agreements on infrastructure projects, India has stressed the significance of openness and transparency, which makes loan repayment easier for recipient countries. As a result, MSR is merely an economic cover for the "String of Pearls" Theory. China is countering India's North East policies by encouraging a stronger presence in these areas, including Arunachal Pradesh, which China claims as its territory. India's security

may be affected as a result of this⁴. Even though Persian Gulf ports are not yet visible as part of the BRI network, the region's importance cannot be overstated. As a counter-strategy to the China-Pakistan Economic Corridor and Gwadar, China has invested in Oman and Qatar, while India has expressed interest in the Iranian port of Chabahar. Because of Chabahar's unique location, India has access to not just Iran but also Afghanistan, Central Asia, and Europe, avoiding Pakistan and significantly reducing travel distances and time. Chabahar is also the starting point for India, Russia, and Iran's International North-South Transport Corridor (INSTC). The region could serve as a land-bridge alternative to the Suez Canal, connecting the Gulf to the Mediterranean Sea at the same time. Within India's strategic community, there is apprehension, if not outright distrust, that the BRI signifies much more than China's desire to become the region's economic leader. The sceptics claim that the BRI initiatives may not be as peaceful as they appear and argue for keeping a safe distance from the BRI. They say that a rising China and its hegemony plans would reduce India to a minor global player. Nepal claims that the increasing presence of the Chinese military in the South China Sea, the Indian Ocean, the ports of Gwadar, and the military application of the roads and railway network in the Himalayas and Tibet will pose a threat to India's security in the region.

HOW IT WILL IMPACT ITS SIGNATORIES AND THE WEST?

Europe's initial enthusiasm for Belt and Road Initiative (BRI) is waning as it recognizes the initiative's political, economic, and security ramifications – both domestically and internationally. Trade and energy in Europe, as well as the Eurasian continent. Trade routes in the Indo-Pacific the majority of the BRI's belts are located in the United States. Currently, 35 Chinese cities are linked to Europe. Around 34 European cities are connected by trade and transportation. China's European investments are heavily concentrated. Energy, telecommunications, and transportation are all vital industries a piece of property China wields tremendous political power. Visibility has improved as a result of these operations, which is a good thing with possible ramifications for EU internal cohesion. European

⁴ Santosh Kumar, '[In-depth] China-Pakistan Economic Corridor (CPEC): Why is India concerned?' (IAS Express, 8 May 2022) <<https://www.iasexpress.net/cpec-upsc-ias-gk/>> accessed 25 May 2022

authorities are also noticing this. Beyond the program itself, the Belt and Road Initiative (BRI) has an influence (BRI). The European continent's power balance. In Asia, we may think that everything is fine but in reality, it is not. The transit of products through the Indian and Pacific oceans accounts for the majority of Europe's trade. Asia accounts for more than a third of all European exports, and four of Europe's top ten commercial partners are based there. After Europe, Asia-Pacific is the second-largest market for export-oriented European economies like Germany. As a result, sustaining a rules-based order across the Indian and Pacific Oceans, as well as free trade flows, is a top priority for Europe. India, Japan, Australia, and the United States have reintroduced the Quadrilateral Security Dialogue in response to China's aggression along the Belt and Road (Quad). The influence of the BRI on Europe's security and economy can be classified into three categories: impact on the EU, impact on European security, and competition for trade, investments, and market access in Europe and Asia. BRI is slowly eradicating the effect of Europe from Africa and Asia. The project is a big challenge for Europe as it is likely to face stiff competition due to the Project. BRI is going to have far-reaching implications for the West as it is likely to cause unemployment, economic downfall, and disinvestment in the West⁵.

As it has such a vast territory, this is indeed true that it has gravity toward the Indo-Pacific region. France has several military bases in the Indo-Pacific region and so it is not wrong to say that France is an Indo-Pacific country. France has over 7000 stationed military personnel present in the region for the safety of the region and that is why BRI is a big threat to France. It is expected that with the increasing presence of China in the region, France will become more active in deploying maritime equipment in the region and develop better relations in the region by making them partners. Along with this both Britain and France are currently in a dilemma about Quad too. They are not sure whether they can be dependent on Quad for the safety of the region as it is a newly formed body. This should also be noticed that the capacity of Britain's navy is deteriorating day by day and this, in turn, will cause Britain to reduce its military presence in the region. Britain needs to resolve its issues as soon as possible and it

⁵ Anu Anwar, 'Belt and Road Initiative: What's in it for China?' (East-West Centre, 1 November 2019) <<https://www.eastwestcenter.org/news-center/east-west-wire/belt-and-road-initiative-what%E2%80%99s-in-it-china>> accessed 25 May 2021

should start focusing on its military presence in Indo-Pacific again. While it will take a while for Quad to stabilize itself in the region, France shall improve its bilateral and trilateral relations with the countries in the region. France has already established good relations with Australia by cooperating in the field of maritime security and defence and it is on its way to improving its relations with India which is a great symbol of Unity in the area. While Europe can only have a limited role as a security actor in the Indo-Pacific, it can be a big partner in framing rules for connectivity and may offer an alternative to BRI. We can say that Europe has a two-fold response toward BRI. It is interested in taking part in the initiative on one side so that it could play an important role in regulating trade and commerce in the future while on the other hand, it might possess a threat to its security as China might use the initiative for harming them. European members see the need for a collective approach toward BRI so that they can stand on the same pedestal while dealing with such a significant topic. The EU and its member states will face a difficult issue in negotiating how exactly financing will be implemented. The policy must also clarify how the EU intends to collaborate with partners, particularly Japan, which has the financial and technological resources to deliver the connection. During Prime Minister Abe's recent trip to Europe, Japan pledged to deepen trade ties with the Baltic republics. The EU should use this approach to demonstrate to its Asian friends that it is a stable connectivity partner who, while participating in Belt and Road projects judiciously, would back other initiatives.⁶

WHAT ARE THE LAWS RELATED TO TRANSPORTATION IN INDIA AND INTERNATIONALLY?

Multimodal transportation refers to the moving of commodities from a point of origin to a final destination outside of India by two or more modes of transportation. As a result, a multimodal transport system' is defined as a combination of all four modes of transportation, namely (a) air, (b) road, (c) rail, and (d) sea. The importance of transporting commodities from one location to another in every country's business life cannot be overstated. Furthermore,

⁶ Garima Mohan, 'Europe's Response to the Belt and Road Initiative' (*German Marshall Fund of the United States*, 30 March 2018) <https://www.gmfus.org/news/europes-response-belt-and-road-initiative> accessed 25 May 2022

items must be transported from one country to another. A carriage contract will be entered into for these purposes.

As a result, the law governing the transportation of products is found in the following statutes:

- In the case of goods carriage by land,

The Carriage by Road Act of 2007 (The Carriers Act, 1865, was an earlier enactment.)

The Railways Act of 1989.

- In the case of air freight,

The Carriage by Air Act of 1972.

- In case of carriage of goods by sea:

The (Indian) Bills of Lading Act, 1856;

The Carriage of Goods by Sea Act was enacted in 1925.

The Merchant Shipping Act of 1958.

The Marine Insurance Act of 1963.

When this legislation does not contain a specific provision for a particular problem, the Indian courts turn to English common law.

Land carriage of goods is governed by the Carriage by Road Act of 2007 and the Railways Act of 1890. Only common carriers, as opposed to private carriers, are covered by the Carriage by Road Act. The Carriage by Road Act of 2007 defines the term "common carrier" and establishes the rights, responsibilities, and obligations of such a person. The norms of English Common Law will apply to matters not addressed by this Act. A common carrier is any person, organization, or corporation that conveys goods for a fee over land or inland waterways regularly. A private carrier transports his products and may also transport goods for other

people on occasion. The Indian Contract Act, not the Carriage by Road Act, covers them. The Carriage by Road Act of 2007 was enacted to replace the Carriers Act of 1865, which had become obsolete. The Act will take effect on March 1, 2011. The Ministry of Road Transport and Highways has drafted "Carriage by Road Rules 2010" draught rules under this Act, which have been posted on the Ministry's website for public comment. It is an Act to regulate common carriers by limiting their liability and requiring them to declare the value of goods delivered to them to determine their liability for loss or damage to such goods caused by the negligence or criminal acts of themselves, their servants, or agents, and for matters connected with or incidental to such loss or damage. Except for the state of Jammu & Kashmir, the Act covers all of India. The Act has only 22 parts and envisions a central registration unit for all common carriers, as well as a prohibitive punishment for those who violate the Act's restrictions. The Ministry of Road Transport and Highways (MORTH) is an apex body under the Central Government tasked with formulating and implementing policies for road transport, national highways, and transportation research in consultation with other Central Ministries/Departments, State Governments/UT Administrations, organizations, and individuals to improve the country's mobility and efficiency. The Ministry is divided into two wings: the Roads Wing and the Transportation Wing. The Ministry's Road Transport Division is responsible for the administration of the Carriage by Road Act 2007⁷.

THIS LED TO SEA TRANSPORTATION. IF YES! HOW MUCH DOES IT COST?

IMPACT OF BELT AND ROAD INITIATIVE ON MARITIME TRANSPORT.

The relationship between water transportation and trade is well-documented. There are examples of maritime infrastructure that have unquestionably benefited trade. The Suez Canal, for example, has cut travel time and transportation costs in Asia-Europe trade, resulting in increased trade between the two continents. It is also obvious that a country's trading potential is influenced by its port infrastructure. Port infrastructure contributes to 40% of expected coastal transport expenses, according to several studies, and there is a link between

⁷ 'Legal regulation of Logistics in India' (*Swiftnlift*, 4 December 2021) <<https://swiftnlift.in/legal-regulation-of-logistics-in-india/>> accessed 25 May 2022

port infrastructure and maritime transport prices. If a country with weak infrastructure in the 75th percentile upgraded to the 25th percentile, transportation expenses would be reduced by 30 to 50 percent. A 10% improvement in a destination country's port infrastructure might reduce transportation costs by 1.4 percent, and a one-standard-deviation increase in port infrastructure reduces freight rates by USD 225. It should be highlighted that exporters' port infrastructure is more essential than importers' for transportation expenses. At the same time, it would be remiss not to mention that infrastructure does not always result in increased trade. There is always the possibility of "cathedrals in the desert," or duplication of infrastructure and attendant overcapacity, to use an instructive Italian idiom. This could be the situation for some container ports: according to a 2016 ITF research, container ports in most parts of the world are currently overcapacity⁸. If one considers the capacity expansions that are already planned, this situation is likely to endure in the next decades (ITF, 2016). Public authorities in charge of infrastructure finance must recognize that policies based solely on public infrastructure investment are extremely dangerous; instead, public infrastructure should be developed to enable the private sector to compete, with investments based on demand. We shall differentiate four transport-related orientations within the BRI that are relevant in assessing the influence of the BRI on global maritime trade flows:

- Control of current sea route
- Implementation of alternative routes
- Development of infrastructure to generate additional trade
- The potential of modal changes

The table below evaluates which BRI initiatives might be linked to these directions. Controlling current marine routes, or securing trade flows regardless of circumstances (e.g., disputes, turbulence, etc.), is a major concern for trading states. In the case of China, this problem was dubbed the "Malacca Dilemma" by President Hu Jintao in 2003, referring to China's reliance on the Malacca Straits for the transportation of petroleum goods and other key

⁸ Na Zhou, Jinkai Zhao, Kai Zhao, Dong Li, et. al., 'Analysis on the Sources of China's Economic Growth from the Perspective of Cleaner Production' (SAGE, 23 April 2021)
<<https://journals.sagepub.com/doi/10.1177/2158244021999379>> accessed 28 May 2022

commodities. Controlling vital waterways like the Suez and Panama canals is also important. China's investments along the new Maritime Silk Road (MSR) could be regarded as a means of consolidating control over these Sea Lanes of Communications and linked maritime transport networks. According to an ongoing but unpublished study, a 10% improvement in the connection between nations along the MSR would result in a 3% reduction in Chinese trade costs, which would enhance China's imports and exports by roughly 6% and 9%, respectively. According to ongoing World Bank studies, BRI cooperation might reduce global trade costs by 1.1 percent to 2.2 percent. Such benefits are likely to arise as a result of better connections among nations that are now poorly linked but have significant consumer markets, commodities, or manufacturing capabilities. Algeciras and Europe are two examples of pure transshipment hubs. Controlling existing main hub ports is crucial for a variety of reasons. One argument is that it can offer alternatives to surrounding maritime chokepoints. Additional hub ports, on the other hand, may be useful in defining alternate routes, especially when combined with new infrastructure such as canals. Instead, in the case of expanding consumer or producer markets, the creation of a new gateway port may be required to increase connection and so make new trade prospects more appealing. 2 Dry ports and seaports that are connected by rail can encourage a modal shift to rail freight.

POSSIBLE SOLUTIONS TO COUNTER ITS EFFECT ON INDIA

India has begun the process of formulating a policy response. India demonstrated its opposition to the BRI by refusing to join the Belt and Road Forum sponsored by China in May 2017. This was India's strongest stance against the BRI to date. India questioned the initiative's transparency and processes in public pronouncements, while New Delhi rejected the China-Pakistan Economic Corridor (CPEC) due to territorial sovereignty concerns. Instead of viewing the BRI as a single project, India should consider it as a collection of bilateral initiatives, many of which began before the BRI was officially established. In the early 1990s, for example, the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor was established. Similarly, China's MSR (Maritime Silk Road for the Twenty-First Century) is a collection of bilateral

infrastructure projects in the Indian Ocean region that China has attempted to depict as a multilateral undertaking.

India has begun to see China's commercial activities as a method for China to further its strategic aspirations in ways that are frequently damaging to India's interests. The "interactive dynamic between strategic objectives and connectivity initiatives - a universal premise - is on particular show in our continent," according to former Indian foreign secretary Subrahmanyam Jaishankar. He went on to say that countries should avoid using connectivity as a "hardwiring exercise" that influences decisions. The argument that connectivity provides a set of tools for influencing other countries' foreign policy decisions has become prevalent in talks about China's Belt and Road Initiative (BRI). Since its creation in 2013, the BRI has attracted a lot of attention, both positive and negative. It is one of the world's largest efforts to promote connectivity and provide funding for infrastructure development⁹. In September 2017, the two prime ministers of Japan and India issued a joint statement in India in support of a free, open, and prosperous Indo-Pacific, in which they expressed their strong commitment to work together to improve connectivity in India and with other countries in the Indo-Pacific, including Africa, and pledged to redouble their efforts to align Japan's FOIPS with India's Act East policy, as well as to improve connectivity in India with other countries in the region¹⁰. India will need to cooperate with its regional allies to provide alternate connectivity options to its neighbours. To date, New Delhi has been slow to define, initiate, and implement a unified approach to regional connectivity. Even though India has designated Japan as a critical partner in preparing a response, little progress has been made on a plan of action. To safeguard its strategic goals and maintain dominance in South Asia and the Indian Ocean region, New

⁹ Mukul Sanwal, 'Taking advantage of BRI' (The Hindu, 25 April 2019) <<https://www.thehindu.com/opinion/op-ed/taking-advantage-of-bri/article26935063.ece>> accessed 25 May 2022

¹⁰ Tridivesh Singh Maini, 'A Lesson for India in Japan's Approach to China's Belt and Road Initiative' (The Diplomat, 2 May 2018) <<https://thediplomat.com/2018/05/a-lesson-for-india-in-japans-approach-to-chinas-belt-and-road-initiative/>> accessed 25 May 2022

Delhi urgently requires a structured framework to provide an alternative to Chinese-led connectivity initiatives¹¹.

CONCLUSION

Several major implications can be drawn from the examples presented here. First, there will be an eastward shift of power – to varying degrees in each situation. Even though the International BRI has a broader scope, China has greater clout in the absence of competing major projects or binding global world order. In terms of China's influence, the 'cold war scenario' with Asian BRI comes in second. Although the BRI is much smaller, China remains one of the two or three power poles in this deglobalized world. Second, the relative relevance of BRI can vary dramatically. It is most relevant for China in the Asian setting, as it protects China's national interests in an uncertain world, and it is also the most influential globally. The BRI will have the least influence, which is likely if the multilateral system deteriorates without a credible alternative and economic decoupling continues.

- a) Strengthen the multilateral system by increasing participation and updating representation.
- b) Create new infrastructure cooperation platforms or join existing BRI-related ones to maximize mutual benefit and accelerate standard adoption.
- c) Encourage international investment for sustainable infrastructure to increase competition and capacity building to provide BRI host country governments more bargaining power and potentially reduce debt risk.

Finally, one of the BRI scenarios' weaknesses could be that there are other trends on the horizon that we haven't yet considered, such as additional external shocks such as technical progress, substantial shifts in the political environment, or another pandemic. In addition, China's internal socio-political situation may alter. Domestic issues have a greater impact on the BRI than is commonly assumed. Changes in both the external and internal environment would send the BRI on a quite different path than that described. As a result, greater research

¹¹ Suresh Nanwani, 'Belt and Road Initiative: Responses from Japan and India – Bilateralism, Multilateralism and Collaborations' (2019) 10 (2) Global Policy, 284-289

into the interdependencies between the BRI and domestic social, economic, and political processes, as well as a more extensive analysis of the consequences of potential future trends, may be done. Furthermore, we assumed that globalization and economic growth would have a roughly equal impact on the world, i.e., national economies would move in lockstep toward high or low growth, which was a generalization to decrease complexity.