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## **Title page**

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## **Master's Thesis**

10th Semester – University of International Relations

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*The above student hereby declares that the current Master's thesis was written independently and that no content included therein was obtained in contravention of the applicable regulations. The Master's thesis was not previously presented to another examination board and has not been published*

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## **Abstract**

The purpose of my thesis is to evaluate the current state of China-India relations from the perspectives of BRI and AIIB. China initiated BRI and AIIB as part of China's external development strategy. However, India shows different reactions on the two China-initiated program. India gave a positive and fast response to AIIB, while it still stays away from BRI. In this regard, the research question has been asked *why did India join AIIB but stays away from the BRI?* In order to find a suitable answer to the research question, the author will analyse India's different perceptions of AIIB and BRI, the China -India relations and the rise of China will also be discussed as background. Firstly, the background section includes a brief review of China-India relations and China's increasing power in recent years. Both of the two elements influence India's perception of BRI. Secondly, data studied in Analysis chapter includes India's different attitudes toward AIIB and BRI. The author will discuss India's perception of AIIB and BRI respectively. In order to make a better understanding of the reason, neorealism and some concepts like national interests will be used. Assuming that India shows different attitude towards the two China-led initiatives is based on India's national interests, an evaluation of India's national interests will also be argued. Taking into account these factors, it will be able to answer the research question. Thirdly, the Conclusion chapter will provide an overview of how the data and theory are used in analytic framework, and the findings achieved.

## **Keywords**

AIIB, BRI, China, India

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## **1. Introduction**

The concept of “One Belt, One Road” (OBOR) was initiated by China’s president Xi Jinping during his visit to Central Asia and Indonesia in 2013. In this thesis, the abbreviation of “BRI (the Belt and Road Initiative)” will be used to refer to the concept of “One Belt, One Road”, because China has officially changed the English translation of this concept from “One Belt, One Road” to “the Belt and Road Initiative” in the year of 2016.

BRI focuses on connectivity and cooperation among Eurasian countries and facilitating economic growth. As written in the official document Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road: “Countries along the Belt and Road have their own resource advantages and their economies are mutually complementary. Therefore, there is a great potential and space for cooperation. They should promote policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds as their five major goals” (Belt and Road Portal, 2015). BRI connects Asia and Europe through two routes: the “Belt” and the “Road”. The “Belt” refers to land-based “Silk Road Economic Belt (SREB)”, and the “Road” refers to ocean-based “21st-century Maritime Silk Road (MSR)” that are considered as an economic collaboration concepts and China’s development strategies.

SREB was originated from China’s Ancient Silk Road that passed through West Asia, the Middle East, and Europe. Countries located on the original Silk Road are included in SREB. This economic belt, with the Asia-Pacific economic circle in the east and the developed European economic circle in the west, is regarded as the longest and most promising economic corridor in the world. While MSR was originated from the voyage of Zheng He, a Chinese mariner during China’s early Ming Dynasty. MSR served as a complementary proposal that is aimed to invest in and improve

collaboration in Southeast Asia, Oceania, and North Africa (Tiezzi 2014).

As we can see from the map (Diagram 1), the route of BRI consists of three parts, the north route goes from Xian in China, the starting point of the Ancient Silk Road, through Central Asia, Russia to Europe; the central one goes from Kashgar, a city in the northwest of China, through South Asia to the Arabian Sea, the Indian Ocean; the south route starts from Fuzhou in China, via Southeast Asia, the South China Sea and the Indian Ocean area to Africa, the Persian Gulf and the Mediterranean.

Republic of India (hereinafter referred to as India) is located at the crossroad of the SREB and MSR, with the Himalaya mountains to the north, the Arabian Sea to the west, the Bay of Bengal to the east. As the biggest power in the Indian Ocean area where connecting Asia, the Middle East and Africa, India also holds a strategic point of the sea lanes from the South China Sea through the Strait of Malacca to the Persian Gulf. For its special geographical location, India is actually an important country to BRI, especially to MSR.

Diagram 1:



(Source: Xinhua News Agency)

In the same year of 2013, China also proposed to establish the Asian Infrastructure Investment Bank (AIIB), aiming to support the building of infrastructure in the Asia-Pacific region. AIIB was founded in 2015, and started business in 2016. The bank currently has 84 approved members in total, with 64 member states and 20 prospective members. In terms of its scale of members, AIIB has become the world's second largest multilateral development institution following the World Bank, surpassing the European Bank for Reconstruction and the Asian Development Bank. Some major economies are members include the United Kingdom, France, Germany and Canada, while the United States and Japan are not included. India is the approved member of AIIB, it is also one of the first countries to join AIIB in 2014. The authorized capital of AIIB is about 100 billion USD, which is equivalent to about half of the capital of the World Bank, two-thirds that of the Asian Development Bank (The Economist, 2014). Within the members of AIIB, most of authorized capital were subscribed by China with 29,780.4 million USD, and China has the most voting power accordingly with 300,518 votes, accounting for 26.6491% of total. India subscribed 8,367.3 million USD following China, has the second biggest power with 86,387 votes, accounting for 7.6605% of total (AIIB Portal, 2018).

The primary goals of AIIB are to address the expanding of infrastructure needs across Asia, enhance regional integration and promote economic development, as well as improve the public access to social services (AIIB Portal, 2018). Stephen Grove, vice president of the Asian Development Bank, said in an interview with the Xinhua news agency that there is a huge gap in infrastructure financing in Asia. The establishment and expansion of Asian investment banks can effectively fill this investment gap. With more and more countries to join in, the two sides can will better implement the investment and solve the problem of long-term development in Asia (People's Daily, 2017). Similar to the goals of BRI, AIIB is considered as a financial institution of BRI, along with the Silk Road Fund, a state-owned investment fund of the Chinese government aiming at fostering increased investment in the countries along BRI. Many of the member states of AIIB are located along the route of BRI. AIIB has

played a good role in supporting the financing of the projects under BRI. In 2016, the total amount of loans issued by AIIB has reached 1.73 billion USD, 9 projects were approved, some of them are also projects under the BRI (People's Daily, 2017). The two China-led initiatives are related.

India was invited by China to join both BRI and AIIB after the two initiatives were proposed. However, we can see clearly that India shows different attitudes toward BRI and AIIB. India joined AIIB “without a second”, as India is one of the first countries to join in AIIB along with China, while India is still cool toward BRI. The purpose of this master thesis is to with a comprehensive approach, conduct and provide a study to highlights India's different attitudes toward BRI and AIIB. I aim to by answering my research question, “Why did India join AIIB but stays away from the BRI?”, explain what are the differences between AIIB and BRI, what are India's attitudes toward AIIB and BRI, and how the two initiatives influences India's national interests.

This topic is of great importance, not only because BRI and AIIB are presently two popular keywords on international relations which will significantly influence the current world status, but also India's perceptions of China-led AIIB and BRI have drawn my special attention.

I will deal with the problem through two steps in the analysis section. The first step is to manifest how does AIIB influence India's national interests and what is India's attitude toward AIIB. The second step is to analyse why India stays away from BRI or India's perception on BRI, in this part, I will also explore the differences between AIIB and BRI. The methodology introduced in the next section will be applied to the analysis section, and the whole analysis process is based on the theories I introduce in the theory chapter.



## 2. Literature Reviews

This second chapter aims to examine already published researches related to the topic. There are many different opinions of the purpose of BRI. Most of Chinese scholars follow the Chinese official statement of BRI which describes BRI as an open and inclusive economic initiative that can benefit all the countries along its route map. However, scholars from other countries have different views of BRI. As the thesis topic is about China-India relations, this literature review is thus to mainly discuss the views and arguments from Indian scholars. In general, the discussion could be divided by three aspects: the economic consideration, the security consideration and the strategic consideration.

First, some scholars believe that BRI meets China's interest of economic development. Rajeev Ranjan Chaturvedy (2014) holds the view that the purpose of "the Road" is to promote maritime interconnection, economic cooperation and maritime trade. It also provides a platform for Chinese companies to invest abroad. Such infrastructure investment can transfer China's production surplus and stimulate economic growth. Dr. N. Manoharan (2015) also believes that "the Road" is a complement to "the Belt". Through the port constructed by China, "the Road" will link the countries along its route map. Srikanth Kondapalli (2014) believes that China has entered into a new phase of economic development, while China's current trade transport network has reached a bottleneck. The BRI is the way to help the transform of China's economy.

Second, there is also security consideration in the purpose of BRI. On one hand, China needs to solve its "Malacca dilemma" and ensure the safety of its maritime trade line. On the other hand, it is also necessary for China to ease other countries' concerns about the rise of China's military power, especially the increasing of China's Navy power. Gurpreet S. Khurana (2015) argues that security consideration is the major motivation of BRI. In 2013, China took over the United States and became the

largest trading country in the world, however, 40% of its goods passed through the Indian Ocean Region. And nearly 60% of China's oil imports (mainly from Africa and the Middle East) passed through the Malacca Strait, which is considered as a strategic choke point for China's maritime transport. As a result, in order to secure its maritime traffic lines, China initiated the BRI to prompt maritime interconnection. Teshu Singh (2015) also puts emphasis on security consideration. In the article he is expressing the intention of BRI is to help China out of the "Malacca Dilemma" and strengthen China's "String of Pearls" strategy. Singh (2015) argues that China is not a South Asian country, but China is seeking for increasing presence in this region. Thus BRI has become a tool of China to seek cooperation with the coastal countries located in the Indian Ocean Region, to invest in infrastructure projects in these countries, then improve China's presence in South Asia and secure its maritime transport line.

Third, some scholars hold the view that BRI is of strategic importance for China. It also meets China's national interest of achieving the great rejuvenation of the Chinese nation. The core idea of BRI derived from China's strategy of dominating its peripheral regions through its increasing economic, cultural and political power (Lin, 2015). China will further improve its economic and political influence in the region by building a China-led regional economic community. By building roads, railways, ports and energy corridors, China can also improve its economic ties with neighboring countries, pull these countries closer into China's orbit to balance the power of the United States (Lin, 2015). Raja Mohan (2014) argues that Xi Jinping, Chinese President, is trying to come up with a strategic framework to achieve the great rejuvenation of the Chinese nation but with less "threatening". The BRI is the core of this strategy, "the Belt" of BRI focuses on expanding China's influence on land, while "the Road" of BRI puts emphasis on expanding China's influence on the ocean. Gurpreet S. Khurana (2015) also holds the view that BRI is a strategy of China's soft power, which is as well as a way for China to ease other countries' worries on China's rise. Teshu Singh (2015) believes that BRI is a part of the strategy of the great rejuvenation of the Chinese nation. Singh (2015) argues that China is trying to create

a peaceful and stable environment for its economic development, and BRI is a way of “the peaceful rise of China”. Rajeev Ranjan Chaturvedy (2014) believes, it is not a secret that China’s power has been increasing rapidly in recent years, China attempts to create a favorable international environment by BRI to prompt a sustainable development. The BRI thus has an obvious feature of China’s strategy.

In addition, there is also an argument among Indian scholars, which is about whether India should join in BRI or not. Raja Mohan (2014) argues that China has invited India to join in BRI, India however, faces a dilemma: on one hand, India needs to cooperate with China in maritime area; while, on the other hand, India needs to limit China’s expanding influence in the Indian Ocean Region. The discussion is divided by those who claims that India should join in BRI, as BRI brings an opportunity for India’s development, and by those who believe China will increase its military presence in the Indian Ocean Region through BRI and change the power balance in this region, India thus needs to limit China’s influence in the Indian Ocean Region.

Some researchers believe that joining in BRI is in India’s national interests. Vijay Sakhuja (2015) argues that inadequate infrastructure in India holds back its economic growth, however, India can use China’s infrastructure technology to make up the gap and prompt its economic development. Atetmani Brar (2015) also holds the view that the 21st Century Maritime Silk Road can help India to develop its own maritime infrastructure and increase employment for India. Brar (2015) claims that China’s shipbuilding industry has been ahead of Korea’s, India can benefit from China’s advanced maritime technology and experience. Marine economy is the area where India and China can cooperate in. Rajeev Ranjan Chaturvedy (2014) believes, there are a lot of common interests between India and China in the field of ocean. Both countries share fundamental strategic goals in global security and in reduction of non-traditional security threats such as terrorism, natural disasters and piracy.

On the other side, Indian former Foreign Secretary Kanwal Sibal (2014) is contrary to

the previously mentioned views, believing that with the progress of BRI, China's increasing interests in the Indian Ocean Region will lead to the arrival of Chinese Navy. The BRI is actually a trick of China to cover China's ambition of expanding military power in the Indian Ocean Region. Srikanth Kondapalli (2014) also hold the similar views that China will expand its influence in the Indian Ocean Region through BRI, a strategy against the Asia Pacific Rebalancing strategy of the United States. In particular, the 21st Century Maritime Silk Road, which is actively advocated by China, will help China to expand its influence on the costal countries located in the Indian Ocean Region such as Sri Lanka and Maldives. Gurpreet S. Khurana (2015) believes that a regional architecture of "hub and spokes" will be formed with the progress of China's Maritime Silk Road. This architecture will take China as the axis, and India will be marginalized gradually. India thus needs to limit China's expansion in this region and maintain India's position.

In conclusion, scholars from India admit the economic role of BRI, however, many scholars believe that there are not just economic consideration but security and strategic consideration of China in BRI. When it comes to strategic consideration, Indian scholars hold the view that BRI is a tool for China to expand influence and change the power balance in the Indian Ocean Region. Based on this kind of view, they suggest that India should not join in BRI, but needs to limit China's increasing power in the Indian Ocean Region. However, in terms of economic consideration, some Indian scholars suggest that BRI can benefit India from prompting its development and India should make an active response to BRI. But there are not too many scholars hold this kind of view. Most of Indian scholars believe that there's strategic consideration in BRI.

Looking at the existing research, Indian scholars tend to focus on the economic, security and strategic consideration of China in BRI. However, they didn't mention the implications of China-Pakistan Economic Corridors (CPEC), a flagship project in BRI, which also has influence on India's perception of BRI. And the implications of

AIIB are also not mentioned. Although India stays away from BRI, but AIIB, an international organization also initiated by China, is welcomed by India. In order to get a whole picture of India's attitude towards AIIB and BRI, the implications of CPEC and the differences between AIIB and BRI will be argued in this thesis.

### **3. Methodology**

The aim of this third chapter is to present how the research was conducted scientifically and how the data used was collected. The methods and approaches used in this thesis are discussed in this section.

Firstly, the current study is mainly a systematic, comprehensive and comparative study, and it stays objective, which is vital and of importance to this thesis. The study belongs to the field of social science, more precisely, the field of international relations. The purpose of this thesis is to provide an understanding of the relations between China and India from the perspective of BRI.

Secondly, in order to answer the question of my thesis, a literature-based methods together with theories of international relations will be used in this thesis. First hand data are collected from official websites and governmental agencies to supply this thesis. The second hand sources used in my thesis are mostly retrieved from books, journals, and relevant articles in the field of international relations. An abundance of studies regarding India's perception of BRI has characterized the literature, various aspects such as economic considerations and political considerations has been discussed in previous studies. However, there does not exist a comparative study taking into account the differences between BRI and AIIB. And the implications of CPEC is not mentioned neither. In order to make a comprehensive study, the differences between AIIB and BRI, as well as implications of CPEC will thus be

discussed in the current research.

As for the analysis chapter, neorealism has been chosen to answer the question of this thesis. Neorealism is selected as it has a big role in analyzing and understanding the relations between states. It emphasizes the importance of international structures and explains how they affect interactions between countries. In realism, power is an important aspect as it is an useful means in interactions between states. Moreover, security is the top incentive for states in neorealism. The use of neorealism makes it possible to analyze the implications in terms of power and security.

Thirdly, a qualitative data based methods will be used in my thesis to explore the problem and the assumptions I made. The method of quantitative analysis is not used in my thesis because there are numerous factors concerning security, economy and politics would cast influence on India's perceptions of AIIB and BRI, however, most of them are difficult to be measured quantitatively. Case study and comparative study will also be introduced to make further analysis. A case study is used to explain the reasons of India's perception of BRI. Treating it as an exploratory problem, a comparative study is also used to analyze the reasons why India shows different attitudes toward AIIB and BRI, including the discussion of the differences between AIIB and BRI.

It is difficult to fully state the arguments to my problem for me at my academic status, there will thus be some flaws in my thesis. And due to my limited access to official database, the present of first-hand data is relatively inadequate. In addition, my demonstration process is less practical because of the impossibility of field study.

#### 4. Theory Framework

Starting from the point that the goals of this thesis is involving factors like China-India relations, power politics and national interest, realism, more exactly, neorealism or structural realism is the proper theory for this study. Neorealism is a popular international relations theory that emphasizes the importance of security and power in international relations. It originated from classical realism and was first introduced by Kenneth Waltz in his book *Theories of international Politics* in 1979. A brief discussion about the similarities and differences between classical realism and neorealism will be provided in order to get a better understanding of how neorealism is used in analytic framework.

Realism rose in the post-World War II when the two super powers - the United States and the Soviet Union struggled for power (Aliyev, 2011). Both classical realism and neorealism are strands of realism that aims to explain what international relations really is, rather than to argue how the international society ought to be (Koshal, 2011). Hans Morgenthau, one of the leading realists of the post-World War II era, made great contributions to the development of realism by introducing six basic principles of the idea, they are:

*“1. Political realism believes that politics, like society in general, is governed by laws that have their roots in human nature.*

*2. The main signpost of political realism is the concept of interest defined in terms of power, which infuses rational order into the subject matter of politics, and thus makes the theoretical understanding of politics possible. Political realism avoids concerns with the motives and ideology of statesmen. Political realism avoids reinterpreting reality to fit the policy. A good foreign policy minimizes risks and maximizes benefits.*

*3. Realism recognizes that the determining kind of interest varies depending on the political and cultural context in which foreign policy, not to be confused with a theory*

*of international politics, is made. It does not give 'interest defined as power' a meaning that is fixed once and for all.*

*4. Political realism is aware of the moral significance of political action. It is also aware of the tension between the moral command and the requirements of successful political action. Realism maintains that universal moral principles must be filtered through the concrete circumstances of time and place, because they cannot be applied to the actions of states in their abstract universal formulation.*

*5. Political realism refuses to identify the moral aspirations of a particular nation with the moral laws that govern the universe.*

*6. The political realist maintains the autonomy of the political sphere; the statesman asks 'How does this policy affect the power and interests of the nation?' Political realism is based on a pluralistic conception of human nature. The political realist must show where the nation's interests differ from the moralistic and legalistic viewpoints" (Morgenthau, Thompson, 1985, p. 4-13).*

Based on these principles, classical realism and neorealism follow the same idea that there is no central authority in the anarchic status of the international structure (Koshal, 2011). However, classical realism and neorealism are different in explaining the root of conflict in international relations. According to classical realism, conflict in international relations is derived from human nature - the ultimate goal of each country is acquiring power, and it is the power pursuing and self-interest of each state that lead to conflict in international relations (Morgenthau, 1985). Power is explained as the biggest difficulty in international relations (Gilpin, 1981). However, neorealists believe that the conflict in international relations originate from the self-help to power in the lack of central authority in the international structure. Under the anarchic international structure, each state pursue security for survive when problem arises, and power has become a tool of states to search security (Morgenthau, 1985). Due to the different view of the source of conflict between classical realism and neorealism, the strategy to cope with the conflict will also be different. Strategies in classical realism are directed toward acquiring power, and the internal factors in a state



influences its foreign policies or strategies (Rose, 1998). Whereas, according to neorealism, a state's foreign strategy is prone to security and influenced by the systemic incentives (Rose, 1998). However, although power is not as important as security in neorealism, it still plays an important role for the determination of the international structure. As Kenneth Waltz (1990) wrote in his book that "*power in neorealist theory is simply the combined capability of a state. Its distribution across states, and changes in that distribution, help to define structures and changes in them....*" (p. 36). Stating that both security and power are the important factors in neorealism.

As security plays an important role in neorealism, the theory is subdivided into offensive realism and defensive realism by the purpose of getting security and keeping security. Offensive realism was introduced by John Mearsheimer, it holds the view that states are encouraged to seek hegemony and domination in order to attain security, as to make them powerful as well as expand their influence under the anarchic international structure (Mearsheimer, 2001). In contrast, defensive realism, which was firstly put forward by Kenneth Waltz, assumes that states are inclined to maintain reserved and moderate strategies or policies to keep security because of the anarchic international structure (Waltz, 1979).

When it comes to international cooperation, neorealists hold the view that states are inclined to pursue relative gains rather than absolute gains. Each country seeks to gain more powers to increase its capabilities. As a result, uncertainty and distrust of other countries is created due to the increased power (Fang, 2002). In terms of power balance, relative gains is important for statesmen to observe other countries' capabilities and estimate the possibility of other countries' interference of the structure (Baldwin, 1993). Disrupting the power balance will increase insecurity, then leads to cautiousness from other states. Thus, although power is an useful tool for acquiring security, however, too much power may lead to the opposite way by increasing insecurity, which also shows the importance of security in neorealism (Waltz, 1990).

As stated above, realism has grown during the Cold War. After the Cold War, neorealism was doubted by some scholars and students that it's not proper to explain the international issues (Waltz, 1979). With the development global trade, many new forms of international cooperation have appeared, which also challenged realism. However, neorealists emphasize the importance of international structure. If the conditions have changed, then neorealism might not be proper to apply. But, it is difficult to change the international structure deeply, as Kenneth Waltz (2000) said, "*what sorts of changes would alter the international political system so profoundly that old ways of thinking would no longer be relevant*" (p. 5). Given that the international structure will not be changed profoundly, neorealism is still applicable in explaining today's international issues.

According to Morgenthau's principles mentioned above, both classical realism and neorealism emphasize the importance of national interests. In realism, states are looking for interests rather than rely on morals aspirations or good intentions (Morgenthau, 1985). In other words, the foreign policy or strategy of a country mainly depend on the country's national interests. However, because of the different explanations of the roots of conflict in international relations between classical realism and neorealism, there are also some fundamental differences about the argument of national interests between the two theories. Classical realists define a nation's vital interest by power, rational statesmen aim for acquiring more power, as they believe that power is the source of conflict in international relations (Morgenthau, 1985). However, neorealists view power as an useful tool to acquire security. A wise statesman aims to have a moderate degree of power. Security, rather than power, is a nation's most concern (Waltz, 1979). Moreover, classical realists also believe that national interests are formed by the element which is influenced by many factors including internal and external factors. As for neorealism, the element is influenced by the international structure. A country needs to increase the power to follow its own interests, and how much a country can achieve its national interests depend on its own

power capabilities (Fang, 2002).

In the current study, neorealism will be applied to explain India's different perceptions on AIIB and BRI. According to the thesis question: why did India join AIIB but but stays away from the BRI, I assume that it is India's national interests influence its distinct attitudes towards the two China-led initiatives. And security concerns, which plays an important role in neorealism, is also an major factor influences India's perception of BRI. Thus, I believe neorealism is more proper to be used in my thesis.

## **5. Background**

The current chapter will have the aim that demonstrate the background behind India's perception of BRI. It is necessary in providing a better understanding of the next chapter, namely, the analysis section. This chapter will be divided into two subchapters as it follows: a brief review of China-India relations and a general overview of China's increasing power.

### **5.1 Reviews of China-India Relations**

China and India are the two most populous countries and fastest developing countries in the world. Although the China-India relations is friendly, but there are still some problems between the two countries, such as the border disputes, economic competition and China-Pakistan strategic relations. These problems have at times led to strained relations which deepened the strategic distrust between China and India. Thus, it is necessary to make a brief review of China-India relations and elaborate current problems between the two countries.

India and China enjoyed a friendly relationship in 1950s. The two countries gained independence in 1947 and 1949 respectively, and established diplomatic relations in

1950. India is also the first non-communist country to establish diplomatic relations with China. In order to solve the Tibet issue, China and India held talks in Beijing in the end of 1953. In April 1954, the two countries signed an agreement on Tibet, which became the Five Principles of Peaceful Coexistence. Chinese scholars hold the view that, China and India, as newly independent countries at that times, strengthened their relations to struggle against imperialism and colonization (Zheng, 2010). The Five Principles of Peaceful Coexistence laid the foundation for China-India friendship and cooperation. It is also popular to use the catch phrase “*Hindi-Chini bhai-bhai*”, which means “Indians and Chinese are brothers” in Hindi, to describe the China-India relations in 1950s (Pubby, 2010).

However, the relations between China and India began to deteriorate in the late 1950s. The Dalai Lama, considered as a Tibetan secessionist in China, sought sanctuary in India. Thousands of Tibetan refugees followed the Dalai Lama and settled in northwestern India. The Dalai Lama also got assistance and support from the Indian government, which infuriated China. With the deterioration of China-India relations, the border disputes has emerged. The British colonial administrator Henry McMahon proposed the McMahon Line in 1914, a border line between China’s Tibetan region and India’s northeastern region (Shakya, 1999). The McMahon Line is regarded by the Indian government, while China rejected it and claimed 104000 square kilometers of territory which were shown clearly in India’s map. China also demanded to rectify the entire border. The border disputed resulted a war between China and India in 1962. The border clash ended with the defeat of India. China-India relations nosedived after the war in 1962. The two countries withdrew ambassadors from each sides, closed embassies and consulates, and the trade between the two countries were also called off (Zheng, 2010). During the rest of 1960s and the early 1970s, China-India relations deteriorated as China backed Pakistan in its war with India in 1965 and improved relations with Pakistan to seek for allies.

In the mid-1970s, relations between China and India have seen in a new scene and a

new turn for the better. The two countries sent ambassadors to each side in 1976 and returned to business in 1977 (Zheng, 2010). China also modified its stand on Kashmir issue and appeared to remain silent on the border disputes between Pakistan and India. In 1980s, military confrontation between China and India rose again, as India upgraded the deployment of forces around the Line of Actual Control, and China deployed army to the area as a response. However, the confrontation didn't become a war, as both sides backed away from the conflict and denied the military clash. China and India held rounds of border negotiations to restrain military conflict. In 1988, Indian Prime Minister Rajiv Gandhi made a landmark visit to Beijing. Chinese President Deng Xiaoping and Rajiv Gandhi made an agreement that China and India need to restore friendly relations on the basis of the Five Principles of Peaceful Coexistence (Zheng, 2010).

Since the normalization of China-India relations, China and India have maintained a friendly relations. Entering the 21st century, the two countries enjoyed frequent high-level exchanges and fast growing business cooperation. China has also become the largest trading partner of India (Zheng, 2010). In 2017, the volume of bilateral trade between China and India reached a historic high of 84.5 billion USD (The Economic Times, 2018). However, the border disputes also exist and have at times led to strained relations between China and India. In 2013, India accused Chinese troops crossed the Line of Actual Control, and soldiers from the two sides set up camps facing each other in Ladakh region (BBC News, 2013). The stand-off ended as the two countries pulled back their troops from the disputed region. In June 2017, Chinese troops with construction vehicles began to extend an existing road southward in Doklam, a territory claimed by both China and India's ally Bhutan (Los Angeles Times, 2017). Then, Indian troops with weapons entered this disputed region to stop Chinese troops' construction. China accused India of illegal intrusion into its territory, while India accused China of changing the status quo and causing "security concerns" (Los Angeles Times, 2017). In August 2017, the incident was in a turnaround, as India pulled back its troops, China and India reached a consensus and agreed to end the

border stand-off (Ma, 2017).

Besides from border disputes, the Tibet issue has been another contradiction between China and India. The Tibet issue is considered as a major issue involving China's core interests. However, India has been supporting and sheltering Tibetan secessionists, which is accused of interference by China (Zheng, 2010).

In brief, although the current relations between China and India is friendly, but there are still some contradictions exist, such as the border disputes and the Tibet issue. These contradictions result in strategic distrust between China and India, and may strain the China-India relations in the future.

## **5.2 The Rise of China**

It is not a secret that during these decades, China's power has been increasing rapidly. With the rapid economic growth and the development of military power, China got itself a name in the world as a rising power. This section will demonstrate China's increased power from economy and military respectively. It will be able to show that the rise of China has already broke the balance power between China and India, and the strategic distrust between the two countries has also been deepened.

China once drastically fell behind the world after the industrialization in the west in the 18th and 19th century, while China has decreased the development gap between China and the rest of the world over the last few years. After Deng Xiaoping served as China's president and put forward the economic reforms and opening-up policy in 1978, China opened the door for foreign capital and investment (Wong, 1995). With over 40 years of the reform and opening-up, China has achieved rapid economic growth and social development. In 2010, China surpassed Japan's GDP ranking and has become the largest economic entity in Asia, as well as the second largest economic state in the world only follows the United States. Economists also predicted

that China will reach the same magnitude of economy of the United States (Flanders, 2011). The diagram below shows China’s GDP over the past 20 years.

Diagram 2:



(source: National Bureau of Statistics of China)

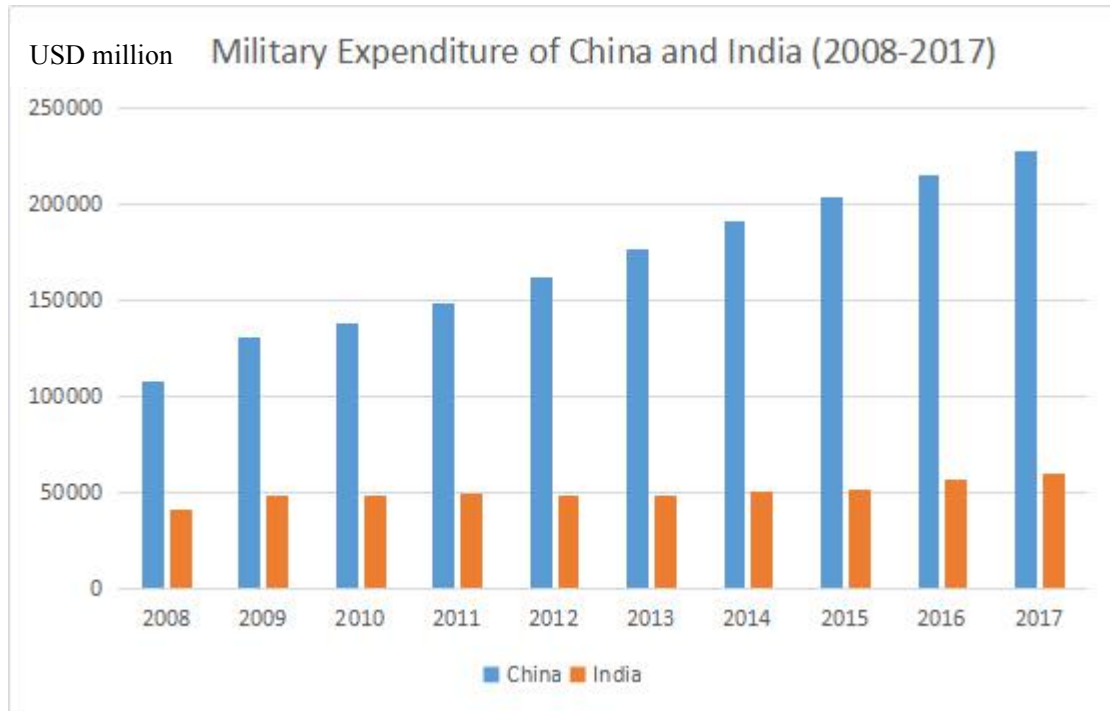
From the diagram, we can see that the GDP of China has been growing continuously from 1997 to 2016. China’s GDP has increased by more than 100 times in this recent 20 years, from 7971.5 billion RMB in 1997 to 74358.6 billion RMB in 2016. When it comes to the GDP growth rate, we can see that the statistics shows a fluctuation. The GDP growth rate of China decreased from 9.23% in 1997 to 7.62% in 1999, then, however, the statistics shows a steadily increase to 10.08 in 2004, thereafter, the growth rate increased rapidly to 14.2% by 2007. However, a deep decrease of 5% seen in 2008, which was caused by the financial crisis happened in 2008. From 2009 to 2010, the statistics shows a slight increase from 9.24% to 10.63%. However, after this short increase, the rate declined for 5 years and fell to 6.9% in 2015, when China’s GDP growth rate was below 7% for the first time since China’s economic reform and opening up in 1978. China’s president Xi Jinping used the word “the New

Normal” in 2014 to describe China’s current economic development which is different from the rapid growth period over the past 30 years (Xinhua Net, 2014). More specifically, China has entered a new phase of economic development that China’s GDP will increase continuously but with a lower speed. However, from the diagram, we can see that although the GDP growth rate shows some fluctuations, but the number has always been positive, which means the speed of economic growth has slightly slowed down, while China’s gross economy is still continuing to grow. From the diagram, it is also clear that China’s GDP growth rate increased again to 7.9% in 2016, after a continuous slowdown since 2010. China still has big potential of economic growth.

Along with the rapid economic growth, China is able to spend more money on national defense and the development of military. Many countries, including India, are starting to show concern for the rapid development of China’s military power, not only with China’s improving military technology and equipment, but also with China’s growing presence in the Indian Ocean, as China has become a potential threat of a change in power balance.



Diagram 3:



(source: Stockholm International Peace Research Institute)

Diagram 3 shows the military expenditure of China and India from 2008 to 2017. We can see clearly that China sustained a steady and continuous growth of military power in the past 10 years. The military expenditure of China has been increasing from 108.46 billion dollars in 2008 to 228.17 billion dollars in 2017. However, comparing with China, India's military expenditure almost maintains at 50 billion dollars. The military expenditure of India increased from 41.11 billion dollars in 2008 to 49.07 billion dollars in 2011, then the statistics showed a little decline to 48.54 billion dollars in 2013, thereafter it increased again to 59.76 billion dollars in 2017. It is clear that China spent much more money on military than India. During this decade, China doubled its military expenditure and increased 119.72 billion dollars, while India's military expenditure only increased 18.64 billion dollars. In 1989, the military expenditure of China and India were nearly at the same level: China spent 19.89 billion dollars on defense construction, and India spent 18.88 billion dollars on military (Stockholm International Peace Research Institute, 2018). Then the military expenditure of the two countries increased continuously. However, China's military

expenditure increased faster than India, as the gap between China and India has also been expanding. In 2017, the military expenditure of China is nearly four times than that of India's. China has also replaced Russia and become the second largest spender on defense in 2009, next only to the United States (Stockholm International Peace Research Institute, 2018). In terms of the military expenditure, we can see that China's military power has been increasing rapidly in recent years.

In China's national defense and army building, the development of Navy is paid more attention than ever before. China's economic growth and the increase of its national defense budget makes the the People's Liberation Army (PLA) Navy to show a big progress, enabling the PLA Navy to move from the costal waters to the deep ocean (Li, Bai, Xiong, 2015). A large number of new battleships have commissioned into PLA Navy in recent years. In the year of 2016, the PLA Navy commissioned 18 new warships, including missile destroyers, guided missile frigates and supply ships, the gross tonnage of these ships is nearly 150 thousand tons (Xinhua Net, 2017). In 2017, 16 new battleships commissioned into the PLA Navy (China.com, 2018). In the same year, China also launched the country's second aircraft carrier, the first to be made domestically (BBC News, 2017). China's first aircraft carrier, named Liaoning, put into service in 2012. This ship was laid down as Riga in Ukrainian Soviet Socialist Republic in 1985, and it was renamed as Varyag in 1990 (Ji, Storey, 2004). After the collapse of the Soviet Union, the Varyag was sold to China, and it had been refitted by China and commissioned into the PLA Navy for "scientific research, experiment and training" (Li, 2011). However, the PLA Navy's equipment is developing rapidly in recent years. James Fanel, former Deputy Chief of Staff for Intelligence and Information Operations for the U.S. Pacific Fleet, predicted that China will have 4 aircraft carriers and other 411 various types of battleships around 2030 (Fanel, 2015).

With the rapid development of the equipment, the PLA Navy's activities in the ocean have also become more and more frequent. China has been sending naval fleet on escort mission off Somalia since 2008 (Hou Rui, Zhu Linlin, 2018). In 2011, China

dispatched naval ships on evacuation mission on Libya (Xinhua Net, 2017). This is also the first time for China to use military power overseas on evacuation mission. In January 2014, China participated the international work to destroy Syrian chemical weapons and dispatched a guided missile frigate to convoy the vessels loading with Syria's chemical weapons along with other countries' (CRI Online, 2014). In 2015, the international coalition forces, including Saudi Arabia, Egypt, Jordan, Sultan and other Gulf States, launched a military operation against armed rebels Jose in Yemen. In order to protect Chinese citizens in Yemen, China sent naval ships again on evacuation mission off Yemen (Xinhua Net, 2015). With the increasing of the PLA Navy's activities in Arabian Peninsula and East Africa, China has established a naval base in Djibouti in July 2017, as well as China's first overseas military base, in order to *"provide support for the mission of escort, peacekeeping and humanitarian assistance"* (Xinhua Net, 2017).

However, Chinese Navy has normally to go through the Indian Ocean to travel to West Africa and Arabian Peninsula, which makes their activities in the Indian Ocean become more frequent. However, India is the biggest power in South Asia and the Indian Ocean Region. The rapid development of China's military power and the PLA Navy's increasing activities in the ocean deepen the strategic distrust between China and India. According to neorealism, states search for security to survive in the lack of a central authority in the anarchic status of the international world structure, a state's strategies are more prone to, and are directed towards security (Koshal, 2011). China's increasing power is leading a change in the balance of power between China and India, which reduces India's sense of security.

## **6. Analysis/Discussion**

In the following chapter, the attention will be directed to analyse India's perception on AIIB and BRI respectively. India's attitudes towards AIIB will be discussed first. In the second subchapter of India's perception of BRI, I will start by highlighting the differences between AIIB and BRI, then, geopolitical consideration of BRI and implications of CPEC will be argued. In this analysis chapter, neorealism will be used to explain how does AIIB meet India's interests and how does BRI deepen the mistrust between India and China. Finally, all of these sections will give a comprehensive research to answer the question I asked before.

### **6.1 India's attitudes toward AIIB**

AIIB opened its business in 2016, some projects, including India's infrastructure construction projects, have been funded by AIIB so far. Two tables (Appendix A and B) show the overview of projects approved and proposed by AIIB respectively. From the Appendix A, we can see that AIIB has currently approved 4.2 billion USD in loans to provide funding for infrastructure projects across Asia, a quarter of them - around 1 billion USD will be used for the infrastructure construction projects in India; until April 2018, 24 infrastructure projects have been approved by AIIB, 5 of them are in India. It also can be seen from the Appendix B, another 13 infrastructure projects are planned to implement, 5 of them are in India's infrastructure construction plan; AIIB has proposed to loan 2.56 billion USD for these projects, around half of them - 1.19 billion USD are planned to use for the India's infrastructure projects. India is the largest borrower country of the AIIB, as AIIB's investment in India is more than that in any other country.

Indian president Modi came a promise of prompting India's economy, developing India's infrastructure, health care and other sectors of India, when he came into power. For approaching these goals, it is important to have well developed infrastructure in

India (Shrivastav, 2015). However, lack of infrastructure in India is a major factor that restricts its economic development. Most provinces in India are facing the problems such as power shortage, port congestion and poor transportation services (Xinhua Net, 2015). As for India's power generation, the shortage of funds has become a serious problem for India's national transmission network construction, some large state-owned power distribution companies are on the verge of bankruptcy (Sohu Net, 2016). As a result, about a third of the country do not have regular access to electricity. As to India's ports, around 95% of the country's foreign trade and 70% of the volume of trade dependent on its 13 major ports and 60 non-major ports (Sohu Net, 2016). However, these ports are faced with the problem of inefficiency, the upgradation of these ports is required for India. When it comes to India's transportation service, half of the country is lack of adequate highway services, and less than a quarter of expressway are up to standard. The road construction in India is also facing challenges. The Indian government planned to build 25000 kilometers of railways by 2020, while only 1750 kilometers had been established between 2006 and 2011 (Sohu Net, 2016). There exists chain debts among Indian infrastructure companies. Many infrastructure companies are on the verge of bankruptcy, because the Indian government agencies don't pay their bills. Then, those infrastructure companies are unable to repay loans to the banks, and the banks have become unwilling to lend them money. As a result, Indian companies can't afford the infrastructure construction, and lack of infrastructure restricts economic development (Xinhua Net, 2015). Over the period 2012 to 2017, the investment requirement for India's infrastructure sector was estimated to be 1000 billion USD, with debt financing estimated at 75% (750 billion USD) (Phoenix New Media, 2015). Investments are thus required by India for its infrastructure construction.

Regard to India's requirement, AIIB is going to be helpful to provide funds on India's infrastructure construction (Shrivastav, 2015). In July 2017, AIIB approved a loan of 329 million USD to build access roads in Gujarat, a state in Western India (AIIB Portal, 2017). Insufficient road connectivity limits people's access to education, trade

and health care services in this region. This AIIB's project will build new road system, upgrade current transportation infrastructure and improve connectivity among villages. The upgradation of the road system is expected to have positive influence on villagers' access to market, school and hospital (AIIB Portal, 2017). The Vice President and Chief Investment Officer of AIIB D. J. Pandian (2017) said, *"This project will directly contribute to the economic development of the State of Gujarat, and India, by improving the mobility of the rural population. By integrating isolated and poor rural populations with the rest of the state, and improving their access to critical social services, such as education and health care, we can have a positive impact on the economic and social outcomes of these local communities."*

In addition, AIIB is also considered to be good for global economy (Dolla, 2015). Emerging countries like China and India have been seeking to change the current global economic governance structure which is run by the United States and its allies. Criticism from emerging countries on the Asian Development Band and the World Bank are against the hegemony of the United States to run the Bretton Woods system (Deccan Herald, 2016). However, AIIB may provide more opportunities for those emerging countries' development. In conclusion, with the investments from AIIB, India can develop its domestic infrastructure construction, then prompt its economic development, which meets India's national interests.

## **6.2 India's attitudes toward BRI**

India joined AIIB in order to get investment for its infrastructure construction. However, India still stays away from BRI, a China-led initiative which is expected to bridge the infrastructure gap in Asia. AIIB and BRI have similar objectives on supporting infrastructure construction in Asia, while India shows different attitudes on them. In this section, India's perceptions on BRI and reasons of these perceptions will be discussed.

### **6.2.1 Differences between AIIB and BRI**

When it comes to the relations between AIIB and BRI, many people may be inclined to believe that AIIB is a subordinate body of BRI which bankrolls and supports the infrastructure projects of BRI. However, this kind of opinion may be inaccurate, for the reason that AIIB and BRI actually hold equal status to each other, and there are still some differences between the two initiatives.

In terms of the scope of service, AIIB is not just limited to support the projects of the countries and regions along BRI route. It is obvious that AIIB has some BRI projects, but it may be wrong to believe that AIIB is a subordinate body of BRI. Unlike the Silk Road Fund (SRF) which is a China-led open government fund designed to facilitate connectivity construction and make investment in the infrastructure projects along the BRI route, AIIB is an international bank whose investment will not only support infrastructure projects along the BRI route, but will also offer financial support for infrastructure construction on the regional and global level. The development orientation of AIIB is also different from SRF. SRF is jointly funded by China's foreign exchange reserves, China Investment Corporation, the Export-Import Bank of China and China Development Bank, which means that China plays a decisive role in SRF's investment (The State Council, the People's Republic of China Portal, 2018). However, AIIB is funded by its 64 member countries, and the amount of subscription and the GDP volume of countries decide their voting power in AIIB. China subscribed most to the bank, with 29780.4 million USD, and has become the biggest shareholder in the AIIB. India subscribed 8367.3 million USD and is the second biggest shareholder in the AIIB following China (AIIB Portal, 2018). With the countries like Egypt, the United Kingdom and Australia joining the AIIB, the bank will not only do business in Asia, but also in Africa, Europe and Oceania (Liang Haiming, 2017).

In addition, the focus of AIIB and BRI are different. According to Liang Haiming (2017), the chief economist of China Silk Road iValley Research Institute, "*the AIIB*

*will remain committed to regional development and will strive to forge a new multilateral development bank of the 21st century, which will not only promote the reform of the existing global economic governance system, but will also seek deepened collaboration with the World Bank, the Asian Development Bank and the European Bank for Reconstruction and Development, in an effort to complement the existing multilateral development banks, add dynamic to the existing multilateral systems and promote the common development of the multilateral institutions with its own advantages and features.”* Thus, AIIB aims to grow into a new-style development bank and an infrastructure investment platform which However, BRI is a loose economic community which focuses on improving cooperation among relevant countries and regions through promoting connectivity of trade, infrastructure, cultural exchange and capital.

It should also be pointed out that the organization of AIIB is different from BRI. As Jochim Von Amsberg (2017), Vice President of AIIB, said in an interview that BRI is strategic vision or plan led by China aiming at prompting economic ties and cultural exchanges in Asia, Europe and Africa. But BRI is just a loose program that supported by many countries. These countries believe that BRI can promote business, economic integration and bring opportunities. However, AIIB is an international bank with legal framework and management rules, which are jointly owned by its 64 member countries. The governance structure of the AIIB is divided into three levels: Board of Governors, Board of Directors and the Senior Management. The Board of Governors is the highest decision-making body. Each member has a governor and an alternative governor in AIIB. The Board of Directors has 12 directors, including 9 from regional countries and 3 from non-regional countries. The Senior Management is composed of one president and 5 vice president (China Economic Net, 2016). In the AIIB, each member country has a leading role, their concerns would also be taken into account in the decision making for a project. There is also a formal assessment mechanism for the proposed projects in the AIIB, and the investment will be provided after the assessment. As a multilateral organization rather than a development plan, AIIB is led



by all member countries, not by only one country, and this is the most significant difference with BRI (Guancha Syndicate, 2017). Danny Alexander (2018), Vice President of AIIB and former Chief Secretary to the Treasury of the United Kingdom, also believes that the AIIB is a multilateral bank rather than a China's bank. And he refutes the view that AIIB is a puppet of China.

However, comparing with the AIIB, there is no formal organization or mechanism in BRI. As a loose economic community that includes many China's foreign investment projects, BRI lacks of transparent decision-making process, which makes India be hesitated to join in the BRI. S. Jaishankar, foreign secretary of the Indian Ministry of External Affairs, said in a speech in 2016, *"the key issue is whether we will build our connectivity through consultative processes or more unilateral decisions. Our preference is for the former and the record bears this out quite clearly "* (Ankit Panda, 2018). The Belt and Road Forum for International Cooperation was held in Beijing in May 2017, while India turned down the invitation from Beijing to attend the forum. The Ministry of External Affairs of India also put out a statement noting that India has a *"firm belief that connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality"* (Ankit Panda, 2018). For India, it is not clear whether India can benefit from BRI or not by joining it.

Lacking of fairness in the BRI is one of the reasons that India stays away from BRI. As a strategic plan of China, the proposal of BRI is definitely in line with China's national interests rather than other countries' interests, there is no doubt that China plays the dominant role in the BRI. Most of the projects in BRI are bilateral projects involving China. In these projects, China may get some incentives from the investment destinations. For instance, the Gwadar-Nawabshah pipeline and LNG terminal, a Pakistan-led project which is a part of the Pakistan-Iran Gas pipeline, now is classified as a BRI's infrastructure project involving China and Pakistan. The total investment of this project is 2 billion USD, including a 1.4 billion USD loan from the

Export-Import Bank of China (The Economic Times, 2016). China Petroleum Pipeline Bureau takes charge of the building of this project. The Gwadar-Nawabshah project was started in 2015, when Pakistan and China signed a framework agreement. In this agreement, Pakistan awarded the project to China without a bidding process (The Express Tribune, 2017). It can be said that China's company won this project without competing with others, which is considered be unfair in international investment activities.

China advocated that the BRI will benefit all the countries along the BRI route and make a win-win situation between China and the investment destinations, but China's massive investment may also cause problems in the host countries, not all the China's foreign investment projects are successful. Mattala Rajapaksa International Airport is the second biggest international airport in Sri Lanka. The airport terminal covering 12 thousand square metres has 12 check-in counters, its capacity could reach 1 million passengers each year (Reference News, 2016). Mattala Rajapaksa International Airport is located in Mattala, a small town in Hambantota District in the south of Sri Lanka. Although the airport's facilities are operating normally, but there is only a very little passenger movement in the airport, the airport is nearly "derelict" (Reference News, 2016). The construction of the airport began in November 2009, around 209 million USD were spent on this project, with 190 million USD loan component from Chinese government (Abeywickrema, 2013). The Mattala Rajapaksa International Airport was opened by Sri Lanka's President Mahinda Rajapaksa in March 2013. According to the Aviation Ministry of Sri Lanka, *"since the opening of the airport, there have been 180 aircraft movements at the airport by April 30, 2013"* (Abeywickrema, 2013). However, passenger movements declined year by year. Due to the low demand, most airlines left the Mattala Rajapaksa International Airport, only two airlines fly from the airport to the destination now (Reference News, 2016). In order to pay back the loans from China, the Sri Lankan government had run commercial activities of the airport to get enough revenue (Shepare, 2016). In fact, building a new international airport in Mattala was initially opposed by the Strategic

Enterprise Management Agency of the Sri Lankan government for environmental and economic concerns, but this was overridden by the government (Daniel, 2016). The reason for the establishment of the airport because Hambantota District is Sri Lankan president Mahinda Rajapaksa's home district (Bearak, 2015). Anyhow, the Mattala Rajapaksa International Airport project is considered as a failed investment project, as the local demand is not taken into account by both the Sri Lankan government and Chinese investor. When it comes to the BRI, same problems may happen in BRI's investment projects, as the BRI lacks of transparent proceeding and fairness. Chinese massive investment does not necessarily benefit all the countries along the route of BRI. With this in mind, India has been staying away from BRI.

In conclusion, AIIB is different from BRI. The biggest difference between AIIB and BRI is that AIIB has normal organization which makes it more fair, more reliable, and make its decision-making process more transparent. With the reasonable mechanism, India can benefit from AIIB. However, lacking of normal organization, the BRI may not benefit India. According to neorealism, national interest decides the country's foreign policy (Morgenthau, 2014). Joining BRI doesn't meet India's national interests, which is one of the reasons that India still stays away from BRI.

### **6.2.2 Geopolitical considerations**

The geopolitical considerations usually affect the mainstream BRI comments from scholars and politicians that are found in media of India. These comments can be divided into three sub-types. First of all, BRI is considered as one attempt to restructure Asia and gradually destroy the South Asian alliances of America (Singh, 2014). If neorealism applied, the rise of China is changing the power balance in Asia, which increases insecurity in India. From this perspective, India is not suggested to overly rely on just one single political-economic community. To balance China's increasing power, India should not shut the door on American cooperation and depend

too heavily on China, on the contrary, India needs to seek cooperation with other countries to balance China (Singh, 2014).

Second, the strategic caution and concerns on the underlying intentions of China also shape India's considerations. BRI's economic appeal is deemed to conceal the implications related to security. As a scholar Francois Godement (2015) have stated that *"Reading the Chinese press would have us think that, one of President Xi Jinping's key initiatives, is aimed only at economic rebalancing and at building friendly relationships with China's neighborhood, with no grander geopolitical objective"* (p.8). According to neorealism, security is scarce in the anarchic international structure, pursuing security has become the vital interest of every nations (Waltz, 1979). It is considered that there's strategic implication underlying China's economic initiative, which threatens India's security (Gurpreet, 2016). From Indian discussion about BRI, comments like the above are able to be frequently discovered. Observers in India are afraid that China's construction of more powerful port infrastructure in South Asia is truly one attempt to improve its military power in the Indian Ocean Region (Gurpreet, 2016). China has been building four projects in advance of BRI, which contribute to the discomfort of India, they are the Gwadar Port in Pakistan, the harbors in Maldives, Burma, and Sri Lanka. These four projects will be integrated into BRI. In this point, politicians and scholars of India consider BRI as an updated version of "String of Pearls strategy", a so-called China's foreign strategy which has mounted Chinese concerns of India for quite a few years (Gurpreet, 2016). The observers of India strongly believe that China pursue establishing military bases within the Indian Ocean Region through providing investments for commercial ports, which could actually be used for the PLA Navy (Christopher, 2015). Thus, those China's activities of building commercial ports are regarded as disguised military activities. Although the Chinese government has emphasized that China does not have any maritime military strategy for the Indian Ocean Region, however, for the analysts in India, it is unrealistic that Chinese navy does not have any interest within the Indian Ocean Region, because from Chinese point of view, the region of Indian Ocean

possesses profound strategic interest (Christopher, 2015). The observers of India thus focus closely on China's military activities, particularly the activities in the region of Indian Ocean.

What's more, China actively participates in the joint exercises with other countries in the Indian Ocean Region, such as maritime search secure, counter-piracy, and shipping security, as well as disaster relief (Khurana, 2015). China's participation provides further evidence for the perception of India about China's intentions in the region of Indian Ocean, for it is also considered as one attempt for China to increase its military influence in this region. The name of the joint exercise further proves India's view of China's underlying military intentions in BRI activities, for example, one joint anti-terrorist exercise in cooperation with Sri Lanka in 2015 was named as Silk Road Cooperation - 2015 (Khurana, 2015). In neorealism, India appears to overestimate the importance of the Indian Ocean Region for PLA Navy, even though there is no any specific evidences to support India's assumption that China has greater strategic interest within this region. Besides, India does not notice the apparent disadvantage for China to establish military bases in the Indian Ocean region. When it comes to the distance from China to the Indian Ocean Region, setting up a military base in this region could overstretch PLA Navy (Jeremy, 2017). However, observers of India make BRI have correlation with China's strategic intentions even though the military facilitation is not an element of BRI.

Third, China's expanding influence in the peripheral region of India could reduce the geographic advantage of India. India's neighboring countries like Sri Lanka, Bangladesh, and Pakistan have confirmed to participate in BRI (Singh, 2014). It is obvious that China endeavors to reinforce the inter-connectivity in South Asia, which however, increases insecurity in India. With the increasing presence of China in the Indian Ocean Region, many neighboring countries of India have found their hedging abilities by playing "the China card" (Khurana, 2016). The consolidation of China's sphere of influence within South Asia will pull those India's smaller neighboring

countries into China's orbit, and make them contend China against India, which increases the fear of India's that its regional ambitions are bypassed by China (Khurana, 2015). To restrict the increasing dominance of China in the perceived region of India that is amplified by BRI, India are engaging more in this region. Holding a cautious attitude towards BRI, India has initiated its own projects. Project Mausam, the Sagar Mala Project, and Asia-Africa Growth Corridor are three attempts of India for the revival of its ancient trade routes, so as to improve connection with the countries within the region of Indian Ocean (Madan, 2016). It is widely believed that the three projects are counter measures, not only for BRI, but also to gradually destroy the increasing presence of China in the Indian Ocean Region (Khurana, 2015). Some Chinese scholars have demonstrated the willingness of the linkage between BRI and the Indian projects. However, considering the India's geopolitical concerns and unwillingness to participate in BRI, it is almost impossible for India to show a willingness to integrate its most important maritime strategies into China's BRI.

To summarize, even though China has put enormous effort to point to the focus of connectivity and economic elements of BRI, the observers in India tend to regard the connectivity as only another expression of geopolitics. For instance, Indian Foreign Secretary Subrahmanyam Jaishankar considered the connectivity to have "*emerged as a theater of present day geopolitics*" (Cai, 2017). No matter when China states connectivity, India would consider it as the geopolitics. In the early years of the 2000s, although both India and China found cooperation's economic appeal, Sino-Indian relations' focus has been shifted back to the geopolitics by degrees.

### **6.2.3 Implications of CPEC**

India's perception on BRI is also influenced by its attitude toward the China-Pakistan Economic Corridor (CPEC). CPEC is a collection of infrastructure and energy projects undertaken by China and Pakistan to strengthen regional connectivity, it is

also regarded as a flagship project under BRI (CPEC Portal, 2018). However, after Chinese president Xi Jinping introduced CPEC, India shows reservations or even objection to the CPEC. And this kind of perception of CPEC also affects India's attitude towards BRI. In this section, I will firstly argue "what is CPEC?" and "how does CPEC influence India's national interests?", then I will argue the reasons that CPEC is opposed by India.

The CPEC was proposed by Chinese Premier Li Keqiang during his visit to Pakistan in 2013, which immediately got positive response from Pakistan's government. During his visit to China in July 2013, Pakistani Premier Nawaz Sharif signed a memorandum of understanding on cooperation for long-term plan on CPEC to start his project. In April 2015, Chinese president Xi Jinping, during his visit to Pakistan, together with the leaders of Pakistan signed a package of agreements and memorandums, and reached a plan of cooperation totaling 46 billion USD. This was considered as the starting point of CPEC (CPEC Portal, 2018). The value of projects under CPEC is now worth 62 billion USD after China has invested another 16 billion USD. CPEC is predicted to be completed before 2030, during this long period, the amount of investment in the future is likely to increase according to the progress of the projects (Kurita, 2017).

According to the consensus reached by the two countries, both sides agreed to promote a "1+4" pattern of economic cooperation, featuring a central role of the CPEC and four key areas including the Gwadar port, energy, transportation infrastructure and industrial cooperation, so as to achieve win-win results and common development. In the medium-to-long term, both sides will explore and expand the cooperation fields to financial services, science and technology, tourism, education, poverty elimination and city planning, etc., so as to meet the demands of deepening and expanding of China-Pakistan all-round cooperation, and play a better role in leading and promoting substantive cooperation between the two countries. With further cooperation deepening in an all-around way, CPEC is of strategic

importance on China's BRI initiative.

However, although CPEC is claimed as an economic program by China, but India has expressed strong opposition about CPEC. First, CPEC is regarded as a violation of India's sovereignty, as the scope of CPEC covers the disputed Kashmir region. India claims that it has sovereignty over the entire Kashmir and Jammu region, while its claim is contested by Pakistan, which controls 37% of the region, namely Gilgit-Baltistan and Azad Kashmir (Choudhury, 2010). India actually controls 43% of the region, including the Kashmir Valley, Jammu and Ladakh. The remaining 20% of this region, including the Aksai Chin region and the Shaksgam Valley, is administered by China (Durrani, 2013). India and Pakistan had wars three times in the Kashmir region, including the Indo-Pakistani Wars of 1947 and 1965, and the Kargil War of 1999 (Choudhury, 2010). China's claims over the territories has also been contested by India since China took over the Aksai Chin region during the Sino-India War in 1962 (The Indian Express, 2016). As we can see from the Diagram 2, the route of CPEC passes through Gilgit-Baltistan area, which is a part of the disputed Kashmir region that is administered by Pakistan but claimed by India. On May 13, 2017, Gopal Baglay (2017), the spokesperson for India's Ministry of External Affairs, released a statement about CPEC with harsh language, *"Regarding the so-called 'China-Pakistan Economic Corridor,' which is being projected as the flagship project of the BRI, the international community is well aware of India's position. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity."* India has also expressed concerns that the Kashmir issue will be internationalized by the CPEC. Although China has been silent to the Kashmir issue since the normalization of China-India relations in the end of 1980s, however, with the expansion of China's interests in this region, China is likely to change its neutral position on the Kashmir issue and become a stakeholder on this issue. For India, the internationalization of the Kashmir issue is also considered as a violation of India's sovereignty. If neorealism applies, CPEC is contrary to India's national interests, as it has infringed India's sovereignty. India's stated concerns are thus restricted to CPEC.



Diagram 2

**Proposed China Pakistan economic corridor**



*(Source: BBC)*

Second, within some Indian scholars, CPEC is viewed as China’s effort to “encircle” India in the Indian Ocean Region through infrastructure upgrade, energy projects, industrial cooperation and other related economic development projects (Kugelman, 2017). Among these projects, the upgradation of the Gawadar Port has alarmed India to be vigilant to CPEC. The Gawadar Port is a deep sea port of Pakistan located on the Arabian Sea. However, Indian scholars fear that China is attempting to gain military

strength in the Indian Ocean Region by updating and constructing port infrastructure in South Asia. The Gwadar Port is considered has great geostrategic importance to China, as it is a link between China's "Silk Road Economic Belt" and "Maritime Silk Road", as well as a major part of the "String of Pearls". This term was first used in "Energy Futures in Asia" in 2005, an report of the U.S. Department of Defense (The Washington Times, 2005). The "String of Pearls" strategy posits China is trying to improve strategic relations with the countries along the sea lanes from the Middle East to South China Sea, demonstrating China's ambitions of protecting its energy interests, as well as serving broad security objective (The Washington Times, 2005). This strategy is made up by six "pearls" (six ports along this region), the Gawdar Port is one of the pearl in this strategy. Other "pearls" in the strategy include: the Chittagong Port of Bangladesh, the Rangoon Port of Burma, a canal across the Kra Isthms in Thailand and the port in Cambodia (The Washington Times, 2005). By establishing military bases in these countries, China can not only protect its energy security, but also improve its military presence in the Indian Ocean Region. For India, as Prakash Arun (2017) believes "that CPEC is taking place on India's doorstep and all across Pakistan is even more unsettling for New Delhi". Through the Gawadar Port, China will get a foothold in the Indian Ocean from the Gwadar port, and China can monitor the Indian navy by deploying army at the Gwadar port. Although China states that CPEC is just a economic initiative and China will not deploy military forces in this region, however, with the expansion of China's interests in South Asia, China's Navy will eventually come to protect its national interests, which will break the power balance and limit India's geopolitical reach.

Third, if China deploy naval ships at the Gawdar Port, CPEC would have some influences on India's energy security. From an energy perspective, the stakes of India are high that 75% of India's energy supplies, including 75% of its oil, need to cross the Indian Ocean (Rani, Cody, 2015). New Delhi fears that China will use maritime blockade to cut India's energy supplies when the relations between the two countries are strained (Kugelman, 2017). In addition, the barriers to India of getting the

natural-gas from Central Asia will be cemented by CPEC. In 2016, half of India's oil and gas imports were from the Middle East, while India is willing to get natural-gas from Central Asia (Kadira, 2017). As Michael Kugelman (2017) said, "the natural-gas riches of Central Asia are attractive because this region is relatively stable compared to the Middle East." However, Pakistan has long rejected energy transit rights to India, which makes it difficult for Indian access to the natural-gas of Central Asia by land. Indian officials have even talked of turning India, which currently is heavily dependent on coal and oil, into a gas-based economy (The Economist, 2016). In order to achieve this goal, India plans to use natural gas as an alternative to oil-based products in various fields, including generation and transportation. India also aims to increase its usage of the natural gas from 7% to 15% by 2022, and lay a 15000 kilometers of new natural gas pipeline, however, the lack of direct access to Central Asia will challenge these goals (Kugelman, 2017).

In conclusion, given that China is India's main strategic rival, India is likely to view CPEC from strategic lens rather than from economic lens. India pays attention on how does China expand its influence and increase its position in South Asia and the Indian Ocean Region through those projects. From the strategic perspective, CPEC is contrary to India's national interests, as it is a violation of India's sovereignty. With the increase of China's power and the expansion of China's influence, CPEC is also considered as a tool of China to encircle India, which threatens India's national security as well as energy security. Given that CPEC is a flagship project of BRI, those strategic considerations of CPEC thus deepens India's mistrust about BRI.

#### **6.2.4 India's Reactions of BRI**

As mentioned above, in order to contain China's increasing presence in South Asian and in the Indian Ocean Region, India also proposed its own maritime strategy after BRI. Project Mausam, the Sagar Mala Project, and Asia-Africa Growth Corridor make

up the India's new maritime strategy. Although the Indian government has not made it clear that this is a response to China-led BRI, but there are many similarities between India's new maritime strategy and BRI in terms of route map, basic idea and the time of proposal.

Project Mausam (Mausam/Mawsim: Maritime Route and Cultural Landscapes) is a Ministry of Culture project focusing on ancient maritime routes and cultural landscapes following monsoon pattern (Ministry of Culture, Government of India, 2018). The word "Mausam" or "Mawsim" originated from Arabic, it refers to the season when ships can sail safely. In the Indian Ocean Region in ancient times, people adopted to the monsoon climate in the Indian Ocean Region and used it to engage in navigation, commercial intercourse and cultural communication. There are some regularities among these activities: influenced by the monsoon climate, the trade activities from the west to the south in the Indian Ocean often takes place from May to September every year, and the trade from east to north often takes place from November to March of next year. Up to this day, the ancient maritime trade routes and cultural landscapes formed by these historical activities have become the precious historical heritage of the Indian Ocean region (Feng, 2016). In order to strengthen cooperation on cultural heritage protection and development among countries in the Indian Ocean Region, India launched Project Mausam at the 38th World Heritage Session at Doha, Qatar on 21th June 2014 (Ministry of Culture, Government of India, 2018).

The basic idea of Project Mausam is to revive the ancient maritime trade routes and the cultural links between countries of the Indian Ocean Region. It can be seen clearly that Project Mausam focuses on culture level. According to the official document of Ministry of Culture of India (2018), "the endeavor of Project Mausam is to position itself at two levels: at the macro level, it aims to re-connect and re-establish communications between countries of the Indian Ocean world, which would lead to an enhanced understanding of cultural values and concerns; at the micro level, the

focus is on understanding national cultures in their regional maritime milieu”.

However, Project Mausam has also been given strategic importance to India. On September 16, 2014, the Ministry of Foreign Affairs of India and the Ministry of Culture of India held a special meeting about the Project Mausam. Former Indian Foreign Secretary Sujatha Singh and Culture Secretary Ravindra Singh claimed that the Project Mausam should not only focus on the India’s cultural position, but also need to cover the strategic level (Sachin, 2014). In India, there are also many scholars who believe that India has upgraded Project Mausam to strategic level against China’s BRI. Sachin Parashar (2014), an Indian scholar, believes that Modi’s government raised Project Mausam to strategic level in order to get support from countries of the Indian Ocean Region and maintain India’s position in the Indian Ocean Region. Akhilesh Pillalamarri (2014) believes that Project Mausam is an important foreign policy of Modi’s government to counter China; through Project Mausam, India can strengthen its position in the Indian Ocean Region, and use historical, cultural and geographical advantages to compete with China. S. Pattanaik (2014) pointed in his assessment of the Modi government’s foreign policy, that the Modi government’s anxiety over China’s “Maritime Silk Road” is growing, India needs to find alternative solutions, Project Mausam can be one of the solutions against China-led BRI. Jabin T. Jacob (2015) believes that China’s BRI not only seeks to reshape the development model and regional interconnectivity, but also seeks to reshape political relations and the balance of power in South Asia and the Indian Ocean Region; Project Mausam is a response of India to counter China’s BRI. However, Jabin also believes that Project Mausam can not help India to compete with China’s BRI. In general, Project Mausam is going far beyond the area of culture exchanges.

Although India’s government has not made it clear that Project Mausam is an India’s countermeasure to China’s BRI, but there are still some connections between the two strategies. As for the route map, Project Mausam passes through some regions where have overlapped that of BRI. Project Mausam is a Trans-Indian Ocean project

connecting Indian subcontinent and Southeast Asia, Arabian peninsula and East Africa, while China-led MSR also focuses on strengthening connections between Southeast Asia and Africa, and MSR also passes through the Indian Ocean. In terms of the main content of the two strategies, both Project Mausam and MSR aim to revive ancient trade routes and improve cultural exchanges between countries located in the Indian Ocean Region. When it comes to the time of proposal, Project Mausam was initiated in 2014 after the presentation of BRI in 2013. Because of these similarities between the two strategies, Project Mausam is easily be interpreted as a countermeasure against China-led BRI (Feng, 2016).

Besides from Project Mausam, India also initiated the Sagar Mala Project as one part of its maritime strategy. The Sagar Mala Project is an investment initiative totaling 120 billion USD proposed by India in 2015 (Ministry of Shipping, Government of India, 2018). It aims to drive India's industrial development by leveraging its coastline and inland waterways. This program was originally proposed as a waterway project by the Atal Bihari Vajpayee government in 2003, while the program got approval by the Modi government on 25 March 2015 to develop 12 ports and 1208 islands of India (Economic Times, 2015). The Sagar Mala Project entails four broad areas: first, it focuses on setting up of six new mega ports, enhancing port capacity and modernizing port infrastructure; second, the Indian government plans to create 14 Coastal Economic Zones and develop at least 29 Coastal Economic Units under the Sagar Mala Project; third, in order to improve the efficiency of evacuation of the ports, the Sagar Mala Project also aims to expand rail, road networks and inland waterways connected to the ports; fourth, developing skills of workers of fisheries, coastal industries and other island communities is also included in the Sagar Mala Project (Ministry of Shipping, Government of India, 2018).

The Sagar Mala Project is expected to develop India's coastal economy, it is also considered very important to India's development. India has 7500 kilometers of coastline, 20% of India's population lives in coast area. Cities along the coastline of

India are the major contributors to India's GDP, coastal cities contributed 60% to India's GDP in 2012, and 95% of India's trade by volume takes place through maritime transport (Ministry of Shipping, Government of India, 2015). However, capacity constraints and weak infrastructure at the ports of India will prolong the time taken to ship goods. Limited inland facilities for linkages between ports and ports or other hinterland cities will increase the cost of transportation. As a result, the Sagar Mala Project has been proposed to improve the capacity of evacuation of India's ports and prompt India's coastal economy. According to the official document from the Ministry of Shipping of India, the Sagar Mala Project will integrate the coastal economy with the ports through the establishment of Coastal Economic Zones, create the competitiveness of core industry and manufacturing; it will also utilize natural resources, help to develop the port-based cities in India, and improve urban infrastructure and standards of living (Ministry of Shipping, Government of India, 2015).

As mentioned above, India has initiated Project Mausam and the Sagar Mala Project as its maritime strategy. However, there is another project focusing on strengthening connection between Asia and Africa proposed by India and Japan. "Asia Africa Growth Corridor" (AAGC) is an Indian Ocean-Pacific cooperation initiative aiming to build an economic corridor and industrial networks from Northeast Asia, Southeast Asia and South Asia to Africa (Lou, 2018). On 11 November, 2016, during Modi's visit to Japan, Modi stated that India will cooperate with Japan or other partners to enhance connectivity and boost trade links between Asia and Africa. After this statement, an official document "Asia Africa Growth Corridor: A Vision Document" was issued at the 52nd Annual African Development Bank Meeting in May 2017, which was the start of AAGC. According to this official document, AAGC will help to create new production channels, develop and deepen existing value chains and facilitate the flow of trade between Asia and Africa (RIS, ERIA, IDE-JETRO, 2017). AAGC mainly focuses on four areas: improving capabilities and professional skills of workers; building of high quality infrastructure; implementing development and

cooperation projects; prompting cultural and people-to-people exchanges (RIS, ERIA, IDE-JETRO, 2017).

The aim of AAGC is to prompt Asia and Africa economic integration through establishing a maritime economic corridor. When it comes to geography, AAGC will prompt connectivity between Southeast Asia, South Asia and Africa, it emphasizes on the establishment of a maritime corridor linking Asia and Africa. Sachin Chaturvedi, a senior research fellow of the Research and Information System for Developing Countries, said in an interview that in the first step, AAGC will put emphasis on the development of countries located at east African coast, such as Ethiopia, Somalia and Kenya; in the second step, development of Ivory Coast, Ghana and Gambia will be supported; at the same time, Madagascar, Mauritius, Seychelles and some other countries of island which located in the western Indian Ocean will benefit from the project (Devanshee, 2017).

In terms of cooperation concept, AAGC highlights eco-friendly, low cost and transparency of cooperation mechanism which are considered not equipped by China's BRI. S. Jaishankar, secretary of state for the Indian foreign ministry, said in a speech that the cooperation of AAGC based on equality, openness and transparency, thus it will be welcomed by a lot of countries, while China-led BRI lacks of transparency, China never consults with India, that's why India stays away with BRI (Dipanjan, 2017).

AAGC gets attentions from both India and Japan. Japan plans to invest 200 billion USD in building AAGC (Maulik, 2017). India also wishes to enhance India-Africa relations through the establishment of AAGC. In general, AAGC can complement India and Japan with their own advantages in Africa.

In conclusion, after China initiated BRI, India also formed its new maritime strategy which consists of Project Mausam, the Sagar Mala Project and AAGC. Both India's



maritime strategy and BRI focus on strengthening connectivity, improving collaboration and prompting cultural exchanges between Asia and Africa. Although India has not admitted that Project Mausam, the Sagar Mala Project and AAGC are responses to the BRI, but they still pose competition with BRI.

## **7. Conclusion**

The purpose of my thesis is to evaluate the current state of China-India relations from the perspectives of BRI and AIIB. In other words, my thesis aims to find the reasons that India shows different attitudes towards AIIB and BRI. However, India gave a positive and fast response to AIIB, while it still stays away from BRI. In this regard, the research question has been asked as “*why did India join AIIB but stays away from the BRI?*” It can be said that there are still some challenges left over by history in China-India relations even though the current relations between China and India is friendly. The strategic distrust between China and India influences India’s perception of China-led initiative. However, considering that India welcomes AIIB, I assume national interests is a major factor influences India’s perception. Concerning the elements of national interests, security and geopolitical consideration, neorealism is more proper to be applied in my thesis. In order to find a suitable answer to the research question, a literature-based methods together with theories of international relations are used in my thesis. Given that there are numerous factors concerning security, economy and politics involving to my thesis, and most of them are difficult to be measured quantitatively, thus a qualitative data based methods along with case study and comparative study are used in my thesis to explore the problem and the assumptions I made.

Firstly, in the Background chapter, a brief history of China-India relations has been reviewed in order to show the existing challenges and distrust in the current relations

between China and India. Although the current relations between China and India is friendly, but there are still challenges left over by history in China-India relations, such as the border disputes and the Tibet issue. These contradictions at times strains China-India relations and lead to mistrust between China and India. In the second subsection, the rise of China has been examined from the perspective of economic power and military power, as it is an important factor influences China-India relations. Over the past 40 years, China has been developing rapidly for both its economic power and military power. However, with the expanding of China's influence in South Asia and the Indian Ocean Region, the power balance has been changed, which deepens the mistrust between China and India.

Secondly, India's different attitudes toward AIIB and BRI based on India's national interest. India has large infrastructure needs but is lack of funding. It is considered that the investment of AIIB and BRI can fill the infrastructure gap in India. However, India chose to participate AIIB to meet its needs of domestic development. The reason is based on the differences between AIIB and BRI, that is AIIB is an international bank which has normal organization, while BRI is just a vision of China which lacks of transparency in decision-making process. Without reasonable mechanisms, it is not sure that India can benefit from BRI by the participation.

Thirdly, India's perception of BRI could be understood by appealing to neorealist understandings. With the rise of China, India feels less secure and increases strategic mistrust to China. With China an India being skeptical and suspicious about each other, mainstream of BRI comments found from Indian media, as well as scholars and politicians are often influenced by geopolitical considerations. Thus, BRI is considered as a tool for China to expand it influence in the Indian Ocean Region, then "encircle" India. Based on this kind of views, India not only stays away from BRI, but also needs to limit China's increasing power in this region. In this regard, India initiated its own maritime strategy, namely Project Mausam, the Sagar Mala Project, and Asia-Africa Growth Corridor. In addition, the proposal of CPEC, a flagship

project under BRI, has been another reason of India's opposition on BRI. The route of CPEC passes through the disputed Kashmir region, which is considered as a violation of India's sovereignty.

Under such conditions, my thesis is able to answer the question of "*why does India joined AIIB but stays away from BRI*". India's different attitudes toward AIIB and BRI are based on its national interests of prompting domestic development and limiting China's expanding influences in the Indian Ocean Region. Thus, we can say that the current relations between China and India is friendly, as China and Indian are cooperating in some fields, while mistrust and challenges still exist in China-India relations.

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## Appendix

### Appendix A: Overview of Projects Approved by AIIB

Project Name	Approval Date	Sector	Region	AIIB Investment
Bangladesh Bhola IPP	February 9, 2018	Energy	Bangladesh	60 million USD
Beijing Air Quality Improvement and Coal Replacement Project	December 8, 2017	Energy	China	250 million USD
Oman Broadband Infrastructure Project	December 8, 2017	Telecomms	Oman	239 million USD
India Bangalore Metro Rail Project - Line R6	December 8, 2017	Transport	India	335 million USD
Philippines Metro Manila Flood Management Project	September 27, 2017	Water	Philippines	207.6 million USD
The International Finance Corporation	September 27, 2017	Multi-Sector	Asia	150 million USD

(IFC) Emerging Asia Fund				
India Transmission System Strengthening Project (Tamil Nadu)	September 27, 2017	Energy	India	100 million USD
Egypt Round II Solar PV Feed-in Tariffs Program: Al Subh Solar Power	September 4, 2017	Energy	Egypt	17.5-19 million USD
India Gujarat Rural Roads (MMGSY) Project	July 4, 2017	Transport	India	329 million USD
Tajikistan Nurek Hydropower Rehabilitation Project, Phase I	June 15, 2017	Energy	Tajikistan	60 million USD
India Infrastructure Fund	June 15, 2017	Multi-Sector	India	150 million USD
Georgia Batumi Bypass Road Project	June 15, 2017	Transport	Georgia	114 million USD
India Andhra	May 2, 2017	Energy	India	160 million

Pradesh 24x7 - Power For All				USD
Bangladesh Natural Gas Infrastructure and Efficiency Improvement Project	March 22, 2017	Energy	Bangladesh	60 million USD
Indonesia Dam Operational Improvement and Safety Project Phase II	March 22, 2017	Multi-Sector	Indonesia	125 million USD
Indonesia Regional Infrastructure Development Fund Project	March 22, 2017	Urban	Indonesia	100 million USD
Azerbaijan Trans Anatolian Natural Gas Pipeline Project (TANAP)	December 21, 2016	Energy	Azerbaijan	600 million USD
Sultanate of Oman: Duqm Port Commercial Terminal and Operational	December 8, 2016	Transport	Oman	265 million USD

Zone Development Project				
Myingyan 225 MW Combined Cycle Gas Turbine (CCGT) Power Plant Project, Myanmar	September 27, 2016	Energy	Myanmar	20 million USD
Pakistan Tarbela 5 Hydropower Extension Project	September 27, 2016	Energy	Pakistan	300 million USD
Indonesia National Slum Upgrading Project (NSUP)	June 24, 2016	Urban	Indonesia	216.5 million USD
Pakistan National Motorway M-4 (Shorkot-Khane wal Section) Project	June 24, 2016	Transport	Pakistan	100 million USD
Bangladesh: Distribution System Upgrade and Expansion Project	June 24, 2016	Energy	Bangladesh	165 million USD

Tajikistan: Dushanbe-Uzbekistan Border Road Improvement Project	June 24, 2016	Transport	Tajikistan	27.5 million USD
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(Source: AIIB Portal)

#### Appendix B: Overview of Projects Proposed by AIIB

Project Name	Sector	Region	Loans from AIIB
Uzbekistan: Railway Electrification Project (Bukhara-Urgench- Khiva)	Transport	Uzbekistan	168.2 million USD
Uzbekistan: Power Transmission Project	Energy	Uzbekistan	25 million USD
Laos PDR: National Road 13 Improvement and Maintenance Project	Transport	Laos PDR	40 million USD
Turkey: Tuz Golu Gas Storage Expansion Project	Energy	Turkey	600 million USD
Sri Lanka: Solid Waste Management	Urban	Sri Lanka	115 million USD

Project			
Indonesia: Strategic Irrigation Modernization and Urgent Rehabilitation Project	Water	Indonesia	250 million USD
India: West Bengal Major Irrigation and Flood Management Project	Water	India	145 million USD
Sri Lanka: Climate Resilience Improvement Project - Phase II	Water	Sri Lanka	77.5 million USD
India: National Investment and Infrastructure Fund	Multi-Sector	India	200 million USD
India: Madhya Pradesh Rural Connectivity Project	Transport	India	141 million USD
India: Amaravati Sustainable Capital City Development Project	Urban	India	200 million USD
India: Mumbai Metro Line 4	Transport	India	500 million USD



Project			
Georgia: 280 MW Nenskra Hydropower Plant	Energy	Georgia	100 million USD

*(Source: AIIB Portal)*