



Indian Council  
of World Affairs



# Geopolitics of Infrastructure Building in South Asia

Causes and  
Consequences

**DR. SHRABANA BARUA**





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# **GEOPOLITICS OF INFRASTRUCTURE BUILDING IN SOUTH ASIA**

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#### **Geopolitics of Infrastructure Building in South Asia: Causes and Consequences**

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## ABSTRACT



From times colonial, investing in infrastructure has been seen as a means through which influence can be exerted on other states. While many colonial powers built physical and connectivity infrastructure in their colonies, largely for self-interest, the story is not the same today. Infrastructure has emerged as an important variable in international relations, increasingly forming parts of foreign policy agendas of states. It is noted that the gap between demand and supply in infrastructure is large in most parts of the world. But there has been a growing trend to address this gap. In South Asia, a region that needs to make climate adjusted investment of about 8.8% of its GDP by 2030, if the infrastructure demands are to be met, has witnessed proliferation of infrastructure projects in the last decade. This has increased linkages amongst the region and beyond, most of which is being initiated either at bilateral, regional or multilateral levels. This has also led to interventions by external players within the region, eventually increasing competition over infrastructure building, many of which are seen as strategic assets. This paper focuses on transport connectivity and energy infrastructure in South Asia and attempts

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In South Asia, a region that needs to make climate adjusted investment of about 8.8% of its GDP by 2030, if the infrastructure demands are to be met, has witnessed proliferation of infrastructure projects in the last decade. This has increased linkages amongst the region and beyond, most of which is being initiated either at bilateral, regional or multilateral levels.

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to deal with three questions in this context. First, what are the crucial infrastructure projects within South Asia and the partners/actors engaged in it? Second, what are the causes that has led to a spurt in infrastructure building in South Asia? Third, what are the geopolitical consequences of increased infrastructure building in the region? In doing so, it concludes that South Asia, where both pull and push factors are causing a spurt in infrastructure building, has emerged as a dynamic field for geopolitical interfaces, anchored on the variable of infrastructure. Here, India has begun to play a crucial role, a position earlier dominated by China. At the same time, while state actors have so far played a lead in this domain, need for private players has increased and is slowly finding way within sectors related to infrastructure.

***Keywords:** Infrastructure, connectivity, South Asia, geopolitical competition*





## INTRODUCTION



Infrastructure has emerged as an important variable in policy agendas of states and multilateral institutions. Talking about connectivity corridors and building infrastructure projects have become a trend in recent times. It is not that infrastructure building was not important earlier. Yet studying physical and social infrastructure was largely limited to the domain of developmental economists. This has undergone many changes.

In theory, Albert. O. Hirschman, Hans W. Singer implied through the use of the word ‘economic overhead’, and ‘social overhead capital’, infrastructure investments like transport, power and water supply, which cannot be imported but require heavy installations and public assistance and which can form a basis of an economy.<sup>1</sup> Similarly, making use of this understanding, economists such as Ragnar Nurkse,<sup>2</sup> Walt W. Rostow,<sup>3</sup> V.K.R.V Rao and others studied the world economy by analysing models of investments in infrastructure. However, in more recent times, it is noted that studying infrastructure is not the forte of economists alone. Infrastructure has become important as a point of analysis for fields ranging from international relations (IR) to environment, geography, etc. Take, for instance, the growing discussion about infrastructure, especially related to connectivity, within the field of economic geography. For example, spatial models have

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1 Hirschman, A. 1951.

2 Ragnar Nurkse, “International Trade Theory and Development Policy”, in Ellis, H.S., ed., *Development for Latin America*, New York: St. Martin’s Press, 1961, pp. 234–263.

3 Rostow, W.W. (1959, 1962), “Stages of Economic Growth: A Non-Communist Manifesto”, *The Economic History Review*, Vol. 12 (1): 1–16.

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Both theory and practice bring out the importance of infrastructure and it is crucial to examine it as a variable when we study geopolitics.

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been explicated by Paul Krugman in 1991 (where he brought out the impact of infrastructure on development within a region), among others.<sup>4</sup> From the early 2000s, new economic geography (NEG) models have touched upon the impact of infrastructure projects across regions and have become relevant for research on infrastructure. The works of Armin Schmutzler, Robert Carlsson, and Jim Hall<sup>5</sup> are a few examples. On the other hand, within the field of IR and politics, infrastructure is being studied from the lens of diplomacy and foreign policy. The proliferating use of the word ‘infrastructure diplomacy’ can also be found in literature pertaining to these fields.<sup>6</sup> However, most of these writings so far are focused on China’s forays into the connectivity sector, especially via the Belt and Road Initiative (BRI). By theoretical definition, this paper studies infrastructure pertaining to transport (of goods, people and resources) and energy (oil, hydropower and gas). In this context, the definition provided by the Asian Development Bank (ADB) is found useful, i.e. “transport includes civil engineering works on highways, bridges, streets, roads, railways, tunnels, airfield runways, ports/

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4 Wilburn, K. (1988), “The nature of Rothschild’s Loan: International capital and South African railway diplomacy, politics and construction, 1891-1892”, *South African Journal of Economic History*, Vol. 3(1): 4–19.

5 Hall, J. et al. (eds) (2016), *The Future of National Infrastructure: A System-of-Systems Approach*, Cambridge University Press.

6 See Vijay Sakuja (2015), Fanqi Jia and Mia Bennett (2018), Laurids S. Lauridsen (2019), Wilson Jeffrey (2020), all of who use the term ‘infrastructure diplomacy’ in context of international relations and strategic studies.



harbors, waterways, and related harbor and waterway facilities, among others.”<sup>7</sup> Energy infrastructures such as hydro-electric power (HEP) projects and oil and gas pipelines are also included within the definition of infrastructure in this paper.

In practice, if we consider the study of infrastructure as falling within the range of economics and politics, it may be noted that the states that had the means to build infrastructure were seen as more developed than others. From times colonial, investing in infrastructure was considered a way of garnering power and influence over others. Britain and France in the 19th century are good examples. The railway lines laid down by the British in the Indian sub-continent have been referred to as a ‘tool’ of the British empire,<sup>8</sup> to garner greater power. In the 1890s, with the aim of exploiting and influencing the markets for monopoly, highways, roads, canals and bridges were built in Vietnam and in Cambodia by the French. In short, infrastructure building impacted power politics. This remained largely unchanged in the post-colonial period. In the last century, the US invested in reconstructing the economic infrastructure of Western Europe through the Marshall Plan of 1948. Much aid and funds were also allocated to creating and reconstructing social and physical infrastructure in this context.

Both theory and practice bring out the importance of infrastructure and it is crucial to examine it as a variable when we study geopolitics. As international focus witnessed a slow and steady shift from the Trans-Atlantic to the Indo-Pacific, largely attributed to the growth

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7 ADB (2017), “Meeting Asia’s Infrastructure Needs”, p. 19.

8 Daniel Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century*, 1981.

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While the consequence of collaboration over infrastructure projects depends on the nature of contract between the borrower and the lender in almost all cases, some projects become particularly counter-productive. In South Asia, states such as Sri Lanka and Pakistan that are reeling under economic crises bear large international debts, borne over unviable or incomplete infrastructure projects, particularly pushed by China.

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of countries like India, China, Japan, Indonesia and others in Asia, the increased importance of infrastructure building within foreign policies of these states can also be noted subsequently. Even though Japan discussed a Silk Road Diplomacy plan back in 1997, it was in 2004 that Japan popularized it, focusing on Central Asia and the Caucasian region. It also began investing in infrastructure around the Indian sub-continent through Official Development Assistance (ODA). India was the first country to which Japan provided an ODA loan in 1958,<sup>9</sup> initiating cooperation that has flourished in recent times. On the other hand, China has remained a major player in the infrastructure building sector since the early 2000s. Consider the report in the mid-2000s by the American firm, Allen Booz Hamilton, that cautioned about many Chinese ports being built around the Indian sub-continent as strategic assets and Chinese attempt to create a ‘string of pearls’ in the Indian Ocean. This augmented the geopolitical and geo-strategic competition around South Asia, in particular. In this context, this paper asserts that infrastructure building has carved the path of power politics in the 21st century

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9 MoFA, Japan, 2011, URL: [https://www.mofa.go.jp/policy/oda/region/sw\\_asia/india\\_o.pdf](https://www.mofa.go.jp/policy/oda/region/sw_asia/india_o.pdf).



and delves into enumerating the causes that led to such heavy focus on infrastructure in recent times.

While one cause has been the China factor, other factors have also led to infrastructure becoming a tool of foreign policy engagements at a faster pace. The increased capacity of some states to invest in a capital-intensive sector such as infrastructure, both at home and abroad, is one such reason. Here, the India factor is noted in details. In 1999, the Golden Quadrilateral Project (GQP) was launched, which has been subsumed under the Bharatmala project. By 2003, Mr Atal Bihari Vajpayee envisioned the now known Sagarmala programme, the maritime corollary of Bharatmala, that has done well to modernize port connectivity and inland water transportation system in India. India has also engaged with neighbouring states in context of infrastructure project, as there has been a change in policy in the last few years. Its 'Neighbourhood First' policy is reflective of this change. Additionally, the projects with Bangladesh, Myanmar and Bhutan are meant to not only enhance connectivity with India's eastern neighbourhood but also make India's Act East Policy more robust.

Another cause of proliferating infrastructure projects is the gap in infrastructure and connectivity sector, as economies develop. In 2017, Price Waterhouse Cooper (PWC) projected that by 2050 India will be the second largest economy with a GDP of \$42 trillion, just behind China, while Indonesia, with an economy worth \$12 trillion, will be the fourth largest, behind the United States.<sup>10</sup> India requires an estimated \$4.5 trillion to meet its infrastructure needs

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10 PWC Report, "World in 2050", February 2017, URL: <https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html>.

(those that include both physical and social infrastructure) by 2040.<sup>11</sup> Indonesia has the highest infrastructure gap among the ASEAN (Association of South East Asian Nations) member states.<sup>12</sup> Such infrastructure gaps are prevalent across regions. In the case of Indonesia, it has partnered with states like China and Japan to mitigate this gap. The High-Speed Railway (HSR) network being built by Japan in Indonesia at very low interest rates is an example of infrastructure diplomacy in Southeast Asia.

While the consequence of collaboration over infrastructure projects depends on the nature of contract between the borrower and the lender in almost all cases, some projects become particularly counter-productive. In South Asia, states such as Sri Lanka and Pakistan that are reeling under economic crises bear large international debts, borne over unviable or incomplete infrastructure projects, particularly pushed by China. At bilateral levels, infrastructure building has found enormous space in foreign policy agendas today. The same is the case at the multilateral level. The Master Plan for ASEAN Connectivity adopted in 2010 is a case in point. This has boosted connectivity with South Asia as well. Similarly, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Master Plan for Transport Connectivity points towards the increase in number of project cooperation among states in South and Southeast Asia. The 18th Summit of South Asian Association for Regional Cooperation

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11 Ministry of Finance, Government of India, National Infrastructure Pipeline, Report of the Task Force, 2021, URL: <https://static.pib.gov.in/WriteReadData/userfiles/DEA%20IPF%20NIP%20Report%20Vol%201.pdf>.

12 PWC, Understanding infrastructure opportunities in ASEAN, Infrastructure Series Report, 2016.



(SAARC) in 2014 announced the need to have a Motor Vehicle Agreement (MVA). The SAARC MVA did not get signed. However, the MVA signed in 2015 is now to be implemented under the Bangladesh-Bhutan-India-Nepal (BBIN) sub-regional framework, despite Bhutan withdrawing from it. This reflects on states seeking smoother inflow of trade and people amongst themselves through better connectivity and integration. Another example is the South Asia Sub-Regional Economic Cooperation (SASEC) program, launched by ADB in 2001. SASEC aims at project-based partnership to promote regional prosperity, enhance economic opportunities and share a common vision of better connectivity within South Asia and for trade with Southeast Asia via Myanmar. To India's West, projects such as the International North-South Transport Corridor (INSTC) has seen expansion in the last two decades. For instance, it aligns well with the Ashgabat Agreement signed by India in 2018. Such developments have led to a better connectivity and trade prospects for South Asia, in general.

All these reasons and examples mentioned above can either be seen as a push factor, i.e. needs and commitments for infrastructure building due to domestic reasons, or a pull factor, i.e. initiated due to external sources. Both these factors combined have led to various consequences in the way countries have interacted amongst each other, in general, and within South Asia, in particular. As this paper progresses, some of the consequences are discussed in details. Four of them stand highlighted, namely, increased geo-strategic competition and intervention by foreign players; demand for private players in the infrastructure sector; improved scope for trade within and around South Asia; and increasing debt profiles of

states. Each of these consequences are explicated by case studies in their respective categories.

Taking note of the various infrastructure projects, its geopolitical relevance and implications for regional dynamics, the last section of this paper outlines a few policy recommendations. The recommendations are divided into general and India-specific points that may be useful to further infrastructure cooperation in the region and tackle the various hurdles and geo-strategic insecurities that exist at a time when the world is in churn, moving towards a new world order, being shaped within Asia.

## **PROLIFERATION OF INFRASTRUCTURE PROJECTS IN SOUTH ASIA**



By traditional definition, South Asia is a region that comprises eight states – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Its geo-strategic location is considered prime and has become more important as the maritime domain increasingly emerges as a theatre of geopolitics. Economically, in 2019, the World Bank (WB) estimated that South Asia is the fastest growing region in the world, with an average growth rate of 9% that year.<sup>13</sup> This prediction was disrupted due to stresses brought about by the COVID-19 pandemic, among a few other reasons. Yet, as growth rates stabilized for some countries, it showed their continuing capacity and need to invest in capital intensive sectors such as infrastructure. India, the biggest country in South Asia, has undergone a policy change in

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13 World Bank, South Asia Economic Focus, “Spring 2018: Jobless Growth?”, URL: <https://documents1.worldbank.org/curated/en/825921524822907777/pdf/125779-PUB-PUBLIC.pdf>.





prioritizing connectivity as a domestic and foreign policy agenda since 2014–2015.<sup>14</sup> This has also had a spillover effect on the region as evident from the increased projects under the SASEC and many collaborations under the BBIN framework, for instance. The Connectivity Partnership Project between India and the European Union signed in 2021 has also brought in Western players into the infrastructural game. When studied with interventions by the US in Nepal via the Millennium Challenge Corporation (MCC), which was finally approved in March 2022, indications of broader geopolitical calculations can be detected, especially when global tensions are rising, with China’s attempt to dominate world politics and the Ukraine war creating schisms that need to be managed carefully. But, in context of this paper, it is important to understand where the crucial infrastructure projects are located within South Asia, who are the players involved in those and what does proliferation of infrastructure projects mean for the region? This section delves into such questions.

### *Key projects and key partners*

## **WESTERN SOUTH ASIA**

India, Afghanistan and Pakistan have a number of projects that reflect on the proliferating infrastructure building in the Western front of South Asia. Afghanistan has witnessed a changed political scenario since August 2021 when Taliban took over power in Kabul. With the withdrawal of the US, new players are seeking partnership

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14 Constantino Xavier, “Sambandh as Strategy: India’s New Approach to Regional Connectivity”, Brookings India, 2020.

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In May 2023, during the 5th China-Afghanistan-Pakistan Foreign Minister's Dialogue held in Islamabad, consensus was reached over extending the China-Pakistan Economic Corridor (CPEC) to Afghanistan. This indicates a Chinese desire to become a key partner, leading infrastructure projects in Afghanistan, as it has been to Pakistan.

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with Afghanistan, including in the infrastructure sector. In a more immediate context, in March 2023, Russia, Iran and Pakistan announced to invest an amount of up to \$1 billion in eight infrastructure projects in Afghanistan.<sup>15</sup> In May 2023, during the 5th China-Afghanistan-Pakistan Foreign Minister's Dialogue held in Islamabad, consensus was reached over extending the China-Pakistan Economic Corridor (CPEC) to Afghanistan.<sup>16</sup> This indicates a Chinese desire to become a key partner, leading infrastructure projects in Afghanistan, as it has been to Pakistan.

As part of China's BRI, the CPEC emerges as a prominent project in Western South Asia. It has been under criticism in recent years, with some of its sub-projects being either stalled, delayed or even attacked on occasions.<sup>17</sup> Yet, both China and Pakistan continue to

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15 Reuters, "Taliban sets up investment consortium with firms from Russia, Iran", 22 February 2023, URL: <https://www.reuters.com/world/middle-east/taliban-sets-up-investment-consortium-with-firms-russia-iran-2023-02-22/>.

16 Ministry of Foreign Affairs of the People's Republic of China, "Joint Statement of the 5th China-Afghanistan-Pakistan Foreign Ministers' Dialogue", 9 May 2023, URL: [https://www.fmprc.gov.cn/eng/wjdt\\_665385/2649\\_665393/202305/t20230509\\_11073522.html#:~:text=Foreign%20Minister%20Bilawal%20Bhutto%20Zardari,Pakistan%20on%206th%20May%202023.](https://www.fmprc.gov.cn/eng/wjdt_665385/2649_665393/202305/t20230509_11073522.html#:~:text=Foreign%20Minister%20Bilawal%20Bhutto%20Zardari,Pakistan%20on%206th%20May%202023.)

17 At a local level, protests in December 2022 engulfed the Gwadar project, as it is seen as a way of exploiting the resources and location of the volatile and relatively backward Balochistan province of Pakistan in the south.



Image 1 : Main Line-1 of Pakistan railway network under the CPEC

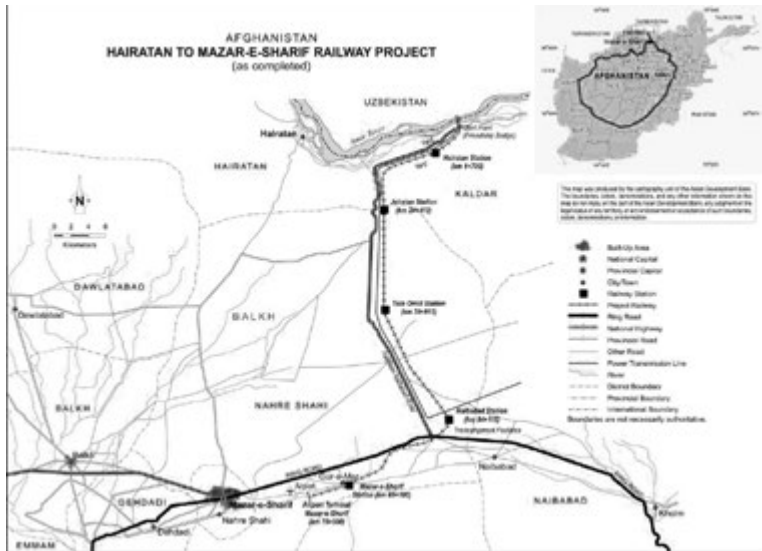


Source: Financial Times, URL: <https://www.ft.com/content/44c26d5c-97d2-4181-b5a4-9ef66ce776db>

consider the CPEC as a ‘game changer’. The CPEC precedes the BRI in conception, which was officially joined by Pakistan in 2015. Further, in January 2023, news about the long-awaited upgrade work on Mail Line-1 (ML-1) railway network and Karachi Circular Railways (KCR) in Pakistan came in. ML-1 is the largest infrastructure project under the CPEC, with an estimated cost of \$6.86 billion. It links Peshawar and Karachi, with a total length of 1687 km (see Image 1). On the other hand, the KCR (also part of the CPEC) is an inter-regional transit system, which is being constructed with an estimated cost of about \$35.5 million (Rs. 294 billion) and is likely to be completed by 2025, as work on it is being revived.

These developments open up opportunities for better connectivity in the region at large. Take for instance the railway line from Mazar-

Image 2 : Hairatan to Mazar-e-Sharif Railway Project



Source: David Hill, 2013, URL: [https://www.carecprogram.org/uploads/003\\_102\\_209\\_implement-railway-afg.pdf](https://www.carecprogram.org/uploads/003_102_209_implement-railway-afg.pdf)

e-Sharif to Hairatan in Afghanistan as a focal point (see Image 2). Funded by ADB, it is being extended to connect Turkmenistan, with an estimated cost of \$800 million and further being proposed to be linked through Kabul up to Peshawar as part of the trans-Afghan railway, financed by WB. If this gets completed, seamless railway connectivity can be maintained from Turkmenistan via Afghanistan all the way up to Peshawar. Peshawar is then connected to Karachi, including its port, through which a lot of export takes place (even for Afghanistan).

About 630 km west of the Karachi port lies the Gwadar deep sea port which has been designed to aid Chinese strategic interests in the region (see Image 3). Its first phase was completed in 2007.



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Many of the projects envisioned in the past  
are witnessing revival and are being expedited,  
with new aspects added into them.

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By April 2015, China obtained 40-year management right over it. As per plans of the BRI, railways, roads, pipelines would run from Gwadar up to the city of Kashgar in Xinjiang. China's plans have not been fructified yet in this regard. But, China had opened up the Karakoram highway by 1979, traversing through Pakistan and entering China through the Khunjreb pass. Since then, this has remained a trading route for China and Pakistan, which was engulfed into the larger BRI framework. Further, in 1995, the Quadrilateral Trade and Tariff Agreement (QTTA) was signed between Pakistan, China, Kyrgyzstan and Kazakhstan. The idea was to allow Pakistan to reach Central Asia bypassing Afghanistan. In June 2023, the first transit consignment from Pakistan was sent to Almaty, Kazakhstan, via China, as per the QTTA (see Image 4).<sup>18</sup> Pakistan and Kazakhstan also marked the start of the Silk Road Dry Port at Khunjerab pass. Similarly, Afghanistan is in talks to reopen parts of the Silk Road trade route, especially via the Wakhan Corridor with China, which is passable for only five months of the year in its present condition.<sup>19</sup> Therefore, it is clear that many of the projects envisioned in the past are witnessing revival and are

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18 Pakistan Daily, "Historic as Pakistan starts border trade with Kazakhstan via Silk Route", 4 June 2023, URL: <https://en.dailypakistan.com.pk/04-Jun-2023/historic-as-pakistan-kick-starts-border-trade-with-kazakhstan-via-silk-route>

19 Chris Devonshire-Ellis, "Afghanistan In Talks With China To Re-Establish Old Silk Road Trade Routes", Silk Road Briefing, 30 November 2022, URL: <https://www.silkroadbriefing.com/news/2022/11/30/afghanistan-in-talks-with-china-to-re-establish-old-silk-road-trade-routes/>.

Image 3 : Karachi, Gwadar and Chabahar ports



Source: <https://clarionindia.net/india-to-sign-mou-with-iran-on-strategic-chabahar-port-close-to-pak-border-during-modi-visit/>

Image 4 : QTTA



<https://twitter.com/AsfandBhattani/status/1258766102752002048/photo/1>



being expedited, with new aspects added into them. It may also be noted that beyond China gaining benefits from these passages, these routes enable to enhance linkages between Central Asia and South Asia.

Afghanistan can be seen as a crucial transit route between Central Asia and South Asia. The Afghanistan National Development Strategy 2008–2020 provided a plan to boost road and railway networks for better transport between the two regions. In this context, many examples can be cited. One is the Central Asia–South Asia Power Project (CASA-1000). It is one of the biggest energy projects in the region and aims to transmit 1300 MW surplus hydropower energy through 560 power cable columns spanning over 1250 km, from Tajikistan and Kyrgyzstan to Pakistan

**Image 5 : Lapis Lazuli Transport Corridor**



Source: Silk Road Briefing, 21 August 2022, URL: <https://www.silkroadbriefing.com/news/2022/08/21/turkmenistan-essential-for-lapis-lazuli-corridor-connectivity-international-road-transport-union/>

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The same year as the BRI was launched, India struck a deal with Iran over Chabahar port which links South Asia to Persian Gulf and Europe via Central Asia. India is keen on linking Chabahar port project to the INSTC through Armenia.

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and Afghanistan.<sup>20</sup> Another energy project is the Turkmenistan-Afghanistan-Pakistan-India (TAPI). With regards to connectivity corridors, Lapis Lazuli Corridor that links Afghanistan, Turkmenistan, Azerbaijan, Georgia and Turkey is prominent (see Image 5). Afghanistan is also part of three of the six corridors of Central Asia Regional Economic Cooperation (CAREC) corridors, namely Corridor 3 connecting Russia to the Middle East and South Asia via Afghanistan and Central Asia; Corridor 5 connecting East Asia to the Arabian Sea through Central Asia; and Corridor 6 connecting Europe to Arabian Sea Port of Gwadar, Bandar Abbas. These are multimodal corridors that enhance interlinkages in the region. In this context, the INSTC is also an important project.

In 2002, Russia, India and Iran ratified to form the North-South Transport Corridor (NSTC), a multimodal network of rail, road and shipway. Since then, as many as 10 countries (including Azerbaijan, Armenia, Belarus, Kazakhstan and others) have been drawn in to create a network of connectivity corridor linking Asia to Eurasia and beyond. This International NSTC (INSTC, see Image 7) is often projected as a counter to China's BRI. It may be noted that the same year as the BRI was launched, India struck a deal with Iran over

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20 Zabihullah Jahanmal, "Afghan Part of CASA-1000 Project 30% Completed", Tolo News, 28 March 2021, URL: <https://tolonews.com/index.php/business-171036>.



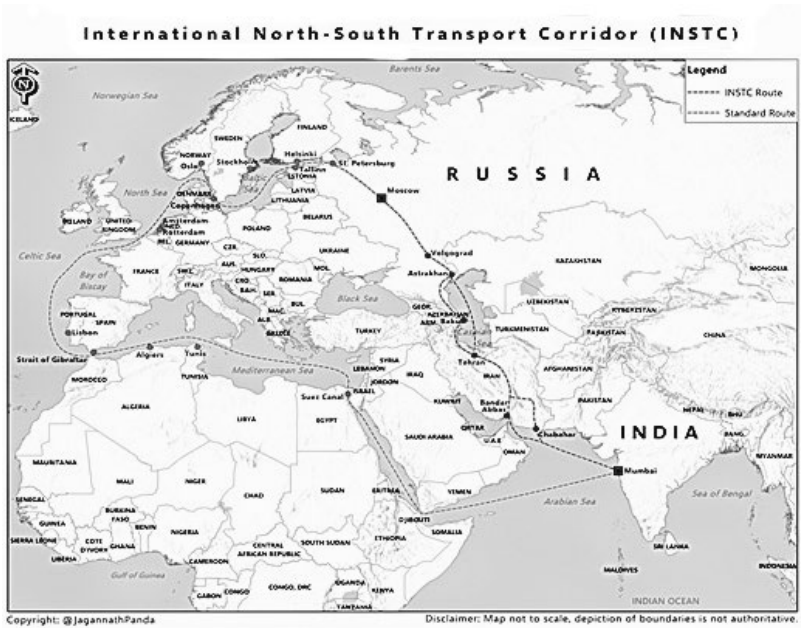


Chabahar port which links South Asia to Persian Gulf and Europe via Central Asia. India is keen on linking Chabahar port project to the INSTC through Armenia. Armenia's position is unclear on this and the difficulties are multiple.<sup>21</sup> The port's strategic importance cannot be underplayed as it lies only 72 km from Pakistan's Gwadar port (see Image 3). Further, in 2016 a trilateral agreement was signed between Iran, India and Afghanistan that aimed to set up an International Transport and Transit Corridor that enables Indian exports to reach Afghanistan bypassing Pakistan. India's infrastructure diplomacy in this context revolved around its negotiations over the plans of building two terminals of the Chabahar port, a free-trade area and the railway line to Zahedan in the Afghan border. This bore fruit when the first wheat shipment set off from Chabahar to Afghanistan in October 2017, followed by India Port Global Private Limited (IPGPL) obtaining an 18-month lease to operate the port (Shahid Behesti terminal) in February 2018. However, New Delhi has pulled out of the railway line as of now due to geopolitical complications surrounding US pressure on the country. At the same time, New Delhi has encouraged the initiation of the India-Middle East-Europe Economic Corridor (IMEC), a comprehensive transport network between EU and seven countries, namely India, the US, Saudi Arabia, the United Arab Emirates (UAE), France, Germany and Italy. This was launched on the sidelines of the G20 Summit in September 2023 and is a multimodal network that is

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21 See Yeghia Tashjian, "Armenia and India's Vision of 'North-South Corridor': A Strategy or a 'Pipe Dream'", *The Armenian Weekly*, 24 March 2021, URL: <https://armenianweekly.com/2021/03/24/armenia-and-indias-vision-of-north-south-corridor-a-strategy-or-a-pipe-dream/>.

Image 6 : International North-South Transport Corridor



Source: Panda, J. February 2023, URL: <https://isdp.eu/publication/revitalizing-instc-analyzing-geopolitical-realignments-and-the-china-factor/>

under planning as part of the Partnership for Global Infrastructure and Investment (PGII), a G-7 initiative.

Besides the projects initiated under a multi-country framework or under the BRI (which makes China a top infrastructure partner in this area), there are also other partners that may be identified in the Western front of South Asia. In Afghanistan, WB and ADB helped complete 2700 km of ring road within the country, while ADB and USAID (United States Agency for International Development) stand out in terms of overall funding. Between 2003 and 2017, the two organizations built and improved 2000 km of roads that



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New Delhi has encouraged the initiation of the India-Middle East-Europe Economic Corridor (IMEC), a comprehensive transport network between EU and seven countries, namely India, the US, Saudi Arabia, the United Arab Emirates (UAE), France, Germany and Italy.

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link five of Afghanistan's most populous cities.<sup>22</sup> In 2022, out of a cumulative commitment of \$6.9 billion by ADB in Afghanistan, 38.69% in 47 projects and 30.82% in 48 projects were invested in the infrastructure and energy sectors, respectively.<sup>23</sup> In Pakistan too, ADB has invested heavily, particularly in the energy sector, with \$10.3 million being invested in 145 projects as of 2022.<sup>24</sup> Some other partners, such as Turkey, have also shown interest in investing in Pakistan's energy sector. Another prominent partner of Pakistan is Saudi Arabia. In 2018, Riyadh announced being part of the CPEC by signing agreements over three road and energy projects in Pakistan. As a part of this, in 2019, Saudi Arabia signed a deal for developing an oil refinery in Gwadar port city with an investment of about \$20 billion, though it was later shifted to Hub area. More recently, in April 2023, Riyadh agreed to co-finance the multi-purpose Mohammed Dam project. In 2019, the UK announced financing of up to \$1.27 billion (1 billion pound) for the projects in Pakistan, while encouraging firms to invest in Pakistan, given that as per the

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22 US Embassy in Afghanistan, "U.S. Collaboration in Infrastructure Continues and Expands", 8 July 2021, URL: <https://af.usembassy.gov/u-s-collaboration-in-infrastructure-continues-and-expands/>.

23 ADB Member Fact Sheet, Afghanistan, URL: <https://www.adb.org/sites/default/files/publication/27747/afg-2022.pdf>.

24 ADB Member Fact Sheet, URL: <https://www.adb.org/sites/default/files/publication/27786/pak-2022.pdf>.

**Table 1**  
**Key infrastructure projects and partners in Western South Asia**

Country	Sectors	Sectors	Key partners	Status
<b>Afghanistan</b>	Railways	Mazar-e-Sharif to Hairatan	ADB provided \$165 million grant and the Afghanistan government contributed \$5 million. <sup>1</sup>	Operationalized in 2010
<b>Multi-country – Afghanistan, Uzbekistan and Pakistan</b>		Trans-Afghan Railway from Mazar-e-Sharif through Kabul to Peshawar	WB	Agreement signed between Uzbekistan, Afghanistan and Pakistan in February 2021. <sup>2</sup>
<b>Pakistan</b>		Main Line-1 from Peshawar to Karachi	China (under CPEC)	Work is being revived in 2023, after a hiatus.
<b>Multi-country – Turkmenistan, Afghanistan, Pakistan, India</b>	Energy	TAPI gas pipeline of 1814 km	TAPI Pipeline Company, a consortium with 85% stakes of Turkmenistan and 5% each for others	February 2018, construction of the pipeline between Afghanistan and Pakistan had begun but work has been stalled.
<b>Multi-country – Tajikistan, Kyrgyzstan, Pakistan, Afghanistan</b>		CASA-1000		Under construction

- 1 ADB, Report and Recommendation of the President of the Board of Directors: Proposed Asian Development Fund Grant to the Islamic Republic of Afghanistan for the Hairatan to Mazar-e-Sharif Railway Project, 2009, URL: <http://afghanistanembassy.org.uk/english/business-investment/infrastructure/>.
- 2 Hugh Ollard, "What's Behind the Planned Uzbekistan-Afghanistan-Pakistan Railway?", 25 February 2021, The Diplomat, URL: <https://thediplomat.com/2021/02/whats-behind-the-planned-uzbekistan-afghanistan-pakistan-railway/>.



Country	Sectors	Sectors	Key partners	Status
<b>Afghanistan</b>	Roadways	Gardez-Khost highway, longest continuous road	USAID (United States Agency for International Development)	Operational
<b>Pakistan</b>		Karakoram highway	China	Opened to public since 1979. Well maintained as it remains a trading route.
<b>Pakistan</b>	Economic (multimodal) corridor	CPEC	China	Estimated cost of about \$62 billion, of which investments worth \$25 billion is reportedly made. Many projects are lagging, including Gwadar deep-sea port.
<b>Multi-country – Afghanistan, Turkmenistan, Azerbaijan, Georgia and Turkey</b>		Lapis Lazuli Corridor		Operational in 2018
<b>Multi-country</b>		INSTC		
<b>Multi-country</b>		IMEC		
<b>Pakistan</b>		Mohammed Dam and Gwadar oil refinery	Saudi Arabia	

Source: Compiled by author

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The island countries of Sri Lanka and Maldives have proliferating infrastructure projects. However, both have often found themselves balancing between great power politics in their strides for better infrastructure.

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WB, Ease of Doing Business (EoDB) had improved in the country. After Brexit, the UK showed interest in being a ‘key partner’ of the CPEC, though there have not been any new developments on this, particularly as Pakistan itself is reeling under great economic and domestic political pressure. In Afghanistan too, it has invested in many social infrastructure projects (that fall beyond the scope of this paper).

## **SOUTHERN SOUTH ASIA**

The island countries of Sri Lanka and Maldives have proliferating infrastructure projects. However, both have often found themselves balancing between great power politics in their strides for better infrastructure. China has been a major player in this context, with both Maldives and Sri Lanka joining the BRI in 2014. In Maldives, between 2012 and 2020, Chinese EXIM Bank loans amounting to \$625.4 million have been used to build housing projects, airport development project and the Sinamale bridge, also known as the China-Maldives Friendship Bridge (see Image 7).<sup>25</sup> The largest power project in Maldives, the 5th Power Development Project, is also funded through \$79 million loan from China’s EXIM Bank.

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25 Shantanu Roy-Chaudhury, *The China Factor: Beijing’s Expanding Engagement in Sri Lanka, Maldives, Bangladesh and Myanmar*, Knowledge World, 2021.

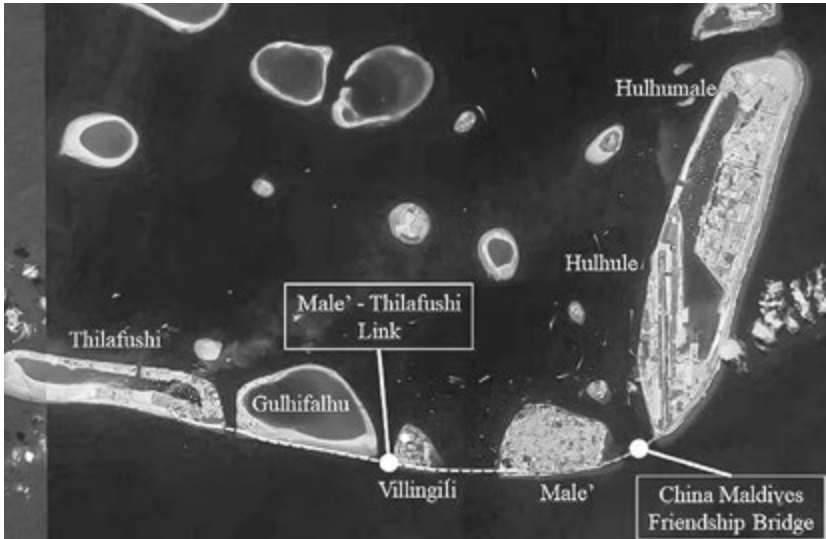


Despite criticism over some of these projects, many new agreements between China and Maldives were signed in 2019–2020 by the Solih government, reflecting on the pro-Chinese bent at the time. It is this dynamics that had allowed China to lease the Feydhoo Finolhu island from Maldives for a period of 50 years in 2016, a deal that looks similar to China’s claim over the Hambantota port in Sri Lanka (explained in the next section). Within Sri Lanka, China has invested in the Northern Road Rehabilitation Project, construction of Colombo-Katunayake Expressway with an investment of \$248 million, Lakvijaya Power Plant with a cost of \$1.3 billion, Mattala International Airport with \$190 million investment, the Colombo International Container Terminal (CICT) with \$500 million investment, etc. (see Table 2). Mahinda Rajapaksa of Sri Lanka had favored China during his tenure, both as President (2004–2015) and as Prime Minister (2018, 2019–2022). As a consequence, China gave out more loans to build the Mattala Rajapaksa International Airport in Hambantota, besides allegedly interfering in domestic politics.<sup>26</sup> However, M. Sirisena, during his tenure as the President of Sri Lanka, tried to break away from the pro-China tilt that M. Rajapaksa had preferred. With such domestic decisions, the geopolitics over infrastructure also takes varying angles. In both Maldives and Sri Lanka, India has increasingly emerged as a crucial partner in the infrastructure sector.

In Maldives, ‘India First’ has been a foreign policy effort of the President Solih government since 2018. In February 2021, apart

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26 New York Times reported that a Chinese company in Sri Lanka provided \$78 million to Rajapaksa for the Presidential elections of 2015. URL: <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>.



**Image 7 : Greater Male Connectivity Project**

Source: India Infrahub, August 2021, URL: <https://indiainfrahub.com/2021/uncategorized/maldives-largest-ever-infra-project-funded-by-india-all-you-should-know-about-the-greater-male-connectivity-project/>

from the previous development and economic assistance India provided (\$250 million soft loans, for example), five agreements were signed for improving infrastructure. It included revisiting the \$25 million LoC (Line of Credit) for road development agreement signed earlier by EXIM Bank of India. Also, to be highlighted is the point that, comparatively, much of India’s efforts at infrastructure building were oriented towards developmental infrastructure. The 2021 agreement over building the 2000 units housing project in Hulhumale and the grant of \$0.5 million for building the fishing processing plant in northern Maldives are evidence of it. Earlier, in 2020, India extended an LoC worth \$400 million and a grant of \$100 million to assist one of the country’s biggest civilian infrastructure





**Table 2**  
**Chinese projects in Sri Lanka**



PROJECTS	COORDINATES
<b>TRANSPORT</b>	
R1 Northern Roads Rehabilitation Project	A1, B1, A2
R2 Priority Roads Project - I	B2, A3
R3 Priority Roads Project - II	A1, B1, A1, B1
R4 Priority Roads Project - III	A2, A3
R5 Construction of Outer Circular Road in Sarswarambe	B1, B2
R6 Construction of Colombo - Kataragama Expressway	A2, A3
R7 Construction of Outer Circular Highway - Phase II (Kulleshwara - Kowwalyapitiya)	A2, A3
R8 Construction of Central Expressway Project - Phase I (Kulleshwara - Maligama)	A2, A3
R9 Construction of the Southern Expressway - Phase I (Galle to Mirissa)	A3
R10 Extension of the Southern Expressway - Phase I (Mirissa to Belaitiya)	A1, B1
R11 Extension of the Southern Expressway - Phase II (Belaitiya to Weligama)	B1
R12 Extension of the Southern Expressway - Phase III (Weligama to Andarawewa)	B1
R13 Extension of the Southern Expressway - Phase IV (Mirissa to Hambantota via Andarawewa)	B1
R14 Mirissa - Kataragama Railway Line Extension - Phase I (Mirissa - Belaitiya)	A3, B3
<b>ENERGY</b>	
E1 Lakvijaya Coal Power Plant	A2
E2 Murgudakanda Reservoir Headwork Project	B2
E3 Broadlands Hydropower Project	A3
E4 Thalgalla Reservoir Project	B3
E5 Natural Gas Power Plant	B3
<b>UTILITIES</b>	
T1 Thambapatsgama Water Supply Project	A2
T2 Kurumbadiya Division Sewage Disposal Project	B2
T3 Greater Kurumbadiya Water Supply and Sanitation Project	A2
T4 Katana Water Supply Project	A2
T5 Gampaha, Attonigala, Miruvagoda Integrated Water Supply Scheme	A2
T6 Waste Water Infrastructure for Greater Hambantota	B3
<b>PORTS &amp; AIRPORTS</b>	
P1 Colombo South Harbour Expansion Project	A3
P2 Hambantota Port Development Project	B3
AP1 Matla Hambantota International Airport	B3
<b>INDUSTRIES &amp; SPECIAL ECONOMIC ZONES</b>	
Z1 Colombo Port City	A3
Z2 Sri Lanka - China Logistics and Industrial Zone	B3
<b>OIL &amp; GAS</b>	
O1 Methasajewala Oil Tank Farm Project	A3
O2 Barbarking Facility and Tank Farm Project	B3
<b>RESEARCH &amp; DEVELOPMENT</b>	
RD1 China - Sri Lanka Joint Centre for Water Technology Research and Demonstration	B2
<b>COMMUNICATION</b>	
C1 Colombo Lotus Tower	A3

Source: Gateway House, <https://www.gatewayhouse.in/chinese-investments-in-sri-lanka/>

projects, the Greater Male Connectivity Project. The 6.7 km bridge and causeway under this project will connect the capital, Male, to three adjoining islands. Similarly, in Sri Lanka, after 2019, there was strengthening of ties with India on the infrastructure front. New Delhi announced an LoC worth \$400 million in 2019, aimed at strengthening the country's infrastructure development. India has had modest achievements in terms of creating infrastructure development, such as the 60,000 housing units to be built in northeastern part of the country. It is increasingly attempting to invest in the connectivity sector as well. India had signaled its interest in entering a joint venture to enable the functioning of the non-starter Mattala airport in Sri Lanka, but it has not fructified. Though the tripartite agreement to build the East Coast Terminal at Colombo port between Sri Lanka, India and Japan was reneged, the agreement to build-operate-transfer (BOT) the West Coast Terminal for a period of 35 years was signed between Sri Lanka and the companies from India and Japan in 2021.

Japan too has become a more active partner in the infrastructure sector in South Asia. Tokyo sought to strengthen Maldives's security infrastructure sector (which falls outside the scope of this paper) and has provided a grant amounting to \$57 million (800 million Japanese yen). In Sri Lanka, loans for projects such as new bridge construction action over the Kelani river in 2014, Habarana-Veyangoda Transmission Line project (2012), Bandarnaike

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Japan too has become a more active partner in  
the infrastructure sector in South Asia

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International Airport Development phase 2 (2012 and 2016), etc. have been provided by Japan.

Among multilateral partners, ADB can be identified as a major investor. It has invested in 21 transport projects and 18 energy projects in Maldives in 2022. Most of ADB's investments however are earmarked for public sector management.<sup>27</sup> Similarly, Sri Lanka has received \$3.5 million from ADB for 89 projects in the transport sector in 2022.<sup>28</sup> On the other hand, Asia Infrastructure Investment Bank (AIIB) has funded many projects in Maldives, though they are not focused on the infrastructure sector. Having said that, AIIB's approval of \$20 million for the Solar Power Development and Energy Storage Solution project may be mentioned as an example in the energy sector.<sup>29</sup>

## EASTERN SOUTH ASIA

Towards the East, major developments have taken place in the infrastructure sector, with India and Bangladesh renewing their ties over infrastructure, particularly under the BBIN framework. Bilaterally, India extended three LoCs worth \$8 billion for the development of infrastructure, like roads, railways, shipping and ports. India and Bangladesh have a protocol on inland water trade and transit that is being revived. In September 2022, during the visit of PM Sheikh Hasina to India, many key infrastructure

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27 ADB Member Fact Sheet, URL: <https://www.adb.org/sites/default/files/publication/27779/mld-2022.pdf>.

28 ADB Member Fact Sheet, URL: <https://www.adb.org/sites/default/files/publication/27797/sri-2022.pdf>.

29 AIIB, URL: <https://www.aiib.org/en/projects/details/2021/approved/Maldives-Solar-Power-Development-and-Energy-Storage-Solution.html>.

projects were taken up for discussion. Of them, the Maitree power plant in Khulna was inaugurated, with \$1.6 billion given by India in concessional terms. The Rupsha bridge, which forms a key part of the Khulna-Mongla port single-track broad-gauge rail project, was also inaugurated. Other projects included the Khulna Darshana railway link project, the Parbatipur-Kaunia railway line, among others. As a part of BBIN, Bangladesh has seen a range of projects being undertaken (see Table 3; details can be found in the section on BBIN integration). Added to this is Japan's growing interests and investment in the Bangladesh and India's North-East Region (NER). In 2012, Japanese International Cooperation Agency (JICA) provided a loan aid to Bangladesh for the Padma multipurpose bridge project and the Khulna water supply project. Japan's ODA disbursements both in the form of grant and loan have been increasing in Bangladesh in the last decade. In 2021, JICA aid surpassed that of the WB and ADB totalling to \$714.4 million (of which only some amount was for infrastructure). Some of the infrastructure projects by Japan in the last few years include the Metro Rail in Dhaka, 3rd terminal at the Shahjalal International Airport, the railway bridge over Jamuna River, Chattogram-Cox's Bazar Highway improvement project, Matarbari Port Development Project, among others. Japan has been keen on connecting projects in India and Bangladesh in addition to proposing the Bay of Bengal Industrial Growth Belt or Big B in 2014. In 2023, Japan proposed creating an industrial hub in Bangladesh, which will add to the value chains and integrate NER and Bangladesh in a seamless way, especially when Matarbari



deep-sea port is completed.<sup>30</sup> The Dhubri-Phulbari bridge being constructed by Japan is also expected to be a game changer in the region. In NEER, Japan's investments as a whole amounted to \$1.8 billion (Rs. 13,000 crores) in various projects up to 2019.<sup>31</sup> Of them, Northeast Road Network Connectivity Improvement Project spread over Assam and Meghalaya is particularly relevant.

China has had a great deal of influence in the infrastructure sector. As early as in 1986, China built the Bangladesh-China Friendship Bridge over the Buriganga River, which connects Dhaka and Munshiganj. Since then, nine such bridges have been built with Chinese assistance (or are in process).<sup>32</sup> As part of the BRI network, which Bangladesh joined in 2016, Chinese investments within the country saw an increase, reportedly going up to an approved amount of \$28 billion by 2017. China funded \$3.1 billion as loan for the Padma Bridge, the country's largest infrastructure project thus far (though there were many controversies in this context including that of corruption). The expansion of Sylhet Airport by the Beijing Urban Construction Group, building up of the Payra Sea Port, expansion and modernization of Mongla port, setting up of coal-based power plants such as Guashao, Patuakhali and Barishal are among the many projects that China has undertaken in Bangladesh. In 2022, South Korea was also seen entering the infrastructural

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30 Manoj Kumar, "Japan proposes industrial hub in Bangladesh with supply chains to India", Reuters, 11 April 2023, URL: <https://www.reuters.com/markets/emerging/japan-proposes-industrial-hub-bangladesh-with-supply-chains-india-2023-04-11/>.

31 Press Bureau of India (2019), Government of India, Ministry of Development of North Eastern Region, "Japan to invest Rs 13,000 cr in Northeast", 12 June 2019, URL: <https://pib.gov.in/newsite/PrintRelease.aspx?relid=190376>.

32 Shantanu Roy-Chaudhury, 2021.

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## Japan's growing interests and investment in the Bangladesh and India's North-East Region (NER).

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sector in Bangladesh with the opening of the Korea-Bangladesh Infrastructure Cooperation Centre (KBICC) in Dhaka. Under this, five projects were marked for collaboration, namely the Meghna bridge, Dhaka-Mymensingh highway, Dhaka circular railway, Matarbari-Madunaghat 400KV transmission line and Purbanchal New Town electrical distribution line. An analysis of this indicates the overall direction in which Korea- Bangladesh relationship is heading, led by cooperation in the infrastructure sector.

Among the multilateral partners, ADB commitments in Bangladesh were highest for the energy and infrastructure sectors, with 19.32% and 19.18% of the total \$3.3 billion invested respectively in 2022. The WB has provided \$16.3 billion for 56 projects as of 2023, as part of their developmental partnership with Bangladesh.<sup>33</sup>

Though infrastructural development in Myanmar is beyond the definitional preview of South Asia, it may be mentioned that, in May 2023, the long-delayed operation of the Sittwe port built by India as part of the Kaladan Multimodal Transit and Transport Project (KMTTP) was finally inaugurated and a shipment carrying 1000 metric tonne of cement from Kolkata port was received jointly by delegations from both countries.<sup>34</sup>

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33 The World Bank, "Bangladesh and the World Bank Celebrate 50 Years Of Strong Partnership", 1 May 2023, URL: <https://www.worldbank.org/en/news/press-release/2023/05/01/bangladesh-and-the-world-bank-celebrate-50-years-of-strong-partnership>.

34 PIB, Government of India, "Shri Sarbananda Sonowal receives the First Indian Cargo Ship at the Sittwe Port", 9 May 2023, URL: <https://pib.gov.in/newsite/pmreleases.aspx?mincode=46>.



**Table 3**  
**Some of the transport infrastructure and connectivity initiatives in Bangladesh under BBIN**

<b>Initiative</b>	<b>Significance</b>
Bangabandhu railway bridge	This is a dual gauge, double-track railway bridge over the Jamuna River, aiming to improve the rail connectivity in Bangladesh.
Haldibari-Chilahati railway line	This project is completed and has increased the number of operational railway lines between Bangladesh and India to five.
Akhura-Agartala railway link	The project is partly completed and will improve the connectivity among Northeast India, Bangladesh and rest of India.
SASEC Dhaka-Northwest Corridor Road Project	This project is to upgrade Dhaka-Northwest international trade corridor, strengthening regional connectivity and boosting regional trade between and among the BBIN countries.
Five new ports of call between Bangladesh and India under the Protocol on Inland Water Transit and Trade	Rajshahi, Sultanganj, Chilmari, Daudkandi and Bahadurabad are in Bangladesh, while Dhulian, Maia, Kolaghat, Sonamura and Jogighopa are in India. This renders 11 ports of call on each side under the protocol.
Mongla-Khulna Rail Project	The project is completed. It will strengthen railway network linking the country's second largest seaport Mongla with neighbouring countries, namely Bhutan, India and Nepal. The Rupsha railway bridge is the longest in Bangladesh.
Matarbari deep sea port	This will be the fourth port in Bangladesh and will help handle the increasing export and import requirements of the BBIN subregion. Also, it will help in decongesting the Chittagong port.

Initiative	Significance
Four ports of call with India under Bilateral Coastal Shipping Agreement	Matarbari port (Cox's Bazar) and Muktarpur port (Munshiganj) in Bangladesh, and Dhamra port (Odisha) and Kamarajar port (Chennai) in India are the ports of call on talk between the two countries. Each country has seven ports of call under the Coastal Shipping Agreement.
Asian Highways (AH) Network	Bangladesh has three AH Networks of 1741 km comprising AH1 (492 km), AH2 (517 km) and AH41 (726 km). These AH's connect Bangladesh to India and through India to Nepal.
The Padma Bridge	This 6.15-km bridge connects Bangladesh's capital city with 21 southwestern districts and is expected to boost the GDP of Bangladesh by 1.2%.
Trans-Asian Railway Network	Trans-Asian Railway Network passes through Bangladesh, connecting it with Central and Southeast Asia.

Source: CUTS International Report 2023, p. 67, updated by author

## NORTHERN SOUTH ASIA

Bhutan and Nepal can be grouped into the northern front of South Asia and studied under the BBIN framework. In this context, India's infrastructural collaborations with Bhutan, especially in the energy sector, stand out. India and Bhutan renewed their ties over infrastructure cooperation, particularly in hydropower energy, during the visit of the King of Bhutan to New Delhi in April 2023. The 1020MW Punatsangchhu-II plant that is under construction since 2010 (expected to be commissioned in 2024), revising tariff rates for power from Chhukha hydropower plant (which was commissioned in 1987 with 100% funding from India), and discussions over sale of power from the 64MW Basochhu plant were some of the points





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Unlike Bhutan, Nepal's infrastructural projects have fallen prey to geopolitical power calculations of foreign partners. In this context, the most prominent example revolves around the Millennium Challenge Corporation (MCC) of the US and the BRI of China.

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of deliberations.<sup>35</sup> Further, 1200MW Punatsangchhu-I, over which construction began in 2008, is to be completed in 2025. In 2014, India and Bhutan laid the foundation for the first joint venture model HEP in the country, i.e. the 600MW Kholongchhu project. The concession agreement was signed in 2020 and it is the seventh HEP financed by the Government of India.<sup>36</sup> In 2019, the 720MW Mangedchhu project in Central Bhutan was inaugurated by Prime Minister Modi. This has also been acknowledged for its engineering breakthrough, a sign of quality infrastructural cooperation between India and Bhutan. Besides hydropower, India has provided a grant assistance of \$2 billion for the Gyalsung Infrastructure Project, which is developmental in its orientation. It may be noted that 29.64% of the ABD investments in Bhutan are meant for the energy sector. The transport sector received an amount of \$183 million in 2022, amounting to 15.2% of the ADB investments, second only to the energy sector.<sup>37</sup>

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35 Royal Bhutanese Embassy, New Delhi, "Joint Statement on Visit of His Majesty The King of Bhutan to India", 5 April 2023, URL: <https://www.mfa.gov.bt/rbedelhi/joint-statement-on-visit-of-his-majesty-the-king-of-bhutan-to-india-03-05-april-2023/>.

36 Key Bhutan-India Development Projects, URL: [https://www.indembthimphu.gov.in/adminpart/key\\_development\\_projects\\_webpage\\_july9.pdf](https://www.indembthimphu.gov.in/adminpart/key_development_projects_webpage_july9.pdf).

37 ADB Member Fact Sheet, URL: <https://www.adb.org/sites/default/files/publication/27755/bhu-2022.pdf/>.

As far as China is concerned, Bhutan has not accepted the BRI. Even while Bhutan-China relations have been more than cordial at many levels, China's infrastructural inroads into Bhutan in terms of traditional connectivity and energy projects are limited. On the other hand, states like the US and Japan have been collaborating with Bhutan in a few cases. In 2007, Japanese Bank for International Cooperation (JBIC) provided an ODA loan to Bhutan of a rural electrification project, a first of its kind for the country.<sup>38</sup> Bhutan also is part of the South Asia Regional Initiative for Energy Integration (SARI/EI), which is funded by USAID.

Unlike Bhutan, Nepal's infrastructural projects have fallen prey to geopolitical power calculations of foreign partners. In this context, the most prominent example revolves around the Millennium Challenge Corporation (MCC) of the US and the BRI of China. The MCC, a US foreign aid agency, signed a compact with Nepal in 2014, with an aim to invest \$500 million in the education, health, agriculture, road and transport sectors, among others, in order to enable Nepal to advance its economic growth to achieve middle-income status by 2030. Of this, \$130 million is reported to be invested into the connectivity and energy sectors alone.<sup>39</sup> Not only is this the largest grant ever received by Nepal, a country which was the first in South Asia to qualify for MCC grant, but also the \$130 million that Nepal has agreed to contribute towards the programme is the "largest upfront contribution of any partner government in

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38 "JBIC Provides First ODA Loan to Bhutan", 9 May 2007, URL: [https://www2.jica.go.jp/yen\\_loan/pdf/en/5671/20070509.pdf](https://www2.jica.go.jp/yen_loan/pdf/en/5671/20070509.pdf).

39 Sohini Nayak, "The Millennium Challenge Corporation's Nepal compact finally ratified", ORF, 14 March 2022, URL: <https://www.orfonline.org/expert-speak/the-millennium-challenge-corporation-mccs-nepal-compact-finally-ratified/>.



the history of MCC”.<sup>40</sup> Yet, the MCC was not ratified until 2022. One of the main concerns was its association with the US’s Indo-Pacific Strategy (IPS). This news emanated from US official statements made in 2018. While Nepal denied any association with the IPS, within the US official statements, the MCC was compared to the BRI. Nepal meanwhile joined the BRI in 2017. In 2019, nine projects were to be pursued under the BRI in Nepal (though earlier the suggested number was 35). Xi Jinping’s visit to Nepal in 2019 was the first by a Chinese President since 1996 and was marked by signing of 20 agreements, indicating the special outreach of China to Nepal. The China-Nepal relations are also to be seen in context of Chinese influence within domestic politics in Nepal. The K.P. Shama Oli led Communist Party of Nepal-Unified Marxist Leninist (CPN-UML) has been known to be pro-China, while Pushpa Kamal Dahal (Prachanda), who has become Prime Minister for the third time in December 2022, is known to be an ardent follower of Mao. This has helped China make deeper inroads within Nepal in the last decade when largely either of the two leaders has been in power. Of the BRI projects, the Trans-Himalayan Multidimensional Connectivity Network (THMCN) is a flagship project which includes the trans-Himalayan railway connecting from Jilong/Keyrung to Kathmandu, upgrading the Araniko highway, construction of tunnel roads, among others. China has worked on installing ICP (integrated check post) in Nepal, upgrading three of the north-south corridors, namely Kosi, Gandaki and Karnali economic corridors. The Kathmadu-Pokhra-Lumbini railway line is also being constructed

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40 US Embassy in Nepal, “The MCC-Nepal Compact top ten facts”, 3 March 2022, URL: <https://np.usembassy.gov/mcc-in-nepal-top-ten-facts/>.

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In May-June 2023, the Treaty of Transit that exists between India and Nepal was revised, which, among other aspects, gives access to India's inland waterways.

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with Chinese help. Having said that, though relations with China gained particularly as a consequence of Nepal's low-lying ties with India following the 'economic blockade' in 2015, the Nepal-China equation cannot be taken for granted.

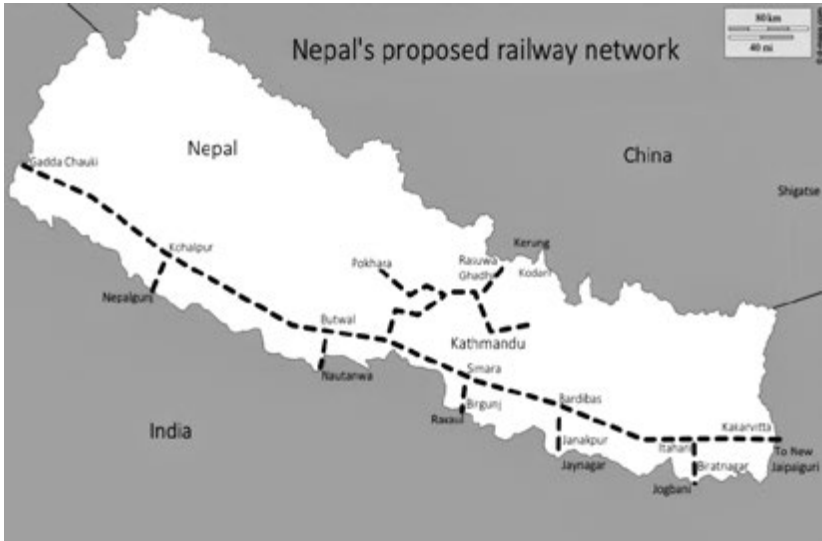
India has partnered with Nepal, particularly in the connectivity and energy sectors. During PM Prachanda's visit to India in May-June 2023, the Treaty of Transit that exists between India and Nepal was revised, which, among other aspects, gives access to India's inland waterways.<sup>41</sup> As regards rail connectivity, extension of the Jayanagar-Kurtha line to connect up to Bijalpura was handed over to the Government of Nepal, due to be operational soon (see Image 8). A cross-border freight line on the Jogbani-Biratnagar rail line has also been added, with the inaugural run taking place recently, while the final location survey report on the Raxaul-Kathmandu rail link was handed over to Nepal. With Indian grant assistance, the Rupaidiha-Nepalgung ICP was inaugurated, ground breaking ceremony of the mirror ICP in Sunauli-Bhairahawa was conducted and an MoU signed to construct another ICP at Dodhara Chandani. On energy infrastructure front, the Motihari-Amlekhgunj pipeline will be extended to Chitwan through Phase II, while an MoU to establish a new pipeline between Siliguri and Jhapa was signed

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41 Ministry of External Affairs, GoI, "Visit of Prime Minister of Nepal Rt Hon'ble Mr. Pushpa Kamal Dahal 'Prachanda' to India", 2 June 2023, URL: [https://www.mea.gov.in/press-releases.htm?dtl/36643/Visit\\_of\\_Prime\\_Minister\\_of\\_Nepal\\_Rt\\_Honble\\_Mr\\_Pushpa\\_Kamal\\_Dahal\\_Prachanda\\_to\\_India](https://www.mea.gov.in/press-releases.htm?dtl/36643/Visit_of_Prime_Minister_of_Nepal_Rt_Honble_Mr_Pushpa_Kamal_Dahal_Prachanda_to_India).



Image 8 : Nepal's proposed railway network



Source: [https://www.researchgate.net/figure/Map-of-Proposed-Railway-by-Nepal-for-OBOR-VI-WHY-IS-SITUATIONAL-ANALYSIS-REQUIRED-FOR\\_fig1\\_327525564](https://www.researchgate.net/figure/Map-of-Proposed-Railway-by-Nepal-for-OBOR-VI-WHY-IS-SITUATIONAL-ANALYSIS-REQUIRED-FOR_fig1_327525564).

during PM Dahal's India visit in May-June 2023. Additionally, an agreement for Long-Term Power Trade was finalized where India would import 10,000MW power from Nepal over ten years. India imports 452MW of power from Nepal. This is a result of the Joint Vision Statement on Power Sector Cooperation signed in April 2022, as per which India is also constructing 900MW Arun-3 hydro-electric project in Nepal. Both countries also signed an MoU for development of 480MW Phukat-Karnali project and a project development agreement to build the 669MW Lower Arun project.<sup>42</sup>

As regards the BBIN, both Bhutan and Nepal have seen crucial developments. Some of the projects under BBIN in Nepal include

<sup>42</sup> Ibid.

the Nepal Strategic Road Connectivity and Improvement Projects by the WB, facilitating water transportation in the Karnali, Narayani, Kaligandaki and Koshi Rivers, Kathmandu-Kulekhani-Hetaunda Tunnel Road, upgrading four important trade routes into six-lane highways, upgrading the Kathmandu-Kolhu-Trishuli-Syabrubesi-Rasuwegadhi corridor, among others.<sup>43</sup> Amongst Nepal's multilateral partners, the ADB has provided a great amount of funding, the highest going into the energy sector, with 75 projects obtaining 20.65% of the cumulative investments, in 2022. Transport sector, with 72 projects and 18.90% of total investments, remains second. Similarly, in 2019, the AIIB approved a loan of up to \$90 million for the Upper Trishuli-1 Hydropower Project, the AIIB's first project in Nepal. It has also provided \$0.9 million for the proposed Tamakoshi V Hydroelectric Project and \$1 million for the proposed Power Distribution System Upgrade and Expansion Project from its Project Preparation Special Fund.<sup>44</sup>

In Bhutan, the construction of the mini dry port in Phuentsholing, the dry port at Pasakha, the SASEC road connectivity projects such as the 68.3 km road along the Southern East-West Highway and 1.2 km access road from border crossing point near Pasakha, fast-tracking of projects such as the Mujnai-Nyoenpaling rail line, studies of Kokhrajhar to Gelepu, Pathsala to Nanglam and Rangiya to Samdrup Jhonkar rail lines are some of the projects that are underway. There is also an attempt to improve the air connectivity transport system in Bhutan, besides promoting regional connectivity through trade

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43 CUPS International Report, 2023, p. 70.

44 AIIB, URL: <https://www.aiib.org/en/news-events/news/2019/AIIB-Approves-First-Investment-in-Nepal.html>.



facilitation and logistics projects, especially in Phuentsholing area close to the Indian border. Within the BBIN framework, Bangladesh has partnered with Bhutan over infrastructural projects, largely in relation to the energy sector. In June 2023, India, Nepal and Bangladesh have finalized the draft of a power-sharing agreement, which will allow trading power through the Indian grid.<sup>45</sup>

## CENTRAL SOUTH ASIA

While the India factor as a cause of infrastructural build up in South Asia has been discussed in details in the next section of this paper, it is important to note that due to a boom in infrastructure at a domestic level, there is an increase in scope for India's infrastructure diplomacy with external partners. A most meaningful case is that of Japan in India. The High-Speed Railway (HSR) project in India, i.e. the bullet train project from Mumbai to Ahmedabad (see Image 10), is being built by Japanese International Cooperation Agency (JICA), which has provided an ODA loan covering 81% of the cost. The first tranche was sanctioned in 2018,<sup>46</sup> with a 0.5% interest rate to be paid over 50 years. Japan has invested heavily in the infrastructure development of the North-East Region (NER) as well. It has announced \$1.8 billion (Rs. 13,000 crores) in loan for various development projects, of which the Northeast Road Network Connectivity Improvement Project (in Assam and Meghalaya) falls

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45 Rezaul H. Laskar, "India, Nepal, Bangladesh finalise tripartite power trade agreement draft", *Hindustan Times*, 15 June 2023, URL: <https://www.hindustantimes.com/india-news/india-nepal-bangladesh-finalise-tripartite-power-trade-agreement-draft-101686842536062.html>.

46 Japan International Cooperation Agency, "JICA Supports Project for the Mumbai-Ahmedabad High-Speed Rail by Providing an ODA loan of INR 5,500 Crore as Tranche 1" Press Release, 28 September 2018, URL: [https://www.jica.go.jp/india/english/office/topics/press180928\\_01.html](https://www.jica.go.jp/india/english/office/topics/press180928_01.html).

Image 9 : Road network in Bhutan



Source: <https://dlca.logcluster.org/23-bhutan-road-network>

within context of this study.<sup>47</sup> Of the other partners, Singapore and the UAE have also found some space in the infrastructure sector within India. While Singapore emerged as the largest investor in India in terms of FDI in FY23, the UAE stands at the fourth place. The latter has investments mainly in sectors like sea transport, power and construction activities. Singapore on the other hand agreed to help build the Master Plan Guwahati 2025 and a skill

<sup>47</sup> Japan International Cooperation Agency, "JICA Extends ODA Loan of INR 980 Crore for the North East Road Network Connectivity Improvement Project (Phase 4)", Press Release, 27 March 2020, URL: [https://www.jica.go.jp/india/english/office/topics/press200327\\_08.html](https://www.jica.go.jp/india/english/office/topics/press200327_08.html), JICA 2020.





development centre in the city, while the name of New Delhi Railway Redevelopment Project Stage 2 is listed in the investment plans, among others.

As regards India's multilateral partners, ADB has made a cumulative investment of \$60.6 million in 2022 in India. 33% of this, amounting to \$20.2 million, has gone into the transport sector and 24.6%, amounting to \$14.9 million, has gone into the energy sector.<sup>48</sup> AIIB has also partnered over some infrastructure projects in India. The Chennai Metro Rail Phase 2 project, Chennai Peripheral Ring Road (section 2 and 3), Assam Secondary Road Network Improvement Project are to name a few.<sup>49</sup>

Among the Western partners, India and the EU signed the EU-India Connectivity Partnership in May 2021. It is based on the need to provide a sustainable, transparent, viable and rule-based notion of connectivity. This is being read as an alternative to the BRI in the Indo-Pacific, as it aligns with the "larger European pivot towards Asia, conceptualized in the EU Indo-Pacific strategy released in April 2021".<sup>50</sup> While projects under it are still being identified, a sum of \$85.7 billion (79 billion euros) has been allocated by the European Commission to the Neighbourhood Development and International Cooperation Instrument (NDICI) for the period 2021–2027. It may be noted here that though this partnership is not limited to the connectivity or energy sector alone (as is the main focus of this

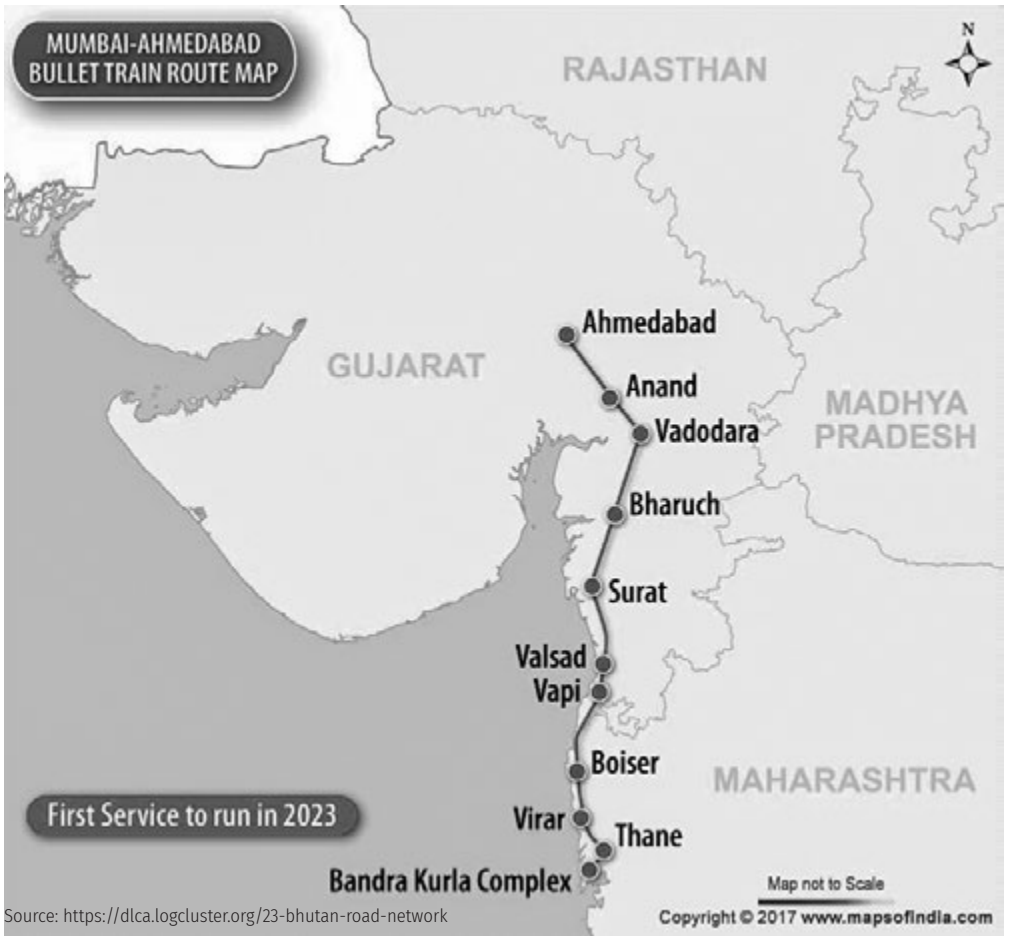
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48 ADB Member Fact Sheet, URL: <https://www.adb.org/sites/default/files/publication/27768/ind-2022.pdf>.

49 AIIB, URL: [https://www.aiib.org/en/projects/list/year/All/member/India/sector/All/project\\_type/All/financing\\_type/All/status/Approved](https://www.aiib.org/en/projects/list/year/All/member/India/sector/All/project_type/All/financing_type/All/status/Approved).

50 Andrea Moreschi, "The EU-India Connectivity Partnership: Can Brussels step up its connectivity game in the Indo-Pacific?", ORF, 16 September 2021, URL: <https://www.orfonline.org/expert-speak/the-eu-india-connectivity-partnership/>.

Image 10 : Mumbai-Ahmedabad Bullet Train Route Map



paper), it underlines the importance of infrastructure in the overall relationship between the EU and India, as both define the bilateral ties as strategic in nature.

## CAUSES OF INCREASED INFRASTRUCTURE BUILDING IN SOUTH ASIA



The above section provides a data-based perspective on infrastructure projects in South Asia. As is evident, not only has infrastructure projects increasingly become part of inter-state relations in South Asia in the last decade, but there are visible causes that can be underlined. This section explicates some of those causes in details. Two causes have been described as push factors, namely the India factor and the infrastructure gap in South Asia, whereas other two factors have been explained as pull factors, namely the China factor and the multilateral agendas on infrastructure.

### *Push factors as cause*

## INDIA FACTOR

In January 2020, speaking at the Raisina Dialogue, India's Foreign Minister S. Jaishankar remarked, 'India is a prisoner of its past' when it comes to assessing its performance and commitments in the infrastructure and connectivity sectors. However, he insisted that things have been different in recent times, and commented, "We have by my estimate 142 connectivity projects in different parts of

the world. Of which 53 have been completed in the last five years.”<sup>51</sup> This statement is reflective of India’s increased engagement in the field of infrastructure and brings out the expanding scope of India’s infrastructure diplomacy in turn. As the biggest and the central country in South Asia, investing in infrastructure development and pursuing connectivity as a foreign policy goal have helped boost overall linkages in South Asia as a region. Having said that, here too, there are internal and external causes that have led to this boost, each of which can be read as push and pull factors for India.

Many infrastructure projects and initiatives have been rolled out in the last decade with a view to improve India’s position as a robust country to do business with<sup>52</sup> and as a state where infrastructure diplomacy is being pushed as a policy. But at the domestic level, India’s infrastructure story began much earlier in the early 2000s. In 2003 for instance, Atal Bihari Vajpayee envisioned the now known Sagarmala programme as a maritime corollary of the Golden Quadrilateral Project (GQP), which was launched in 1999. The GQP aimed to improve the country’s road and highway sectors along four metro cities, namely Delhi, Mumbai, Kolkata and Chennai. The GQP has been subsumed under the Bharatmala project. The Sagarmala on the other hand has done well to modernize port

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51 Ministry of External Affairs, “External Affairs Minister in Conversation at Raisina Dialogue 2020: The India Way”, 16 January 2020, URL: <https://www.mea.gov.in/interviews.htm?dtl/32305>.

52 India’s ranking, as per the Ease of Doing Business (EoDB) report of the World Bank, jumped to 63rd position among 190 countries in 2020. This is a leap of 79 position from 2015 to 2019, most of which is attributed to India’s image worldwide as a result of proactive diplomacy and its improved infrastructure provisions. On the other hand, a US-based law firm, Wilmer Hale, has noted in an independent study that China has sought to manipulate its EoDB ranking that would otherwise bring it down from 78th to 85th position in the World Bank chart in 2017. As a consequence, the WB has decided to scrap publication of its EoDB report by September 2021.



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The National Infrastructure Pipeline (NIP) report released in 2020 aims to invest approximately \$13 billion (Rs. 102 trillion) within the next five years, spread across the country. Within this, there are many projects that are aimed particularly at improving connectivity infrastructure of railways, highways, roadways and waterways.

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connectivity and inland water transportation system in India with a total of 121 projects completed as of September 2019.<sup>53</sup> The National Infrastructure Pipeline (NIP) report released in 2020 aims to invest approximately \$13 billion (Rs. 102 trillion) within the next five years, spread across the country.<sup>54</sup> Within this, there are many projects that are aimed particularly at improving connectivity infrastructure of railways, highways, roadways and waterways. The push for greater focus and large investments at that time was provided by India's own desire to be proactive in international engagements over the ideas of connectivity, physical linkages, growing energy needs, enhanced people-to-people contact and so on, as a result of the changes that were taking place. The pull on the other hand was provided by states such as Japan, Russia, the US, China and others, as well as by opportunities provided by multilateral forum and initiatives as a result of India's growing role in the region. While the push resulted into the implementation of various schemes and programmes for improvement of India's transport and connectivity sectors at home, the pull led India to partner with other countries

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53 Ministry of Ports and Shipping, Government of India, Sagarmala, URL: <http://sagarmala.gov.in/projects/projects-under-sagarmala>.

54 Ministry of Commerce and Industry, Government of India, National Infrastructure Pipeline Report, 2021.

with a view to find an alternative to China's aggressive growth in the same direction.

India's Look East Policy (LEP) was put in place in 1992 and sought to foster ties with its eastern neighbourhood. Yet, connecting to the East meant improving the gateway to that direction. India's NER was seen as the gateway that needed much attention. The ensuing development initiatives at a domestic level in NER are heavily attributed to India's international requirement and pursuance of its foreign policy goals. In 2005, the Department of Development of North Eastern Region was made into a separate ministry of DoNER. A range of activities began to take place thereafter, with focus remaining on improving the infrastructure of the region and removing connectivity bottlenecks in NER with both within and outside the country. For internal connectivity, the same year a feasibility study was made for projects under the North-Eastern State Road Investment Programme (NESRIP), later renamed as the North-East Sector Development Scheme. This led to plans for upgrading NH7 that has been assisted by funding from the ADB, recent being the \$400 million sanctioned through two tranches. By 2008, the NER Vision Document was released. It is essentially dotted with plans to improve NER connectivity by building and upgrading the roads, railways, airways and bridges. By 2019, 21 externally aided infrastructures as well as development projects were planned for the NER funded by various multilateral agencies.<sup>55</sup> These are some of the many examples that show the extent to which infrastructure as a variable in domestic policy became

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55 Ibid.



vital for providing thrust to increase engagements with India's neighbourhood, including the ASEAN region.

The catalyst to a spurt of infrastructure projects however came about as a result of the revamping of the LEP into the Act East Policy (AEP) in 2014 by the Narendra Modi government. Recognizing the need for diplomacy to spread beyond the traditional Track 1 mode, the Indian government encouraged interactions and collaboration at the B2B (business to business, i.e. Track 3 as per the Institute for Multi-Track Diplomacy) and P2P (people to people or between private citizen, i.e. Track 4) levels. This witnessed boost in economic activities such as emergence of small and medium enterprises (SME) by people who undertook local trade with neighbouring states. The usher of economic diplomacy in the 1990s and 2000s and the various economic activities thereon were however mired in hurdles. Most certainly, the lack of better infrastructure and connectivity was at the core of it. This means that the gap between geographical proximity and time proximity had to be reduced by ensuring avenues of better transportation at the least. Further, the abundant local resources (hydropower, coal and products such as those from a bamboo industry) of the NER were underutilized. This problem was taken seriously and many options considered to deal with it. The UDAN (*Ude Desh ka Aam Nagarik*) scheme launched in 2016 was a step taken at promoting India's regional connectivity scheme (RCS). At the India-Bangladesh Stakeholder's meet in 2019, for instance, the Indian Ministry of Civil Aviation and the state governments announced to start international flights on six routes to ensure better connectivity from the NER, namely Guwahati-Dhaka, Guwahati-Bangkok, Guwahati-Kuala Lumpur, Guwahati-

Kathmandu, Guwahati-Hanoi and Guwahati-Yangon. Earlier, in December 2017, the North East Special Infrastructure Development Scheme (NESIDS) was approved to deal with the needs of social and physical infrastructure. As recent events show, the NER has emerged as a hub of investment and attention, much like Yunnan in the early 1990s.

Since India's attempt at reviving the SAARC grouping in 2014, there were questions about the overpowering image of the country, thus far seen as a 'big brother', among the smaller states like Nepal and Bhutan. Here, it may be argued that India made attempts to counter a negative and intimidating image of itself through recourse to infrastructure diplomacy, among others. At the 18th SAARC Summit in Kathmandu, India had proposed the idea of the Motors Vehicles' Act (MVA) under the BBIN sub-regional framework. It finds its origin in the South Asian Growth Quadrangle (SAGQ) of 1997 when the four countries decided to have a common goal of overcoming infrastructural gaps, develop economic and industrial linkages, focus on commonalities of the sub-region and find ways to accelerate growth. The BBIN today seeks to have functional transport corridors that can be eventually transformed into economic corridors. In this context, India's role is crucial (as examples in this paper reflect).

If India's engagement with its East is stretched beyond BBIN, Myanmar becomes another case where India's outreach through infrastructure building is more serious today than in the past. At a sub-regional level, in 1999, the Kunming Initiative, led to the Bangladesh-China-India-Myanmar (BCIM) Regional Cooperation





Image 11 : Kaladan Multimodal Transit and Transport Project



Source: <https://theprint.in/diplomacy/110-km-road-is-final-challenge-for-long-delayed-india-myanmar-kaladan-connectivity-project/629247/>

Forum commenced as a Track 2 diplomatic forum. This was also the time when the Greater Mekong Sub-region (GMS) Economic Cooperation Programme supported by the ADB was doing well with its various connectivity and infrastructure development initiatives launched in 1992. In this backdrop, India wished to be regionally involved in development and regional connectivity initiatives. While on the Myanmar side the Department of Trade as a Track 1 mode represented the country at the BCIM Regional Cooperation Forum, for India it was the Centre for Policy Research (CPR) that was involved. Further, with Myanmar, the KMTTP (see Image 11) and the Trilateral Highway (TLH) are crucial projects. The former finds mention at the beginning of this paper. As regards the latter, this multilateral initiative aims to connect Manipur's Moreh town

in India to Mae Sot in Thailand via Myanmar.<sup>56</sup> The total cost of it is estimated at \$140 million. In 2012, India is reported to have provided \$500 million loan to Myanmar. Additionally, there are two routes to reach Thailand, one via Mandalay and the other bypassing it. Part of the former aligns with the friendship road from Moreh to Tamu to Kalewa. Since then, the 101-km Kalewa-Yargi section of it has been under poor condition. India has agreed to invest \$11 million to upgrade it into a four-lane highway. At the same time, there are 69 bridges (out of total 70) on the TLH route that are in need of betterment. India has agreed to help.

While India's Look West Policy was a need of the hour few years ago, it can be argued that when India began to sincerely improve its foreign policy towards its Western neighbourhood, it was done so by focusing on the common demand for infrastructure (whether for transportation of energy resources or for better avenues for trade in goods) and connectivity between the many countries. A recent example is the US-UAE-Saudi Arabia-India joint railway project agreed upon in May 2023, under the I2U2 (India, Israel, the US and the UAE) framework. This would connect the Gulf and Arab countries via railway line and India via shipping lane. To be noted is the fact that this agreement was signed at the level of the National Security Advisor, which is also indicative of the importance of infrastructure building for geopolitical and geo-strategic purposes.

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56 for update and details, see ADB report 2018.



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While India's Look West Policy was a need of the hour few years ago, it can be argued that when India began to sincerely improve its foreign policy towards its Western neighbourhood, it was done so by focusing on the common demand for infrastructure (whether for transportation of energy resources or for better avenues for trade in goods) and connectivity between the many countries. A recent example is the US-UAE-Saudi Arabia-India joint railway project agreed upon in May 2023.

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## INCREASED INFRASTRUCTURE GAPS AND NEEDS

In the 2000s, there existed only one rail link between India and Bangladesh. In the 1960s, there were about a dozen of them, most of which hampered by the partition of East Pakistan in 1971.<sup>57</sup> The integration level within countries in South Asia is far less than in many regions of the world. It is said to be easier to fly from Dubai to Bangkok than that from Nepal and Pakistan where no direct flight exists. Until 2017, only one non-stop link existed between Delhi and Dhaka.<sup>58</sup> These were major problems of connectivity within South Asia, a gap that still needs narrowing.

As economies develop, there is a need to build its capacity and infrastructure to sustain its growth. This goes for all countries. Three reports on infrastructure can be examined to understand the needs and gaps in the sector. First, a global perspective on infrastructure gap is provided through the McKinsey Global Institute's 2016 report

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57 Constantino Xavier, "Sambandh as Strategy", Policy Brief, Brookings India, 2020.

58 Ibid.

titled ‘Bridging Global Infrastructure Gaps’<sup>59</sup>. It states that the world needs \$3.3 trillion annual infrastructure investments to meet estimated growth projections by 2030. However, notwithstanding the already accumulated backlog, there is a shortfall of \$350 billion annually. This report suggests that the global infrastructure gap is large and investments needed are increasing. Second, in 2017, the report of ADB titled ‘Meeting Asia’s Infrastructure Needs’ examines developing Asia’s infrastructure requirements for the period 2016–2030. It estimates that 45 countries in Asia will need overall \$26 trillion or \$1.7 trillion annual investment (climate adjusted estimate) to meet its infrastructure gap. Of this, \$14.7 billion, i.e. 56%, and \$8.3 billion, i.e. 31.9%, of the investments have to go into the power and transport sectors respectively. By GDP calculations, South Asia will need to invest 8.8% in infrastructure alone.<sup>60</sup> This report suggests that in Asia there is a wide infrastructure gap found in many states, which have become a bottleneck for regional development, which is being addressed slowly. At the same time, a look at a third report by Oxford Economics and Global Infrastructure Hub (a G20 initiative) titled ‘Global Infrastructure Outlook’, published in 2017, reveals that despite the fact that Asia has the largest overall needs for infrastructure, i.e. 54% by 2040, amounting to \$51 trillion, the region is estimated to have a relatively smaller gap of \$4.6 trillion, compared to the Americas and Africa.<sup>61</sup> The US,

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59 Woetzel, J., Nicklas, G. et al., “Bridging Global Infrastructure Gaps”, McKinsey Global Institute, June 2016 URL: <https://www.mckinsey.com/-/media/mckinsey/business%20functions/operations/our%20insights/bridging%20global%20infrastructure%20gaps/bridging-global-infrastructure-gaps-full-report-june-2016.pdf>.

60 Asian Development Bank, “Meeting Asia’s Infrastructure Needs”, 2017, URL: <https://www.adb.org/publications/asia-infrastructure-needs>. Ibid. p. 9.

61 Global Infrastructure Outlook, 2017, URL: <https://outlook.gihub.org/>.



China, India and Japan combined accounts for more than half of the global infrastructure needs, i.e. three countries in Asia alone have a huge requirement for infrastructure. Moreover, if infrastructure gap reduces in Asia, this means that there have been more investments in the region. This suggests that particularly China, India and Japan have taken steps to mitigate this gap, a point which is also reflected in this paper.

**Table 4**  
**Forecast of infrastructure needs and gaps by 2040**

Country	Investment current trends	Investment needed	Investment gap
<b>Afghanistan</b>	NA	NA	NA
<b>Bangladesh</b>	\$417 billion	\$608 billion	\$192 billion
<b>Bhutan</b>	NA	NA	NA
<b>India</b>	\$3.5 trillion	\$4.3 trillion	\$526 billion
<b>Maldives</b>	NA	NA	NA
<b>Nepal</b>	NA	NA	NA
<b>Pakistan</b>	\$355 billion	\$480 billion	\$124 billion
<b>Sri Lanka</b>	NA	NA	NA
<b>Global (57 countries)</b>	\$79 trillion	\$94 trillion	\$15 trillion

Source: Compiled by author as per data in Global Infrastructure Outlook  
NA= not available

When put together, these data available reflect on an urgent need to invest in infrastructure. This is a reason why countries have started looking at infrastructure as a part of their policy agendas, both domestically and internationally. Interestingly, China has one of the largest infrastructure demands for the future, and at the same time is also leading in mitigating infrastructure gap in Asia.<sup>62</sup> The

62 ADB, 2017.

China factor (as explained below) is therefore a cause of spurt of infrastructure building in South Asia and beyond. Similarly, the India factor plays a role in the South Asian context. In both these cases, the need to fill the infrastructure gap, as these economies rise, is in turn responsible for increased investments in infrastructure, so as to sustain developmental goal. Look at India's growing push factor, as a reason for investing in infrastructure. Here, the Pradhan Mantri Gram Sadak Yojna (PMGSY), a rural road programme of the central government to provide all weathered roads in remote parts of the country, can be examined. Studies have found that PMGSY has led to reduction of poverty in the connected districts "by enabling a transition of employment from low-paying agriculture to construction and, to a limited extent, manufacturing".<sup>63</sup> This not only fulfils India's need for last mile connectivity but also enables it to take care of its social and developmental demands. A corollary of this in Sri Lanka is the *Maga Neguma* plan for developing rural roads, a plan that was drawn up in Sri Lanka working towards a post-conflict development scenario. In 2009–2010, investments in roads, railways and power and energy sector were given priority as it was noted that improved infrastructure is "necessary not only to bolster the medium to long-term economic growth prospects in the country, but also as a short-term palliative to develop and improve livelihood opportunities in the North and East (N&E) of the country".<sup>64</sup> This need and effort also drew foreign investments in form for FDI, ODA loans and grants from ADB, WB, China and India, in particular. In 2009, Sri Lanka's foreign financing reached above \$2.2 billion, 75% of which went into infrastructure development

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63 Ibid. p. 9.

64 "Sri Lanka: State of Economy 2010, Post-Conflict Economic Development Challenges", Institute of Policy Studies of Sri Lanka.



such as ports, roads and bridges.<sup>65</sup> A list of expected foreign assistance is given in Table 5.

**Table 5**  
**Expected External Assistance for Selected Sectors in N&E Sri Lanka: 2010-2011**

<b>Sector</b>	<b>Donor</b>	<b>Amount in US\$ in million</b>	<b>Province</b>
<b>Roads</b>	China	423	North
	EDCF/Korea	102	North
	World Bank	40	N&E
	ADB	154	N/NCP
	JICA	43	East
<b>Railways</b>	India	733	North
<b>Energy</b>	ADB	90	East
<b>Water &amp; Sanitation</b>	Australia	119	East
<b>Water &amp; Sanitation</b>	JICA	53	East
<b>Water &amp; Sanitation</b>	ADB	90	North
<b>Health</b>	India	1	North
	JICA	25	North
<b>Education</b>	India	2	East
	KOICA/Korea	2	East
	KOICA/Korea	2	East

Source: Ministry of Finance and Planning, Annual Report 2009

65 Ibid.

It is noted that states with better connections to the global network of data, trade, finance and people grow 40% more than those that are less connected.<sup>66</sup> This need for integration and connection therefore becomes a reason for building infrastructure. When trade ties grow with any country, the need for better connectivity and infrastructure also grows. Here, the case of Nepal is suitable. Its engagements with China as well as BBIN show that Nepal's location as a land-locked country has spurred infrastructure projects within and outside the country. One of the reasons for Nepal signing the Treaty of Transit with China was to be able to import petroleum from Kazakhstan via a pipeline in China to meet 30% of its needs. However, since this idea has not done well, when situation with India improved, the usual routes were adopted for oil imports. In Nepal's ties with Bangladesh, India becomes a transit route for transmission of energy and goods from Nepal. Such reasons mean there has to be investments in infrastructural developments, especially in border areas and integrated multimodal logistic hubs, something that Nepal has taken seriously. India and Nepal have opened three integrated check posts and renewed its Transit Agreement in 2023. In some cases, however, political motivations have interfered in place of actual demand or need for infrastructure. In Sri Lanka, the Mattala Airport approved by Mahinda Rajapaksa's government is a well-known white elephant for the country. Similarly, many projects of the CPEC in Balochistan province of Pakistan is seen as benefitting China than an economically torn Pakistan, which is

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66 Manyika et al. (2014), "Global flows in a digital age: How trade, finance, people, and data connect the world economy", McKinsey Global Institute, April 2014, URL: <https://www.mckinsey.com/-/media/McKinsey/Featured%20Insights/Globalization/Global%20flows%20in%20a%20digital%20age/MGI%20Global%20flows%20in%20a%20digital%20age%20Executive%20summary.pdf>.





struggling with high interest rates of Chinese loans. In any case, the need and demand for infrastructure investment is a cause of growing geopolitics of infrastructure in South Asia, as it also gives leverages to the country that builds it.

*Pull factors as cause*

## CHINA FACTOR

The BRI put China on the global map in one stroke of exceptionalism and made it an infrastructure giant over a span of few years. What China managed to do through the BRI is to bring the scattered infrastructure investments and projects it already had into a more tight-knit mega vision (at least in appearance). This has catapulted infrastructure and connectivity issue into the agenda of foreign policies and IR studies. When the BRI was globally known as the One Belt One Road (OBOR), many expected it to be akin to the Marshall Plan. As history shows, one way in which China was humiliated during colonial times was by other states taking control of their trading ports, something that was considered as critical infrastructure.<sup>67</sup> Consequently, as a part of its aim to return to its past glory, China began to focus on infrastructure, especially in the physical connectivity sector. Today, the BRI has emerged as a geopolitical tool at its disposal, a means to acquire more power through influence. With as many as 100 ports owned by China in 63

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67 For instance, after the defeat of China in the Opium War of 1839, when Hong Kong was ceded to the British, the latter gained further economic control by trading through many of the ports. Similarly, over time, many European countries had concessions and trading rights in about 80 ports and towns. See Norman Lowe, 2013:420-21.

countries,<sup>68</sup> Beijing has reportedly invested \$3 trillion in various BRI projects, spanning over 150 states.<sup>69</sup> The evident problem is, China's projection of the BRI as a 'win-win' deal for all has not worked well. In fact, it has catalyzed an unprecedented great power race for infrastructure and connectivity building in many parts of the world, especially around the Indian Ocean. Given that the 'string of pearls' theory, gained further attention over the last decade, China's presence around South Asia has increasingly become a concern for various reasons. Be it because of the ports of Gwadar in Pakistan, Hambantota in Sri Lanka, Chittagong and Pyara in Bangladesh, Kyaukpyu in Myanmar, or the laying down of highways and railways to create economic corridors, many states have had to find responses to China's presence in the region. China begun to channelize the money and material available as a result of overcapacity in the steel and cement industry within the country in the 1990s, by offering to build infrastructure projects outside of it. Interestingly, this also led to the term 'cement diplomacy' being used. There is no doubt that such exports provided a thrust or the economic capacity for China to introduce the OBOR in 2013. As Chinese forays into the

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68 Matthew Rochat, "China's Growing Dominance in Maritime Shipping", *The Diplomat*, URL: <https://thediplomat.com/2021/12/chinas-growing-dominance-in-maritime-shipping/>.

69 Ibid.

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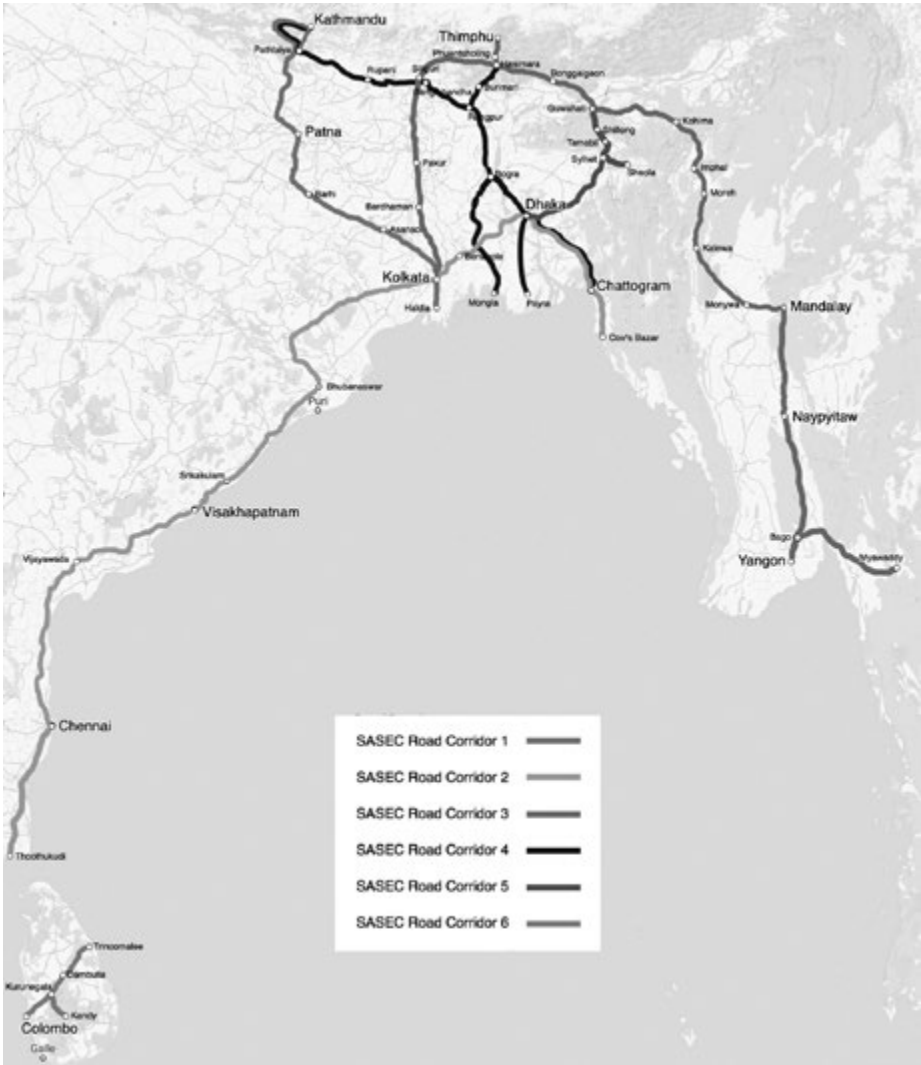


infrastructure sector got aggressive, so did the need to balance the China's moves in the region. As a consequence, there has been a spurt of infrastructure growth. (Details on the China factor can be read throughout the paper.)

## **MULTILATERAL AGENDAS**

Just as infrastructure has emerged as a policy agenda at a bilateral level, it has also gained space at a multilateral level. In South Asia, attention on infrastructure can be seen within efforts such as the South Asia Growth Quadrangle (SAGQ) formed between BBIN states as early as 1996. Though the main focus was on trade and economic integration at the time, the need to enhance infrastructural capacity was felt by all. In 2001, the South Asia Sub-regional Economic Cooperation (SASEC) was set up as a programme between South Asian states (except Pakistan and Afghanistan) in a project-based partnership to improve connectivity, boost trade and strengthen regional integration. Transport (see Images 12 and 13) and energy sectors were identified among the priority sectors of investments. Such efforts led to the launch of a SAARC Regional Multimodal Transport Study in 2006, which was earlier largely promoted by the United Nations' Economic & Social Council for Asia Pacific (ESCAP). As a result, the SAARC corridors have been identified and work has taken place along these plans. By 2014, the SAGQ was turned into the BBIN with focus on building connectivity and physical infrastructure. As seen from various examples in this paper, the BBIN states have witnessed a growth in the number of infrastructure projects in the last decade.

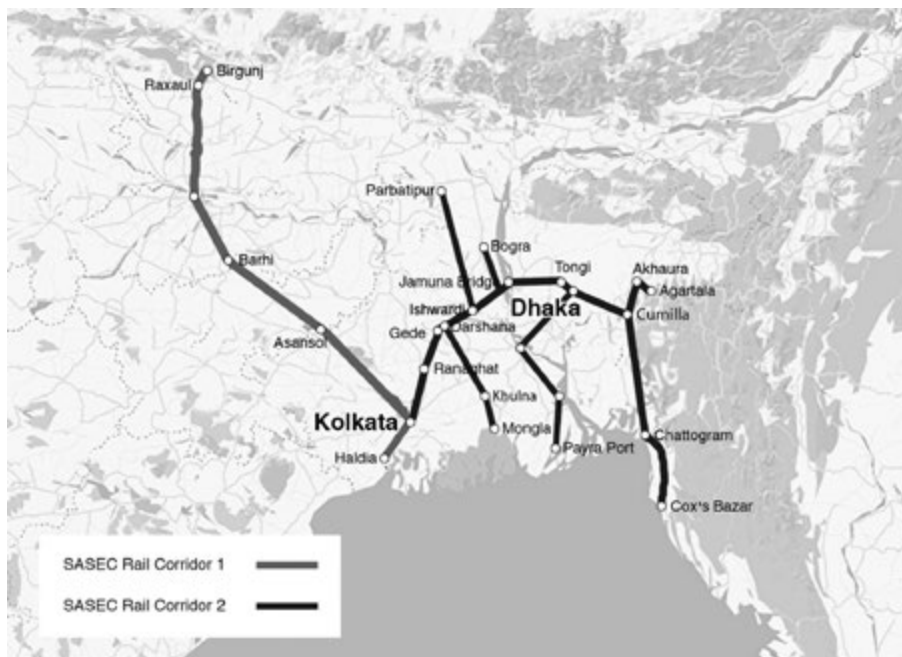
Image 12 : SASEC Road Corridors



Source: ADB, <https://www.adb.org/sites/default/files/institutional-document/551061/sasec-operational-plan-2016-2025-update.pdf>



Image 13 : SASEC Rail Corridors



Source: ADB, <https://www.adb.org/sites/default/files/institutional-document/551061/sasec-operational-plan-2016-2025-update.pdf>

Meanwhile, other regional forums also picked up the trend on including connectivity as an agenda for better cooperation and integration. The Master Plan for ASEAN Connectivity adopted in 2010 is a case in point. As of 2016, 39 initiatives had been completed, 18 of which were related to physical infrastructure.<sup>70</sup> This was upgraded into the MPAC 2025. New initiatives were outlined under this and its vision was made wider in scope, among other reasons, because there was an increase in “the need for infrastructure

70 Master Plan on ASEAN Connectivity 2025, URL: [https://asean.org/wp-content/uploads/2021/08/8\\_compressed.pdf](https://asean.org/wp-content/uploads/2021/08/8_compressed.pdf).

spending to more than double from historical levels”.<sup>71</sup> As a result, there has been good progress on the Asian Highway Network that links all ASEAN member states with neighboring countries, many of which benefit from better connectivity with South Asia. Similarly, the BIMSTEC Master Plan for Transport Connectivity points towards the increase in number of project cooperation among states in South and Southeast Asia. 179 projects have been ongoing in the transport infrastructure sector with an estimated cost of \$107 billion, as per reports.<sup>72</sup> The BIMSTEC Coastal Shipping Agreement drafted in 2017 has also been finalized and is waiting to be implemented. This is an example of maritime cooperation within the partner states of BIMSTEC. Further, since 2010, SASEC programmes supported by ADB have been focusing on connectivity projects identified under SAARC and BIMSTEC frameworks. For instance, ADB helped revive the SASEC Trade Facilitation and Transport Working Group (TFTWG) to “plan prepare and monitor progress of priority subregional transport projects”, which included SAARC corridor 4 and 8, Asian Highway 2 linking NER and Myanmar, among others.<sup>73</sup> In Nepal, under the SASEC Road Improvement Project a loan of \$256 million was proposed in 2016.<sup>74</sup> These have led to proliferation of cooperation over infrastructure projects in South Asia as a region. Multilateralism and its focus on infrastructure therefore is identified as a major cause for increasing geopolitical interest in the region over infrastructure projects.

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71 Ibid., p. 8.

72 CUTS International Report, 2023, p. 53.

73 Proposed SASEC Road Connectivity Investment Program.

74 ADB Report and Recommendation of the President to the Board of Directors, URL: <https://www.adb.org/sites/default/files/project-documents//48337-002-rrp.pdf>.



## CONSEQUENCES OF INFRASTRUCTURE BUILDING IN SOUTH ASIA



As evident from the examples in this paper, the geopolitical competition, especially as a result of the China factor, is among the obvious consequences of proliferating infrastructure. This in turn has also led to increasing debts for states in South Asia, some of which was undergoing economic crisis. From the need to mitigate the gap in the infrastructure sector, there is a rising demand of private sector in the field, something that is being taken up slowly but surely. Additionally, what can be seen as a consequence of rising infrastructure projects, sometimes also attributed as a cause however, is the increased integration within South Asia, which has lagged behind in comparison with many other regions in the world. These consequences need to be analysed for outlining policy recommendations for the future.

### GEO-STRATEGIC COMPETITION AND INTERVENTION BY EXTERNAL PLAYERS

There is an increasing competition on the infrastructural domain between states, especially those that seek to balance the Chinese dominance in this regard. Since more players are active today than earlier, countries are looking at options other than China, when it comes to infrastructure building. This has also provided states some increased agency to decide who gets what, where and how much within its territory. As a result, geopolitical competition has risen, driven by a race for infrastructure building in South Asia. Four cases in South Asia are explained below that support this point.

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Geopolitical competition, especially as a result of the China factor, is among the obvious consequences of proliferating infrastructure. This in turn has also led to increasing debts for states in South Asia, some of which was undergoing economic crisis. From the need to mitigate the gap in the infrastructure sector, there is a rising demand of private sector in the field, something that is being taken up slowly but surely. Additionally, what can be seen as a consequence of rising infrastructure projects, sometimes also attributed as a cause however, is the increased integration within South Asia, which has lagged behind in comparison with many other regions in the world.

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First, in Bangladesh, India's National Stock Exchange (NSE) and the US's Nasdaq lost a bid to the Chinese consortium of Shenzhen and Shanghai Stock Exchange to acquire 25% stakes in Bangladesh's largest stock exchange in 2018.<sup>75</sup> It is noted that Chinese investments came to Bangladesh at a time when others had pulled out. For instance, in 2012, the WB had cancelled \$1.2 billion of credit for the Padma Bridge project citing reasons of corruption. Similarly, in 2015, offers from French banks and fund from the Norwegian government were withdrawn for the Rampal Power Plant in Bagerhat.<sup>76</sup> Meanwhile, China managed to deepen its relationship with Bangladesh, with a larger view of having access to a maritime outlet into the Bay of Bengal via its port projects in the country. However, the coordinated warnings against China seem to have

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75 Amit Bhandari and Chandni Jindal, Gateway House, 2017, URL: <http://www.gatewayhouse.in/chinese-investments-in-indias-neighbourhood/>.

76 Ibid., p. 210.





worked. Bangladesh kept China away by cancelling the deep-sea port at Sonadia that was under negotiation. Instead Japan (JICA) is building Matarbari deep-sea port. Second, in Maldives a China-India tussle has had clear camps within the country. In 2012, an Indian company GMR's contract to build an airport was scrapped and given to China's Beijing Urban Construction Group. Pro-China leader Abdulla Yameen came to power after overthrowing pro-Indian President Gamal A. Naseer, in 2013. Maldives quickly became a part of the BRI. Chinese infrastructure projects flourished, such as the China-Maldives Friendship Bridge, expansion and upgradation of Velena International Airport (with \$830 million of Chinese money), acquisition of majority share of Trans-Maldivian Airways, among others. Yet, Maldives was also quick to join the Asia-Africa Growth Corridor (AAGC) initiated by India and Japan in 2017, the same year that three Chinese naval ships docked in Male, increasing Indian concerns. Third, in Nepal, the tightening of relationship with China, especially as the India-Nepal relations became strained in 2015, cannot be taken for granted anymore. The role of the US's MCC as an option with the BRI has already been cited. When then Chinese Foreign Minister Wang Yi visited Nepal in 2022, a clear push for projects under the BRI was met with caution by Nepal. Kathmandu insisted that a loan for projects must be offered as 'soft loans' or 'concessional loans' and must not exceed an interest rate of 2%.<sup>77</sup> In fact, out of the nine agreements signed between the two

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77 Prithvi Man Shrestha, "Loans on commercial terms could greatly increase Nepal's debt burden", Kathmandu Post, 29 March 2022, URL: <https://kathmandupost.com/national/2022/03/29/loans-on-commercial-terms-could-greatly-increase-nepal-s-debt-burden>.

countries at the time, reportedly none was related to the BRI.<sup>78</sup> The BRI has not done well in Nepal. In 2016, Nepal and China signed a Transit Agreement, especially as the usual routes via India were inaccessible at the time. As per this agreement, Nepal has access to seven Chinese ports (four sea ports and three land ports). However, despite signing the protocol agreement to implement this in 2019, both states are yet to develop a standard operating procedure in this regard. Fourth, in Sri Lanka, a Memorandum of Cooperation was signed with India and Japan in 2019 to build the East Coast Terminal (ECT) at Colombo port. This happened under the Sirisena government. By January 2021, Gotabaya Rajapaksa's government went ahead with a tripartite agreement after looking at "regional geopolitical concerns". But then, it was a surprise when a month later the Cabinet pull back on the agreement. There were public protests for the terminal to be wholly owned by the Sri Lanka Ports Authority (SLPA). These protests were being allegedly carried on at the behest of some external player (indicating towards China). A year later, when the Rajapaksa government handed over the ECT to the state-run CHEC, the geopolitical competition was clearly understood. Further, in 2020, Sri Lanka suspended the Colombo Light Rail Project, which was being built with \$1.5 billion loan from JICA. By August 2022, Japan halted 12 of its infrastructure projects (this includes developmental projects) in Sri Lanka, due to problems emanating from the economic crisis in the country. During that time, the US also withdrew its MCC grant of \$480 million meant to

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78 Kathmandu Post, "Wang visit: Nepal, China sign nine agreements, none on BRI", 27 March 2022, URL: <https://kathmandupost.com/national/2022/03/27/wang-visit-nepal-china-sign-nine-agreements-none-on-bri>.



upgrade Sri Lanka's transport infrastructure and land management, citing reasons of "lack of partner country engagement".<sup>79</sup>

These examples show that infrastructure and connectivity projects have emerged as the niche area where competition has increased, in turn impacting overall relations between countries. There is also an increased role of states like Japan within the region. Tokyo's announcement of the Partnership for Quality Infrastructure (PQI) in 2015, which was later upgraded to Enhanced PQI (EPQI), is indicative of this. The idea behind this is to focus on "quality as well as quantity" infrastructure (unlike what the BRI allegedly focuses on, i.e. numbers). Under the PQI, Japan aims to increase its ODA loans for Asia's infrastructure by about 25%, increase collaboration between Japan and ADB and draw in private sector investments, among other measures.<sup>80</sup> One can also take the example of the Blue Dot Network (BDN) launched in 2019. As a multilateral venture between Japan, the US and Australia, this plan acts as a screening mechanism for all infrastructure projects to bring about better quality and transparency in the field. It has been read as a response to the BRI, especially because many projects under the latter were considered as being implemented in an opaque manner, with Chinese interests as the main goal. The literature of the subject is suggestive of such competition between China and

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79 Colombo Gazette, 9 November 2022, URL: <https://colombogazette.com/2022/11/09/sri-lanka-says-no-decision-to-see-mcc-grant/>.

80 MoFA, Japan, 21 May 2015.

Image 14 : Sabroom connectivity to Mongla and Matarbari ports



Asian Confluence, India. Disclaimer: For general reference use only, depiction of boundaries is not authoritative. Map not to scale

Source: Asian Confluence Report, 2023



Japan, in particular.<sup>81</sup> These examples provide evidence of growing importance of infrastructure in understanding geopolitics.

## DEMAND FOR PRIVATE PLAYERS

While the infrastructure gap is large, it is being addressed relatively efficiently in Asia, in general. Besides the state involvement in a capital-intensive sector such as that of infrastructure, there has been increasing space given to the private sector. The case of public private partnership (PPP) models and that of private players from Singapore, in particular, have been highlighted as a consequence of infrastructure building in South Asia.

In a report titled ‘The Web of Transport Corridor in South Asia’, a study done on private sector involved in infrastructure shows that “arrangement for private sector participation ranges from management contracts (with no commercial investment) to leasing, build-operate-transfer (BOT) arrangements, concessions, and full of private investments, among others”.<sup>82</sup> This is largely because private players usually do not have a bandwidth for investments at a scale that some of the transport infrastructure demands. There have also been failures where PPP models have not taken off, as in the case of Nepal’s fast track highway project that lagged since 1996. However, as in the case of PPP models, there has been increasing role of private sectors in Indian railways and to some extent highways (which have been less successful however). In Pakistan too, PPPs

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81 Blake Berger’s work on ‘infrastructure export competition’ between China and Japan, especially in Southeast Asia, can be referred to.

82 “The Web of Transport Corridor in South Asia”, 2018, URL: <https://elibrary.worldbank.org/doi/abs/10.1596/978-1-4648-1215-6>.

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for ports have been successful. The port of Gwadar entered into an agreement with Port of Singapore Authority to manage operations, while Karachi port collaborated with Hutchison Port Holdings (British Virgin Island) to construct and operate the deep-water port. Japan's PQI also looks at mobilization of private funding and using new types of ODA loans that facilitate the participation of PPP in infrastructure.

**Table 6**  
Private participation in infrastructure in South Asia

Country	Airports	Ports	Railways	Roads	Total number, by country	Percentage of total, by country
India	9	48	10	399	466	95.5
Pakistan	1	13	0	0	14	2.9
Bangladesh	1	2	0	2	5	1.0
Sri Lanka	0	2	0	0	2	0.4
Nepal	0	0	0	1	1	0.2
Bhutan	0	0	0	0	0	0.0
<b>Total</b>	11	65	0	402	488	100



Country	Airports	Ports	Railways	Roads	Total number, by country	Percentage of total, by country
Percentage of total, by subsector	2.3	13.3	2.0	82.4	100	

Source: The Web of Transport Corridor in South Asia

The case of private players of Singapore is also interesting when it comes to participation in infrastructure sector. One example is that of Infrastructure Asia, set up by Enterprise Singapore and Monetary Authority of Singapore (MAS), which facilitates the work of both public and private players in the infrastructure sector. It has listed as many as 11 projects in India as of August 2022.<sup>83</sup> Similarly, Raffles Infrastructure, which operates under the PPP model, has invested in the infrastructure sector in Bangladesh, the \$800 million housing project secured in 2022 being a recent example. Similarly, many private companies are engaging at various levels in South Asia, the number of which has increased in the recent years. This has largely come about as a consequence of demand for infrastructure building indeed.

## INCREASING INTEGRATION WITHIN SOUTH ASIA

One way to define infrastructure is found in the assertion made by Prud’homme, that it is a “space shrinker, it enlarges markets, and

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83 Lee Kah Whye, “Over USD 2.7 billion infrastructure projects in India, Asia listed on new Singapore Online Portal”, ANI, 8 August 2022, URL: <https://www.aninews.in/news/world/asia/over-usd-27-billion-infrastructure-projects-in-india-asia-listed-on-new-singapore-online-portal20220808065915/>.

operates like the lowering of trade barriers”.<sup>84</sup> By this definition, infrastructure is an enabler of better integration, a phenomenon that has only come about at a piecemeal manner in South Asia today.

Here, the case of BBIN stands out. When it comes to attempts at working towards seamless connectivity, the MVA is a suitable example, despite the hurdles it has faced. But beyond that, the role of Japan as a catalyst is crucial. Tokyo has a Comprehensive Economic Partnership Agreement (CEPA) with India since 2009 and is exploring the same with Bangladesh. The Phulbari-Dhubri bridge as well as the Matarbari port are expected to be a game changer for the region. These projects enable envisioning of proposals like Big B to create a larger value chain, reflecting on the integration within Northern and Eastern South Asia. Additionally, India and Bangladesh are also working on the CEPA. The upcoming ICP at Sabroom is being proposed to be linked to Chattogram port or Matarbari port (see Image 14). The agreement on the use of Chattogram and Mongla ports in Bangladesh is also being considered for use by third country to enable better trade.<sup>85</sup> The number of ICPs and Land Custom Stations (LSC) are on the rise, and yearly passenger and cargo movement through them have been increasing, with the exception of COVID slow down (see Table 7). On another front, in June 2023, India agreed to be a transit point for a power sharing agreement between Nepal and Bangladesh. This is in addition to the MoUs that exist between India and Bhutan,

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84 Rémy Prud'homme, "Infrastructure And Development", Paper prepared for the ABCDE (Annual Bank Conference on Development Economics), Washington, 3-5 May 2004.

85 Asian Confluence Report, "Assessing Connectivity between Northeast India and Bangladesh: Towards a Prosperous Bay of Bengal Region", 2023, URL: <https://www.asianconfluence.org/pdf/1691605305Assessing%20Connectivity%20between%20Northeast%20India%20and%20Bangladesh.pdf>.





Bangladesh, Nepal and Myanmar to improve power connectivity with these countries. Discussion on having an integrated power grid system amongst BBIN, which will link Southeast Asia when extended, is in process.<sup>86</sup> Air connectivity has also improved within the BBIN countries, with India’s UDAN scheme leading as an enabler. Indeed, the narrowing of the connectivity bottlenecks on is at the heart of such progress.

**Table 7**  
Yearly passenger movement at Petrapole, Agartala, Srimantapur and Sutarkandi ICP

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(In Numbers)						
<b>Agartala</b>	90455	99101	161117	239468	328153	8499
<b>Petrapole</b>	1589246	1910316	2663069	2354962	2476191	194530
<b>Sutarkandi</b>	6966	6156	7616	8821	10002	614
<b>Srimantapur</b>	16258	21120	24607	52848	89154	10
<b>Total</b>	1702925	2036693	2856409	2656099	2903500	203653

Source: Asian Confluence Report, 2023

**Table 8**  
Yearly cargo vehicle movement at Petrapole, Agartala, Srimantapur and Sutarkandi ICP

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(In Numbers)						
<b>Agartala</b>	30193	11485	10995	12073	13371	11146

86 Utpal Bhaskar, “S. Asia power pool to play key role in S. Asia-S.E. Asia corridor”, Mint, 1 November 2021, URL: <https://www.livemint.com/industry/energy/s-asia-power-pool-to-play-key-role-in-s-asia-s-e-asia-corridor-11635705211467.html>.

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(In Numbers)						
<b>Petrapole</b>	128995	146706	146341	163555	154055	106334
<b>Sutarkandi</b>	11251	14695	18181	9346	15365	8534
<b>Srimantapur</b>	5642	6054	8976	7995	10420	5714
<b>NER</b>	47086	32234	38152	29414	39156	25394
<b>Total</b>	176081	178940	184493	192969	193211	131728

Source: Asian Confluence Report, 2023

## DEBT TRAP PHENOMENON

Due to the demand for infrastructure, many states in South Asia, as elsewhere, are looking out for foreign lenders. As a response, financing infrastructure has become a part of state policies or multilateral development banks (MDB). There is ample pool of resources for countries to seek help from for infrastructure development. AIIB, a Chinese initiative launched in January 2016 with headquarters in Beijing, aims to build Infrastructure for Tomorrow (I4T) that is sustainable. The World Bank launched its Global Infrastructure Facility (GIF) in 2015. But the finance provided by China single handedly is overwhelming in comparison. China Export Import (EXIM) Bank, China Development Bank (CDB), and Industrial and Commercial Bank of China are leading agencies for infrastructure funds of China. Beyond these banks, China launched the Silk Road Fund in 2014 to facilitate the BRI. China alone pledged



\$40 billion to be spend along the OBOR.<sup>87</sup> This has provided means of huge influence for China. While China has remained the highest lender in this context, Japan, ADB and AIIB have also played a crucial role. But, while Japanese loans are set with low interest rates and so far, such loans have not created debt burdens, Chinese loans have created conditions of debt defaults in South Asia. Two cases, one that explains Chinese lending and the other that relates the case of Sri Lanka's debt trap, are explained below.

Bilateral funding by China is relatively high compared to multilateral funding. This allows China to have greater influence over recipient states, along with the fact that China continues to provide a massive amount of funds to multilateral agencies as well. While AIIB invested about \$7.5 billion as of December 2018, CDB invested \$110 billion on BRI countries, an amount much higher. Similarly, China's EXIM bank has been focusing on the BRI since 2015 and has reportedly planned to finance more than 1000 projects in 49 countries.<sup>88</sup> Further, if one examines the principles of bilateral lending by Chinese banks compared to multilateral banks, there are visible policies that are written to advantage China in the former case, worse so, to arm-twist and influence the debtor. For example, ADB seldom takes more than 25% of total capital equity stakes.<sup>89</sup> AIIB allows maximum of 30% stakes.<sup>90</sup> China does

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87 Gerald Chan, *Understanding China's New Diplomacy Silk Roads and Bullet Trains*, Edward Elgar Publication, 2018, p. 60.

88 Bruno Maçães, *Belt and Road: A Chinese World Order*, New Delhi, Penguin Viking, 2020, p. 49.

89 J. Hillman, 2019.

90 AIIB, *Sovereign Backed Financing*, 2021, URL: <https://www.aiib.org/en/about-aiib/who-we-are/financing-operations/index.html>.

not have any such clauses in most cases. Hambantota port in Sri Lanka, where Chinese state-owned financing is used, has led to China Merchants Port Holding acquiring 80% stakes. State-owned CNPC has 51% ownership stakes in the oil and gas pipeline project in Myanmar. Additionally, ADB usually is never the largest single investor. No such principle is written into Chinese clauses of banks. This aggressive funding by China could be a cause for increasing geopolitical tussle over infrastructure building in South Asia, but the consequence of it is debt traps for states within the region.

It is estimated that since 70% of Sri Lanka's infrastructure projects are built or funded by China, and given that many of the projects were either delayed or found unviable or suspended, the rising debt from these led to great economic burden on Sri Lanka, a cause stated for its sovereign default. In 2008, Chinese funding formed only 2% of Sri Lanka's foreign debt. But by 2018, it had provided loans worth \$8 billion, converting debts to equity norms of repayment and had 10% debt from Sri Lanka.<sup>91</sup> It is to be noted that it was not China that was the highest lender at the time however, a place taken by ADB then at 12%, followed by Japan at 11% and World Bank at 10%. Yet the speed at which China provided funding was an important factor in influencing foreign policy in Sri Lanka. Chinese debt and equity are funding more than 50 projects worth more than \$11 billion. Most of them are roads and water treatment plants, but the largest projects in Sri Lanka are the Hambantota Port, the Colombo Port City and the Lakavijaya thermal power plant. The now (in) famous 99-year-old lease over the port of Hambantota is another

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91 J. Hillman, 2019: 9.



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result of China converting debt to equity, a technical principle that advantages China. Just as in Sri Lanka, smaller states are prone to debt traps due to infrastructural borrowings. In a study by AidData, WB, Harvard Kennedy School and Kiel Institute for World Economy, it is noted that “less than 5 percent of Beijing's overseas lending portfolio supported borrower countries in distress in 2010, but that figure soared to 60 percent by 2022”.<sup>92</sup> This is a concern for smaller states in South Asia.

## CONCLUSION



The infrastructural growth story in South Asia has been a fast-paced one. While this paper outlines the key causes and consequence for increasing geopolitical dynamism revolving around infrastructure building, it also brings out the phenomenon of increasing role of external players in the region, augmenting geopolitical competition over infrastructure projects. Five key takeaways can be enumerated in conclusion.

*First*, while the rise of China since the early 2000s and the announcement of the BRI led to increase in geopolitical contestation

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92 Alex Wooley, “Chinese Development Finance”, AIDDATA, 27 March 2023, URL: <https://www.aiddata.org/blog/belt-and-road-bailout-lending-reaches-record-levels>.

based on the idea of infrastructure building and infrastructure diplomacy, as seen in Maldives, Bangladesh and Nepal, not all of this development is due to the China factor. Among the players in the infrastructure sector in South Asia, Japan has been drawn to respond to such geopolitical developments more recently. What is also visible is Japan's willingness to partner with countries that share Tokyo's sentiments vis-à-vis China's exponential growth and its methods of international outreach. Among others, India has become a close partner in this regard. The US, South Korea and Singapore are also visible through their engagements with some of the countries in the region. *Second*, geopolitics of infrastructure building is also to be studied through the lens of both domestic and international factors, termed in this paper as pull and push factors. While the pull factors dominate the infrastructural dynamism in the region so far, push factors, particularly from India, has added to the proliferation of infrastructure projects. *Third*, the need for infrastructure investments is high in South Asia, but this gap is being efficiently addressed, largely by pull factors from outside the region. In this context, India, China, Japan and ADB have played leading roles. *Fourth*, the role of private players is increasing in the

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While the rise of China since the early 2000s and the announcement of the BRI led to increase in geopolitical contestation based on the idea of infrastructure building and infrastructure diplomacy, as seen in Maldives, Bangladesh and Nepal, not all of this development is due to the China factor. Among the players in the infrastructure sector in South Asia, Japan has been drawn to respond to such geopolitical developments more recently.

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Geopolitics of infrastructure building is also to be studied through the lens of both domestic and international factors, termed in this paper as pull and push factors. While the pull factors dominate the infrastructural dynamism in the region so far, push factors, particularly from India, has added to the proliferation of infrastructure projects.

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infrastructure sector as policies are being made to find suitable operational environment for them. PPP models are leading the way in this, and especially Singapore has been active in encouraging private players in the infrastructure sector in South Asia. *Fifth*, multilateral forums have increasingly prioritized agendas on infrastructure connectivity. While this has resulted in proliferating inter-state infrastructure projects, there is an enhanced possibility of regional integration, particularly within the BBIN countries.

Infrastructure has become a buzz word in recent times. Infrastructure diplomacy has found space in foreign policy agendas of most of the countries, especially as economies grow and developmental priorities rise. While the growing infrastructure domain has addressed many gaps in the region and opened up avenues for better integration in South Asia, clear and objective policies become need of the hour, lest proliferating infrastructure projects backfire in terms of viability, cost or simply multiplication without proper assessment. In this regard, four recommendations, two general and two India-specific points, are listed below:

1. The aim of infrastructure building should be filling the gap where required and attempting to streamline projects at

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state, inter-state and inter-regional levels. For this, better policy coordination and exchange of ideas are must at all three levels. In this regard, it may be suggested that progress over BIMSTEC Master Plan for Transport Connectivity should be discussed with BBIN connectivity plans or that of Master Plan for ASEAN Connectivity at a formal/official level, through working groups. On the other hand, projects that are being undertaken under the INSTC could be cross-assessed with other bilateral projects such as corridors transiting through Afghanistan to Central Asia and Europe. These data over projects may then be collated and timely reviewed through working groups to better understand the regional progress over infrastructure building. The working groups may in turn be set up within a new technical regional forum that is mandated to focus on infrastructure in South Asia.

2. While dealing with cross-border infrastructural projects, many problems take place, pertaining to land acquisition (as in the case of BBIN projects in Nepal and Bangladesh), environmental impact assessment or disputes resolution. In such a case, it is essential to have robust redressal mechanism to fast tract smooth implementation of projects that are cross-border in nature. If a regional forum exists, as the one mentioned above, such issues can be addressed





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The aim of infrastructure building should be filling the gap where required and attempting to streamline projects at state, inter-state and inter-regional levels. For this, better policy coordination and exchange of ideas are must at all three levels.

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through a single mechanism and regional policies devised after deliberations. It may not only reduce litigation burdens but also help with quality check and proper channeling of projects in the region.

3. To encourage studies on infrastructure building, institutions and think tanks may encourage fellowships and programmes that provide grants or facilitate field visits for those doing research on related subjects, whether from the field of engineering, geography, foreign policy or others. As mentioned in the paper, studying infrastructure has long gone beyond the field of core economic and development studies to field such as IR. The young minds must therefore be specifically trained in this direction if India is to emerge as a leader of infrastructure diplomacy in South Asia and beyond.

Within India, it may be suggested that a new division within the Ministry of External Affairs that focuses on infrastructure diplomacy may be drawn up. When economic relations with foreign countries gained focus during the Nehruvian time, the Division of Economic Diplomacy was set up in 1964. Once India's partnerships over developmental infrastructure and programmes began to increase, the Development Partnership Administration (DPA) division was created in 2012. Currently, "DPA I deals with project appraisal and

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It is essential to have robust redressal mechanism to fast tract smooth implementation of projects that are cross-border in nature.

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lines of credit; DPA II deals with capacity building schemes, disaster relief, Indian Technical and Economic Cooperation Programme and DPA III deals with project implementation”,<sup>93</sup> reflecting on the proliferating engagements by India in this regard. DPA IV was created in 2020. As of now, social infrastructure building partnerships with foreign states largely fall under these divisions or area-specific divisions that take up bilateral or multilateral projects within the said area. However, a separate division on infrastructure diplomacy not only will showcase India’s serious efforts in the direction of building physical infrastructure and connectivity in the region and beyond, but also allow it to coordinate with regional forums, such as the one suggested above.

Studying the geopolitics of infrastructure in South Asia is only part of a larger international scenario, where infrastructure has become a crucial variable of study. The last decade provided a great momentum to this variable and impacted the way countries

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93 Consulate General of India, Guangzhou, Development Partnership Admin, URL: <https://www.cgiguangzhou.gov.in/page/development-partner/>.



engage with each other in South Asia, a process still underway. India has come a long way in this regard, from being focused on developmental and social infrastructure to building physical and connectivity infrastructure in a more planned manner. As the world faces major issues that are re-shaping the world order today, it is important to focus on this variable of infrastructure and understand the value of it within the frame of foreign policy and IR.



# ABOUT THE AUTHOR



**Dr. Shrabana Barua** is a Research Fellow at the Indian Council of World Affairs, New Delhi. Prior to this, she was a faculty at the Department of Political Science in Hindu College, University of Delhi. Her research focuses on geopolitical and security issues in South and Southeast Asia as well as China and infrastructural developments in the region. Her PhD is from Centre for International Politics, Organization and Disarmament (CIPOD), School of International Studies, Jawaharlal Nehru University. Her doctoral thesis was titled 'Infrastructure Diplomacy as a Tool for Influence by China and India: A Case Study of Myanmar'. For her M.Phil, she looked at the sustaining militarization at Siachen and India's dispute over it with Pakistan, from the securitization lens of the Copenhagen School. Dr Barua has previously worked with Gateway House, a Mumbai based think tank and with the Nepal Institute of International Cooperation and Engagement (NIICE), Kathmandu. She holds her Bachelor's and Master's degree in Political Science from Hindu College, University of Delhi. She has published several articles, book reviews and commentaries in peer reviewed journals and online forums. She has also presented papers at national and international conferences, including in Hong Kong, San Francisco, Yangon, Kathmandu among others. She has co-edited a book titled 'India's Nuclear Titans: Biographical Tales' (2023). She also writes for the Hindustan Times on global politics.







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