

BEYOND BORDERS: ASSESSING THE IMPACT OF THE BELT AND ROAD INITIATIVE ON CHINA-INDIA ECONOMIC COOPERATION

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Abstract

This paper extensively focuses on assessing the potential impacts that the Belt and Road Initiative can have on the relationship between India and China, with specific emphasis on the dynamics of the economic cooperation between these two countries. India and China have been close trading partners over the years and much of this can be attributed to the similar nature of the economies, the geographical advantage and also to different trade agreements and various dialogue mechanisms over the years. But, in the current period, there have been considerable geopolitical tensions between these two economies. In this context, the BRI can have mixed implications on the relationship between China and India. As per the findings of this paper, there are some visibly adverse impacts of the BRI on the current economic and trading relationships between China and India, with India being at a less advantageous point, when the bilateral trade relations of these countries are concerned. The main reason behind this can be attributed to India's reliance on Chinese exports even in the current period. However, India is only partially reliant on the Chinese markets for their exports or on the Chinese FDIs for the economic and industrial development of the country, especially in the current period.

Keywords: India-China trade relations, Belt Road Initiative, FDI between India and China, Exports and Imports, Chinese FDI inflow

1. Introduction

The global economic, political, and commercial scenario has become increasingly dynamic, integrated, and interconnected with time. Factors like globalisation, liberalisation of trade, and constant investment in technologies and infrastructures have facilitated in creation of a global marketplace, thereby giving industries and countries scopes for economic expansion and also for expansion of their prominence in the global economic scenario. With time and with changing dynamics, new countries, especially emerging economies like China, are coming to the forefront of the global economic and trade landscape (Scobell et al., 2018). China particularly has been enjoying considerably robust global positioning in terms of trade and commerce, much of which can be attributed to its strong industrial growth, presence of a skilled labour force, considerably varied manufacturing sector, and huge export-led growth, especially after the country opened its borders for facilitating a free-market economy. Currently, the Chinese economy is the second largest economy across the globe in terms of nominal GDP, and if measured in terms of purchasing power parity, then it is the largest economy across the globe.

Being the world's largest manufacturing economy and also the most prominent exporter of different goods and specially manufacturing products, the country is also the second-largest importer of products and services, with one of the fastest-growing consumer markets across the world. However, after years of substantial and impressive growth, the Chinese economy has shown slowdown trends in the current period. Under the leadership of Xi Jinping, the country has taken several measures and has also developed various strategies for global trade expansion, further international connectivity, and robust economic growth. One such initiative, which is by far the most ambitious initiative of the Chinese government, is the ***Belt and Road Initiative or BRI*** (Scobell et al., 2018). The initiative has been adopted by China in 2013 and is still in progress. The initiative involves extensive investment by the Chinese government in more than 150 countries across the world and also international organisations to develop a globally connected network with China being the cornerstone of the same. BRI intends to connect the entire Asia with Europe and Africa with the help of both a land network and an extensive maritime network and the primary intention behind the same is to increase regional integration and facilitate smoother trading operations across the globe, without barriers or any kind of infrastructural, political or other obstacles (Haggai, 2016). The primary intention of China behind the BRI is not only the facilitation of impressive economic growth but also the potential to assume more extensive global power and leadership roles in the domain of global trade and commerce. The elements on which the investments under the BRI are expected to be made include a comprehensive network of ports, roads, bridges, railroads, maritime infrastructures, dams, airports, power stations, railroad tunnels, and more. The initiative has attracted global attention, and till now, more than 155 countries have signed up for the initiative, constituting more than 75 percent of the global population.

However, with the increasing global attention, the Belt and Road Initiative has also received considerable criticism and skepticism from different countries and regional interests. One such country is India, another emerging nation with considerable dominance and importance in the global economic, political, and commercial arenas. Although initially showing support for this initiative, the country has recently repeatedly objected and refused to sign the BRI of China, and this can be attributed to considerable conflicts of interest between the two countries (Nordin and Weissmann, 2018). The two countries have a considerable history of economic relations and cooperation and disputes over the years, and both countries have the potential to become global leaders in trading and economic scenarios. Keeping this situation in consideration, this paper extensively focuses on assessing the potential impacts that the Belt and Road Initiative can have on the relationship between India and China, with specific emphasis on the dynamics of the economic cooperation between these two countries.

1.2. Background and Research Problem

As discussed in the above section, India and China have been close trading partners over the years and much of this can be attributed to the similar nature of the economies, the geographical advantage and also to different trade agreements and various dialogue mechanisms over the years. Both countries export and import substantial volumes of products and services to and from each other, thereby contributing to economic growth and considerable economic cooperation, which is beneficial for both countries. The two countries also had a considerably dynamic history of political and international diplomatic relationships and are common

members of different trading blocs and trade agreements. However, in the current period, there has been some deterioration in the Indo-China relationship, much of which can be considered to be related to global geopolitics and the involvement of other countries like Pakistan, which has considerable conflict of interest with India (Sachdeva, 2018). There have also been several clashes between the Chinese and the Indian troops from 2020, related to issues regarding conflicts of interest with the borders of the countries, and this has also led to several deaths, thereby further deteriorating the diplomatic and political relations between the two countries, also affecting their trading and economic relations and economic cooperation.

In such a scenario, there are debates regarding the impacts that the operations of BRI can have on India's economic interests, its geopolitical position, and its economic cooperation with its long-term trading partner China. India has repeatedly refused to sign up for this initiative. The primary problem with the BRI association for India is that the route decided for the concerned initiative includes several regions of Jammu and Kashmir, which are under Pakistan occupation, and the legality of which still needs to be settled. Thus, there are debates regarding the presence of a level playing ground for the businesses of the concerned country under the operations of BRI (Chhibber, 2017). There have been substantial debates and scholarly emphasis on these aspects, but there is little evidence of in-depth analysis and interpretation of the potential impacts that the Belt and Road Initiative by China and its full-fledged implementation and operations can have on the economic cooperation between India and China in the coming years. These potential impacts have been discussed in this paper based on extensive analysis and in-depth interpretation of the current and related evidence.

2. Literature Review

With the Belt and Road Initiative gaining considerable global attention and with the involvement of a large number of countries, regions, and international relationships in this project, there are considerable literary works and studies conducted in this domain. The literary works focus on the BRI and its prospects, as well as on the dynamics of economic and trading relationships between India and China over the years. Keeping this into consideration, a comprehensive review of the existing studies and evidence in this domain has been conducted in this section of the paper.

2.1. Belt and Road Initiative or BRI by China

Scholars across the globe have conducted extensive research and explorations to understand the motivation, framework, and concept of the Belt and Road Initiative, which was started by the Chinese government in 2013 and is still in process. As highlighted by Huang (2016), under the leadership of Xi Jinping, the current Chinese president, the BRI has been envisioned and proposed as a global development strategy to boost trading and economic connections between different continents. Around 150 countries from the European, Asian, and African continents have been roped in under this ambitious and unique initiative. This scholarly assertion is augmented by Rolland (2017), who highlights the two primary elements of the concerned initiative to be the Silk Road Economic Belt (which will be the potential network of roads and railways on land) and the Maritime Silk Road of the 21st Century (which is the aim of building an extensive global maritime network of ports, dams, sea routes and others facilitating efficient

maritime connectivity). The proposed network for the BRI can be shown with the help of the following figure:



Figure 1: The proposed network for land and maritime routes under the Belt and Road Initiative

(Source: Silk Road Briefing, 2022)

As evident from the above figure, the complete network of the BRI connects China with prominent as well as less economically or commercially secured countries in different continents and also includes extremely prospective maritime routes that have also been traditional maritime routes facilitating trade across countries for centuries. Different scholars perceive the BRI differently. As per the opinions of Liu and Dunford (2016), this initiative is a form of inclusive globalisation, with the potential leader to facilitate the same being China. On the other hand, as highlighted by Hughes et al. (2020), the BRI is potentially going to be a symbol of peace through trade and harmony among different developed and developing economies across various continents, thereby facilitating mutual economic growth and robust trading connections. Till now, as per the assertions of the concerned authors, more than four billion USD is the expected valuation of the entire initiative.

2.1.1. Silk Road Economic Belt – First element of the BRI

Mobley (2019), in an extensive paper, discusses the first element of the BRI, which is the Silk Road Economic Belt. This is expected to be a substantially ambitious project of developing road infrastructures to revive the ancient Silk Route, connecting countries like China and others in Europe and Asia. The primary investment will be in the development of logistic regions, trading zones or hubs, extensive roads and railway networks, and other new-age infrastructures that are required for the facilitation of transport of products and services and trading activities. Hurley, Morris and Portelance (2019), in this context, highlight another important element of this road network, which is the economic corridors that are expected to be created to connect China with various involved countries in Asia and the Middle East. The purpose behind the development of these economic corridors, as highlighted by the concerned authors, is to ensure

smooth inflow and outflow of trade and investments, thereby creating economic growth and overall development opportunities for all the countries that are involved in the initiative.

2.1.2. New 21st Century Maritime Silk Road

As pointed out by Cheng (2016), the second crucial element of the BRI is the development of a strong and well-connected maritime infrastructure, including ports, hubs and corporations along the Asian, European and African continents. The construction of shipping routes and the development of new-age and technologically aided maritime economic cooperation are the primary activities and investments in this element of the BRI. The purpose behind the revival and development of the maritime Silk Road under the BRI is also to construct a strong and resilient maritime industry through the formation of oceanic corporations, which can help in collaborative initiatives for addressing sustainability and environmental issues and also for responding to disasters and especially maritime disasters more effectively (Liang and Zhang, 2019). The milestones in the BRI project achieved till now can be shown in the form of the following visual representation:

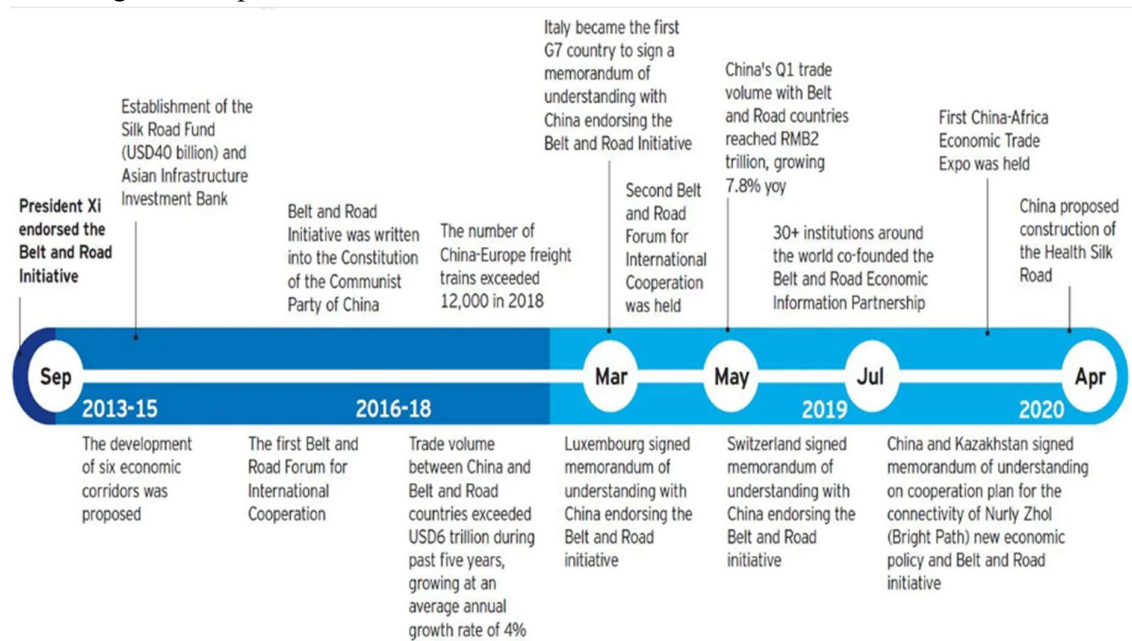


Figure 2: Milestones achieved in the Belt and Road Initiative till now

(Source: Invesco Limited, 2023)

As per the assertions of Rana and Ji (2020), till now, China has invested a substantial amount of money in the development of the BRI, and these investments vary considerably depending on the priorities of the concerned project and also on the areas which need extensive investments and which are expected to contribute considerably in making this initiative unique and successful. The opinions of the authors find strong support in the following empirical evidence:

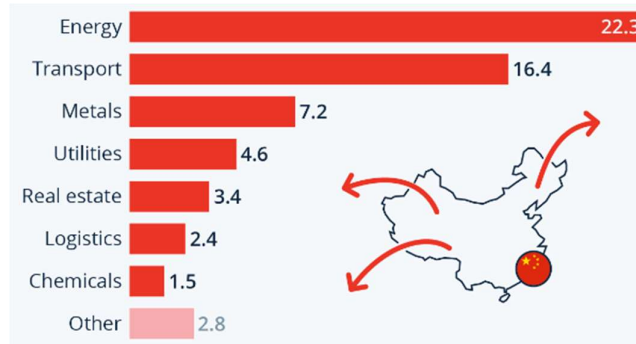


Figure 3: Total investment by the Chinese government in the BRI in 2021, by sectors (In USD billion)

(Source: Statista Daily Data, 2023)

The above figure highlights that till now, there have been extensive investments by the Chinese government in developing the transport infrastructures and ensuring sufficient energy resources to make this initiative a success. Investments have also been made in logistics, real estate, metals and chemicals, given that these are substantially crucial elements for building both the roads and the maritime infrastructures for the BRI operations.

2.2. Incentives of China and other involved countries behind the Belt and Road Initiative

There are different assertions regarding the impacts that the BRI can have on China and other involved countries and also regarding the incentives for China and other involved countries to be a part of this initiative. These aspects have been discussed in light of the existing scholarly works and empirical evidence in this section of the report.

2.2.1 Incentives of China behind the Belt and Road Initiative

According to Johnston (2019), the primary and most important purpose of China’s development of the BRI is to expand its geopolitical and economic influence across the globe. The initiative, if successful in its operations, can help China develop close ties with the 150 countries signing the initiative and will also facilitate the development of leadership roles for the country, increasing its prominence in the international business environment. This assertion is found to have considerable relevance and there is empirical information supporting the scholarly assertion, as shown below:

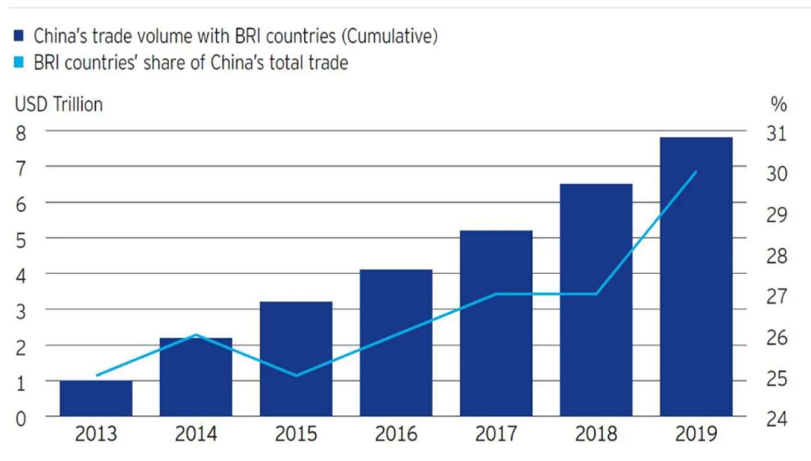


Figure 4: Trade dynamics of China with the BRI countries since the initiation of the BRI

(Source: Invesco Limited, 2023)

As evident from the above evidence, there has been a constant and visible rise in China's trading volumes with the BRI countries and also the share of the BRI countries in China's total trade volumes. Rahman (2022) adds to this discussion by asserting that since the countries involved in the BRI project account for nearly three-fourths of the global population and fifty percent of the global GDP, another incentive for China is that access to extensive market for their products and services and also access to scarce resources that are required for production operations in different industries in China. As per the assertions of the author, this will be of immense help for the businesses in the concerned country to achieve economies of scale and thereby become more efficient and cost-effective. According to Clarke (2017), the BRI will also help in effective excess capacity utilisation and will create employment and production scopes in different backward and forward industries, thereby further strengthening the Chinese economy and the influence of the same on the business operations of the member countries.

2.2.2. Incentives for other countries behind the Belt and Road Initiative

According to Clarke (2017), there are also considerable incentives for different countries especially the economically and technologically backward and developing countries in Asia and Africa. As highlighted by the concerned author, massive infrastructure developments are taking place across the road and maritime routes crossing different countries. This is expected to benefit the member countries in terms of more efficient infrastructure development, electricity, ports, connectivity, railways and others, thereby facilitating industrial growth and robust economic benefits for the partner countries. This finds support in the work of Tekdal (2018), according to whom, the BRI is expected to be particularly helpful in creating jobs and employment scopes in many partner countries, which suffer from issues like lack of skill development and lack of economic opportunities for the general population. The author also highlights that many countries are receiving financial aid due to the BRI activities, which are of immense importance for ensuring long-term economic growth and sustainability in the concerned countries (Callahan, 2016). There are also significant scopes for economic integration as well as the development of geopolitical solid relationships to reduce their dependencies on Western countries and especially on the USA.

2.3. Challenges of the BRI and countries against the project

Although there has been significant popularity and development in the BRI project of China, the highly ambitious project is also facing considerable criticism with time, and there are many countries with diverse geopolitical relations and dominance that need to support or sign up for such an initiative. In this context, Shahriar et al. (2018) highlight that the primary issue with this project is the extreme lack of transparency in the financial aspects, the decisions of China regarding routes, as well as the bidding processes and in assessing the social impact of such projects. This, as per the concerned authors, is mainly attributed to the need for practical governance standards for the concerned ambitious project. According to The (2020), the initiative is being viewed by many countries and international bodies as an initiative to set China as the sovereign and to give control the hands of the Chinese government by making the other involved countries, especially the small and developing as well as the economically insecure ones considerably vulnerable and dependent on the decision-making of China. There are also tensions and conflicts of interest among other leading developed and emerging

countries, regarding the development and operations of the BRI. According to the scholarly opinions of Liu, Zhang, and Xiong (2020), there are considerable financial risks associated with the BRI, and this is especially true for those member countries that are less developed and are struggling to ensure practical economic benefits for all.

According to the concerned authors, there is a considerably high chance for small economies to fall into a perpetual or long-term debt trap. As per the concerned authors, the debt trap for infrastructural investment can be substantially adverse to small and economically insecure countries. Liu, Zhang and Xiong (2020) indicate the presence of considerable legal and regulatory challenges due to differences in these aspects across the globe. In this context, the concerned authors also highlight the presence of severe conflicts regarding the lands or sea routes to be used and the border-related issues for different member countries through which the routes are expected to pass as severe challenges. As per the assertions of the concerned authors, many of the member countries experience different internal and external territorial disputes, thereby making it highly challenging for the Chinese government to address issues and move on with the BRI operations.

2.3.1. India's Response to BRI and logical explanation of such response

As per the assertions of different scholars, India has shown an exciting response towards BRI. Despite the potential of the country to benefit from the BRI, in terms of business and trade expansion, its approach towards the concerned initiative could have been more positive. As highlighted by Awasthi (2018), from the beginning of the BRI, India has been suspicious and not supportive of the concerned project and much of this is related to the legal and geopolitical relationships among the concerned countries. The proposal for India to join the invitation for the inauguration of the concerned project was turned down. There are different reasons behind this rejection of the proposal by India, as highlighted by various scholarly sources. The primary reason behind this negative response by India, as highlighted by Gao (2023), is the potential China-Pakistan Economic Corridor which is expected to be an integral part of the road routes of the BRI. This network can be shown with the help of the figure below:

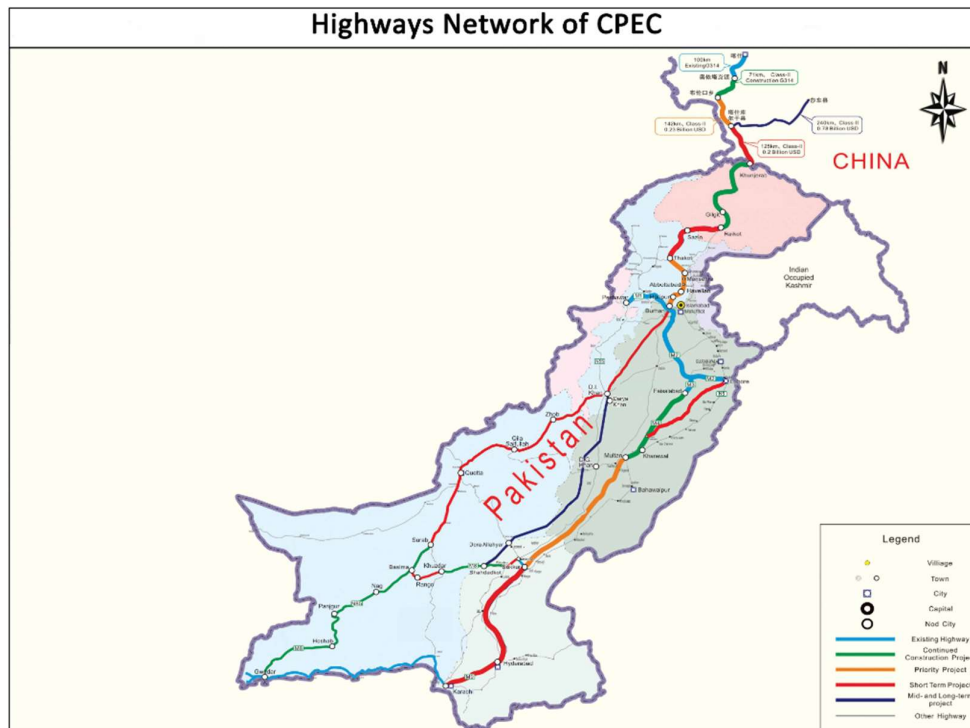


Figure 5: The potential China-Pakistan Economic Corridor

(Source: *Cpec.gov.pk*, 2021)

As opined by Gao (2023), the primary problem that India is having with the BRI is that the potential CPEC passes through a section of Pakistan-occupied Kashmir, and there are considerable legal disputes between these two countries regarding the ownership of this stretch of land. Thus, India perceives the usage of this route for building the BRI as an issue of their sovereignty and also a violation of their territorial integrity. Zhu (2021), also opines that the concern of India, regarding the development of the BRI is that the connectivity and the routes (both land and maritime ones) should be based on the international norms that are universally recognised and are also a reflection of rule of law, transparency, equality and respect for all countries and their territorial integrity. The concerned author also perceives that India's lack of willingness to participate in China's Belt and Road Initiative stems from the lack of transparency regarding the development of BRI, as felt by the Indian authorities, especially in the current period. Another crucial element working behind the unfavourable response of India regarding the BRI, as highlighted by Khurana (2016), is the 2016 Raisina Dialogue, which has been the flagship conference of the concerned country regarding its geo-strategy and its geopolitical position in the contemporary global political and diplomatic environment. One of the primary elements of this conference, as highlighted by the concerned author, has been focussing on the development of its regional connectivity for India, with a primary emphasis on Asian connectivity for the facilitation of trade and economic growth and thereby strengthening the global positioning of the concerned country. The BRI is, thus, a direct competition and a more integrated and ambitious project which has the potential to hamper this element of the 2016 Raisina Dialogue, thereby developing considerable conflict of interest for India and China regarding the BRI. Thus, from the above existing literary works and empirical evidence, it can be concluded that India is consistently resisting its participation in the BRI

despite being one of the primary trading partners of China and there are various economic, socio-political and territorial issues and conflicts of interests associated with the same. Keeping this into consideration, it has become considerably essential to assess the impacts that the Belt Road Initiative, when in completion and the entire operation, can have on the economic relationships and economic cooperation between India and China. This is an area considerably less explored in the current literature, and this paper has tried to develop insights about this issue of concern in the following segments, based on extensive and in-depth data analysis and intuitive explanations based on the results obtained from the data analysis.

3. Data Collection and Analysis

As highlighted in the above section of this paper, the purpose of this study has been to observe and develop unique insights about what the BRI, in entire operation, can potentially do to the economic cooperation between India and China. Since the BRI is an ongoing project and there is no direct information about the implications of this initiative on the economic interests and thereby economic cooperation between the two countries, the study had to rely on extensive and intuitive interpretation of relevant information in this domain and derive feasible explanations from the same, to develop insights about the potential impacts of this project on their economic cooperation (Timans, Wouters and Heilbron, 2019). The study has relied on authentic secondary sources for extensive data collection to ensure robust and comprehensive insight development about the issue of concern. These sources include authentic and reliable online sources like different databases as well as scholarly works and government pages of both the countries, India and China, and only reliable and trusted secondary sources have been chosen to ensure that the data collected for insight development for this paper is authentic, non-manipulated and appropriate as well as accurate.

The study has relied on both quantitative and in-depth and qualitative information about the issue of interest. The extensive qualitative information collected from the relevant secondary sources has helped in understanding the recent dynamics of the economic relationship and economic cooperation between India and China and also the factors affecting this cooperation in the current period (Timans, Wouters and Heilbron, 2019). On the other hand, different quantitative information has been used for the purpose of understanding the current dynamics of trade between India and China and also the reliance of the countries on one another especially the reliance of India on the trade relationships with China. This has been analysed to assess the potential impacts of the BRI on India's trade dynamics which is expected to influence its economic partnership with China in the coming years. The quantitative data for the study has been collected and used for the concerned study and has been obtained from trusted sources like the World Bank and also the government websites of India and China (Vebrianto et al., 2020).

The data that has been collected to analyse the current trade relationships between the two countries are the following:

- India's exports to China (In USD billion)
- China's export to India (Or India's import from China) (In USD billion)
- Trade volume or trade deficit/surplus of India

All these data have been collected from 2015 to 2022 to analyse the impacts of the BRI on the economic and trade relationships between the two concerned countries. Using the statistical software platform, MS Excel, the trends in these variables have been analysed for the considered period to develop insights about the dynamics in the economic and trade relationships between India and China (Vebrianto et al., 2020).

On the other hand, the paper has also tried to analyse the potential impacts of BRI on the economic cooperation between these countries, by assessing the impacts which the Chinese FDI has on the total FDI inflow in India. This aspect has been considered since FDI inflow is considerably crucial for the economic growth of India, especially in the current period and over the years, India has been one of the primary destinations of Chinese FDI. However, with the BRI in progress and with the development of economic relationships of China with other countries in Asia, Europe and Africa, there is considerable redirection of FDI from China to these countries and especially to the developing and less advantageous economies in the current period (Cameron, 2023). This can impact the FDI inflow from China to India and it is critical to observe if the changes in Chinese FDI inflow in India affect the total FDI inflow in the concerned country, since in case of the same, the economic cooperation between China and India may also be affected adversely. Statistical analytical method of regression analysis has been used to analyse the cause-and-effect relationship between the following variables using the statistical software platform MS Excel:

- Dependent variable – Overall FDI inflow in India
- Independent variable – FDI inflow from China to India

The results obtained from both of these analyses have been put forward and discussed in the following sections of this paper.

4. Findings

As evident from the above section of the methodology used in this paper, both quantitative and qualitative data have been collected and used for insight development to address the research concerns. The key findings from these data analysis methods have been put forward in this section of the paper and the insights developed from data analysis have also been put forward in an in-depth manner in the discussion section of the concerned paper.

4.1. Results of Data Analysis

4.1.1. Dynamics in economic cooperation between India and China in the current period

To understand the potential impacts that the BRI can have on the economic cooperation between India and China in the coming years, it is crucial to develop in-depth insights into the current economic relationships between the two concerned countries. Over the years, these two countries have experienced some geopolitical differences, competition and occasional tensions regarding their economic relationships. Despite the same, both countries have been strong and consistent trading partners of one another. The economic relationship between these two solid and dominant emerging economies in the current period is evident from their bilateral trade volumes which have grown consistently from 2015 to 2022. In this period, the volume of bilateral trade between the two countries has grown by 90.14% and much of this is attributed to the free market operations of these two countries and the infrastructural and technological developments as well as geopolitical relations facilitating trading and economic relationships

between India and China. The dynamics in the bilateral trade between these two countries reached more than 136.26 billion USD in 2022. However, this volume of trade has experienced some decline in 2023 and this can be attributed to the current diplomatic and geopolitical issues and tensions between these two countries, of which the BRI is also one of the crucial reasons. China and India, have been members of different economic blocs and free trade agreements in the current period. Both countries are members of BRICS, which is the most important intergovernmental organisation facilitating deeper economic and commercial ties among different emerging economies to counterbalance the Western influence on these economies and also to facilitate collaborative growth and barrier-free trading operations among the member countries (Bloomfield, 2021). On the other hand, the economic cooperation between China and India is also evident from the China-India Regional Trading Arrangement and other trading agreements between these two countries. Both countries are essential importers and exporters for one another, and this is especially true in the case of India since the country has the most significant volume of bilateral trade with China, as shown in the figure below:

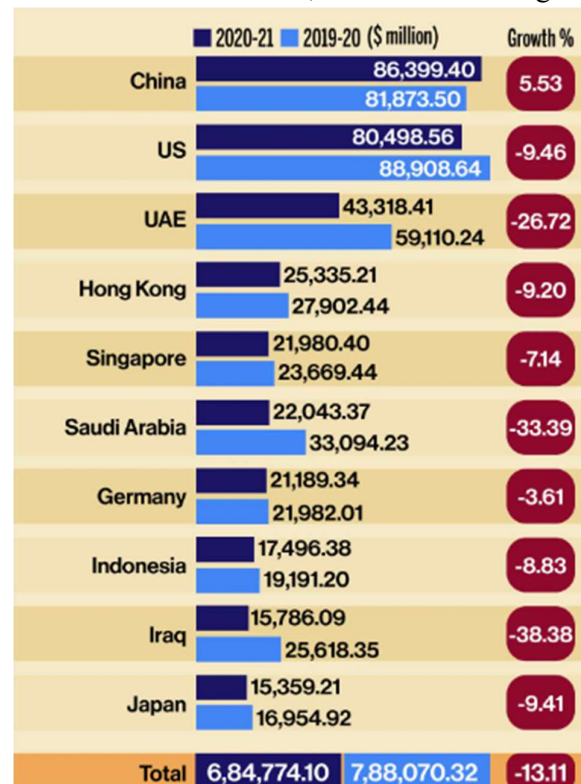


Figure 6: Bilateral trade partners of India
(Source: Business Today, 2021)

The above evidence supports the presence of strong economic connections between India and China. China mainly imports raw materials, minerals, and iron ores from India, while the latter is a net importer of different manufacturing goods from China. Apart from the same, the economic cooperation between the two countries, over the decades, is also evident from the inflow and outflow of investments between them. Both countries have also invested in different economic corridors and have strengthened their economic relationship by collectively finding the Asian Infrastructure Investment Bank to promote bilateral economic development and robust connectivity between one another and other Asian countries (Hosain, 2020). However,

despite the presence of strong economic cooperation and trade dynamics between India and China, over the decades, the recent economic and diplomatic relationships between these two countries have deteriorated to some extent due to various geopolitical reasons and especially due to the border disputes and disturbance along the Line of Actual Control. These are affecting the trade relationships between the countries. India has also been threatened by the trade imbalances it consistently experiences with China; since the former remains a net importer, the Chinese products are cost-effective, and their aggressive market penetration has been hurting the growth of the domestic industries in India (Al-Fawwaz, 2023). With the ongoing progress of the BRI and also with the potential of China taking up the leadership role in this context, India is expected to face more competition and trade imbalances, which is a crucial reason behind the rejection of joining the initiative on the part of India.

4.1.2. Potential impacts of the BRI on trade dynamics between China and India

India and China have consistently imported and exported from one another over the years. In this context, the dynamics in the trade volumes between these two countries, especially after the announcement and initiation of the BRI project, can be shown with the help of the figure below:

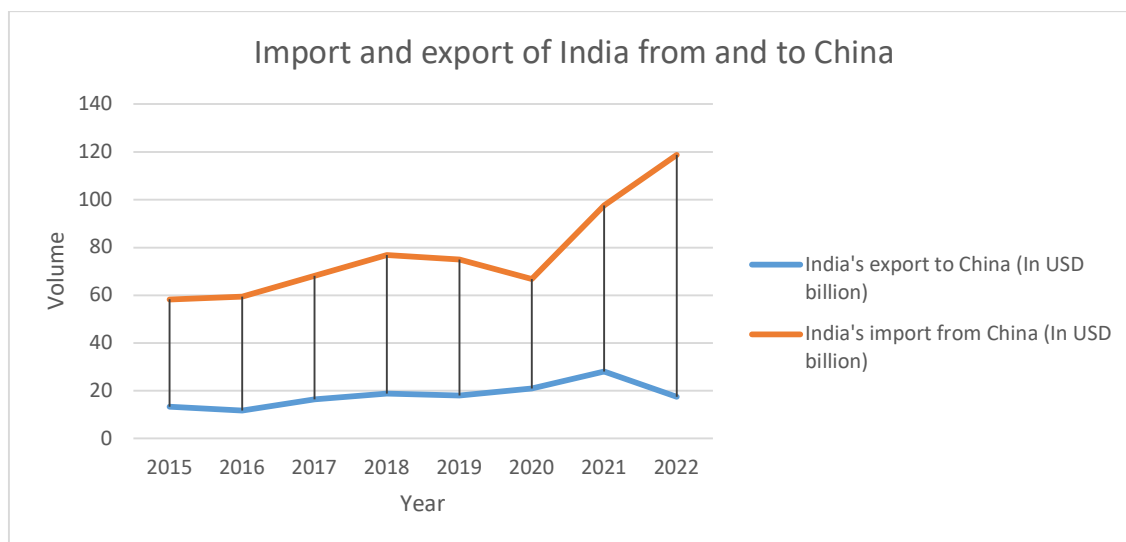


Figure 7: Imports of India from China and exports of India to China over the years
(Source: Eoibeijing.gov.in, 2023)

The above figure, obtained from data collection and statistical analysis in this paper, highlights that although the trade volumes between India and China have impressively increased over the last few years, this is mostly in favour of China. With the initiation of the BRI in 2013 and its constant development, there has not been an impressive rise in the export volume from India to China, and the volume of exports has actually decreased in the last couple of years. This may be due to the fact that with the increasingly strong relationships of China with other countries in Asia, Africa and Europe in the current period, as a part of the BRI, the reliance of the concerned country on Indian imports has reduced, thereby rendering them less competitive (Hosain, 2020). This argument is considerably relevant given that China's main imports from India have been conventional raw materials and primary products, as well as iron ores and minerals. These are also abundantly present in different low-income and developing African countries that are motivated to become part of the BRI and are now enjoying considerably

strong bilateral trading and economic relationships with China. China is, thus, now able to obtain these products and raw materials from other countries, thereby reducing the imports from India in the current period (Al-Fawwaz, 2023).

However, India's import volume from China has remained the same, and in the last few years, there has been a steady increase in this variable, as evident from the figure. Much of this is attributed to the lower prices of the products, the rising need for intermediates for different Indian industries, and also the value of money for the Indian population. Despite the current efforts of the Indian government to reduce imports from China through different types of tax imposition on various Chinese products, these remain competitive, and thus, the import volumes of the concerned country have not been reduced. The adverse impacts of the same can be shown with the help of the following figure, which highlights the dynamics in the trade balance of India with China since the progress of the BRI project:

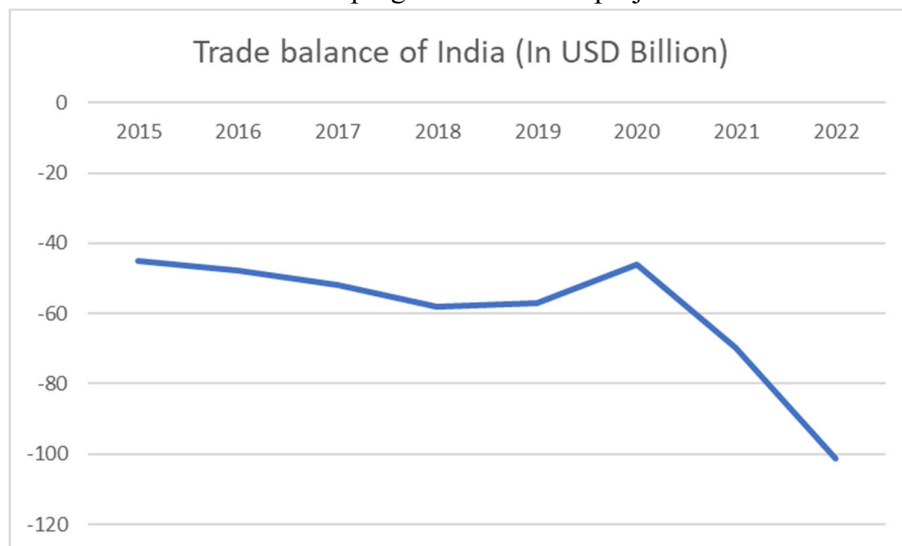
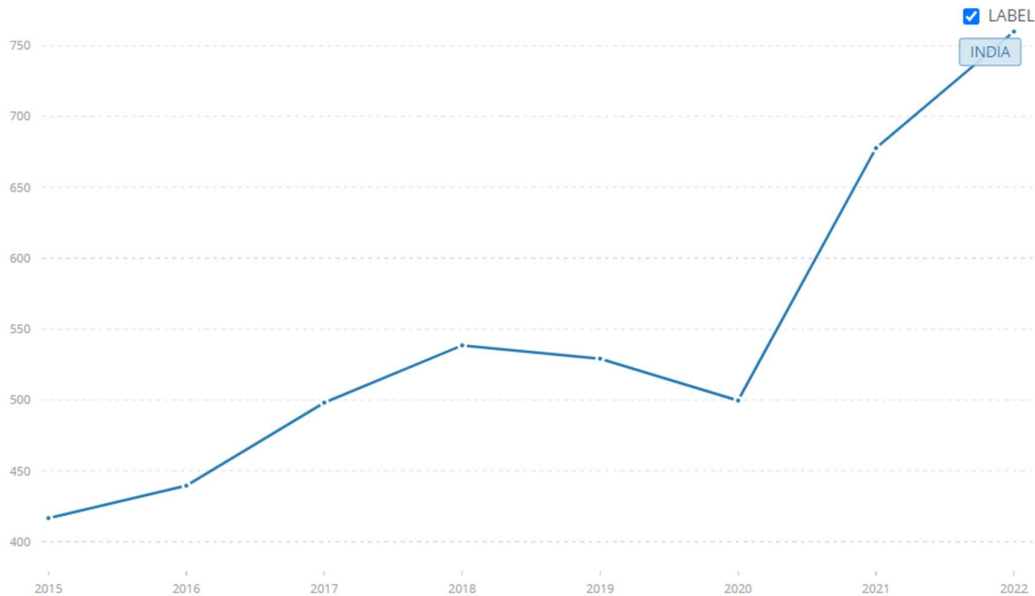


Figure 8: Trade Balance of India with China over the years
(Source: Eoibeijing.gov.in, 2023)

The above figure makes it evident that India, over the considered period, has remained a net importer of China and the country has always experienced a negative trade balance or trade deficit with China. However, the trade deficit has increased substantially in the last few years, especially from 2020 till the current period. The fact that China could reduce its reliance on Indian products, but India could not reduce its reliance on the products, especially manufacturing products from China, has contributed to the alarming rise in the trade deficit faced by the concerned country in its trade and economic relationship with China (Al-Fawwaz, 2023). This is an indicator that the BRI is affecting the economic and trade positioning of India and China adversely and while it is benefiting China, the non-participation of India in the BRI and its simultaneous reliance on Chinese exports, is affecting the trade potential of India with China in a negative manner. However, while the exports from India to China have decreased in the current period, with the progress of BRI, this is not the case for the overall export volume of the concerned country and this can be shown with the help of the figure below:



*Figure 9: Total volume of goods and services exports from India (In USD billion)
(Source: World Bank Open Data, 2023)*

As evident from the above figure, India has been experiencing a considerable rise in its export volumes across the globe over the same period in which its exports to China are constantly falling. This indicates that the BRI and its progress can have adverse impacts on the economic cooperation between China and India since both countries are finding new export markets, and India is considerably shifting its exports to the USA, the UAE, Singapore and the Netherlands. The concern for India, in this case, is the need to reduce their imports from China to ensure that the adverse impacts of the BRI on their trade balance are considerably mitigated.

4.1.3. Potential Impacts of the BRI on FDI inflow in India: Impacts on the economic cooperation between India and China

Another considerable concern regarding the potential impacts of the BRI on the economic cooperation between India and China is manifested in terms of the dynamics of FDI inflow and outflow, which the concerned countries can face. In the last few years, both countries have shown investment interests in one another and China mainly has invested in different technological and infrastructural projects in India. However, the FDI inflow from China to India, in the last few years has been considerably fluctuating, as evidenced by the following figure:

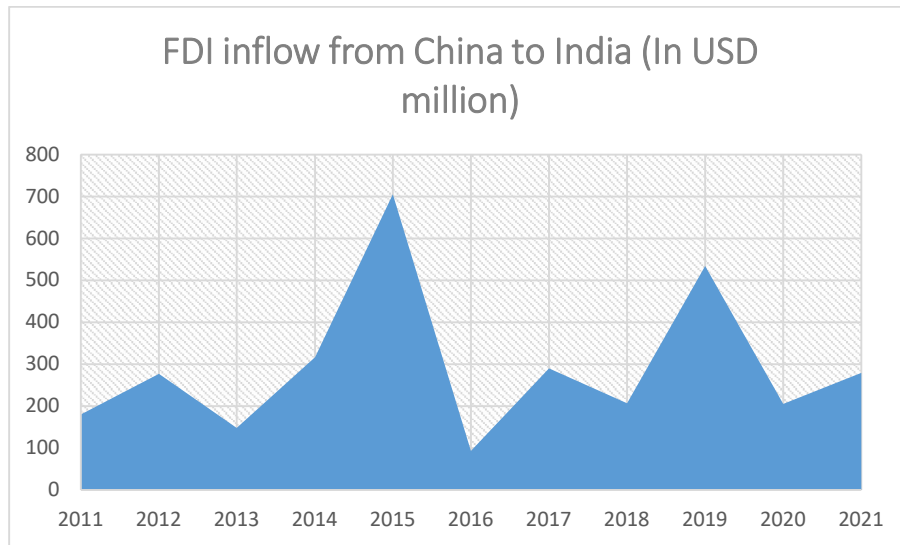


Figure 10: Annual FDI inflow from China to India (In USD million)
 (Source: Statista, 2021)

The above figure highlights that the inflow of FDI from China to India is experiencing a decline in the current period, and the BRI can be a reason behind the decline. China is redirecting a significant share of its investments to different countries participating in the BRI to build road routes and maritime routes through these countries to ensure future leadership positions and considerable economic and trade benefits from these networks and collaborations with countries other than India. However, to analyse whether the fall in the Chinese FDI inflow can reduce the overall FDI inflow in India and thereby hurt the economic and industrial well-being of the latter, the following regression analysis has been conducted, with the variables as below:

- Dependent variable – Total FDI inflow in India
- Independent variable – FDI inflow from China to India

The results of the regression analysis can be shown in the following tabular form:

Table 1: Impacts of Chinese FDI inflow on overall FDI inflow volume in India

SUMMARY OUTPUT

<i>Regression Statistics</i>	
	0.162
Multiple R	123
	0.026
R Square	284
	-
	0.081
Adjusted R Square	91
	1134
Standard Error	9.29
Observations	11

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
			312	0.24	
		312920	920	293	0.6338
Regression	1	77	77	9	93
			1.29		
		1.16E+09	E+0		
Residual	9		8		
		1.19E+			
Total	10	09			

	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
			5.60	0.00				
	3830	6836.9	300	033	22841.	5377	22841	
Intercept	7.67	84	7	3	34	4	.34	53774
FDI inflow from China to India (In USD million)	9.916	20.118	288	389	35.595	55.42	35.59	55.42
	267	69	8	3	4	791	54	791

The value of R-Square in the above regression table is negligible which indicates the dynamics of Chinese FDI inflow in India has little to no impact on its overall FDI inflow dynamics. Although the coefficient of regression is positive the p-value for this relationship is not less than 0.05. This implies that even if the Chinese FDIs decrease in the coming years, due to the BRI project, it is not expected to have any statistically significant impact on the overall FDI inflow in India. Thus, the BRI can actually lead to adverse impacts on the economic cooperation between China and India since both countries have other trading partners and other markets as well as other sources of FDI inflows and, thus, can afford to emphasize their economic and trading partnerships.

5. Discussion

The above section and the extensive analysis of information relevant to the study reveal that there are some visibly adverse impacts of the BRI on the current economic and trading relationships between China and India, with India being at a less advantageous point, when the bilateral trade relations of these countries are concerned. The main reason behind this can be attributed to India's reliance on Chinese exports even in the current period. However, India is only partially reliant on the Chinese markets for their exports or on the Chinese FDIs for the economic and industrial development of the country, especially in the current period. The political and diplomatic tensions between India and China surrounding the BRI and especially the route through POK, if not solved by mutual agreement, will have substantially adverse impacts on the economic cooperation and trade relationships between the two countries. India

is already focussing on developing robust economic cooperations with countries like the UAE, Saudi Arabia, the USA, and others in anticipation of the adverse impacts of the BRI.

On the other hand, China can also be seen to invest its funds and resources in different developing countries in Asia and Africa to ensure the success of the BRI and also its dominance in the new economic cluster to reduce Western influence. This indicates the already deteriorating economic cooperation between these two countries. However, if the legal and geopolitical tensions between India and China regarding the trade routes of the BRI can be solved, and if India can be roped into the BRI project, then it can be mutually beneficial for both countries, given that India is emerging as a new superpower, like China in the global economic and commercial scenario. This can lead to energy security, regional integration, and considerably coordinated investments in building infrastructures to facilitate trade and economic growth in both countries, the spillover effects of which will be beneficial for the other involved countries in the BRI.

6. Conclusion and Recommendations

As evident from the above discussion, the BRI is a considerably ambitious project for economic growth, regional integration, and trade development for China and other involved countries but the project has not received a positive response from India due to several territorial tensions, economic competitions and other geopolitical issues. There are threats of further deterioration of the economic cooperation and trade relations between India and China with the progress of the BRI if the issues existing need to be solved effectively and with mutual participation. On the other hand, the study also reveals that by solving the issue and by ensuring the participation or at least a positive response from India for the BRI, the economic cooperation and the trade relationships, as well as the regional integration and the infrastructure development in both the countries as well as in other countries involved in the project, can be considerably improved. Keeping this into consideration, the following recommendations have been developed for ensuring positive economic cooperation and trade relationships between India and China, in the backdrop of the progress of the BRI in the current and future period:

- It is of immense importance for both India and China to negotiate the terms and conditions, especially regarding the road routes in the CPEC which has territorial issues with India. This can help in ensuring that the interests of both the countries and their regional sovereignty as well as integrity are retained
- China can also consider the formation of road routes and maritime routes involving India given that the concerned country has considerably efficient and extensive international trade routes and relationships and constantly evolving and developing infrastructures.
- It is also considerably important for these two conventional trading partners to ensure transparency in their cooperations and also in their trading decision-making, keeping into consideration the need to adhere to international regulations and standards in this domain.

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