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Bangladesh must avoid China's debt trap diplomacy -The Asian Age

Multiple sources tell the Daily Asian Age that with the elections over, Prime Minister Sheikh Hasina and her government are seriously considering a change in Bangladesh's geo-political orientation: away from the United States, India, and the west; and towards China. That would be a mistake.

China certainly makes the move seem attractive. Its immediate lure is to promise infrastructure funds through its "Belt and Road" project. Belt refers to loans made to develop overland routes; road refers to loans made to develop ports and shipping lanes. So far, the monies have gone to poor African, Asian, and European nations; and you will want to keep that in mind-with special focus on the word "poor." On the face of it, that sounds like an easy way for Bangladesh to gain access to otherwise unavailable funds, develop its own infrastructure, help different parts of the country, and spur greater economic activity. So what could be wrong? Plenty!

Nations that have taken that path later refer to it as China's "debt trap diplomacy" because the ensuing debt forces them to take orders from Beijing. Former US Secretary of State Rex Tillerson warns that, rather than being the hoped for benefit, Belt and Road's reality is greater dependence, not less. Belt and Road's "opaque contracts, predatory loan practices, and corrupt deals… mire nations in debt and undercut their sovereignty, denying them their long-term, self-sustaining growth." A very successful international businessman before becoming Secretary of State, Tillerson recognizes the appeal of what seems like easy money, but notes that Belt and Road's actual result is "mounting debt and few, if any, jobs."

Just ask the people of Sri Lanka. Their leaders thought they were moving them toward a better future by accepting the same deal China's now offering Bangladesh, but it ended up taking them some place very different. What looked like a bonanza turned into more than $8 billion dollars in debt, which is about 30 times Sri Lanka's entire Gross National Product (GNP).

So, of course, the island nation was not able to sustain that level of debt, and was desperate to find a way out, which China was happy to offer them-sort of. Stuck with no alternative, Sri Lanka accepted China's "offer" to ease the debt burden by turning over the port of Hambantota-a move that critics say threatens Sri Lankan sovereignty because it gives China say-so over what to do at its most strategic port. It's not unlikely that China will use the port for its military, as it has with other countries caught by its death trap diplomacy.

To take one example, Chinese military vessels have shown up in Pakistan's Gwadar port at the mouth of important overseas oil routes. Then, in the manner of an organized crime boss, China said that by doing this, Sri Lanka only reduced its debt by a little more than $1 billion and remains responsible for the remaining $7 billion. That debt remains an anchor on the Sri Lankan economy, and has left the nation uncertain about its economic future. At more than 25 times the country's GNP, the debt to China is still more than Sri Lanka's economy can support. What will it be forced to cede the next time?

The Sri Lankan decision to cozy up to China is especially instructive for Bangladesh. Sri Lanka was considered to be in India's orbit of dominance for decades, and its leaders saw the Chinese offer as a way to provide some sort of counter weight. While Bangladesh might not be in "India's orbit" per se, its economy is.

The 2011 South Asia Free Trade Area (SAFTA) increased India-Bangladesh economic interdependence; and last year, trade between the two countries crossed the $9 billion mark for the first time. India is also involved with water rights, pipelines, and other matters. The Bangladeshi economy would collapse without that economic interdependence with India, western support for Bangladeshi participation in the UN peacekeeping program; and most critically, US and other western buyers' purchase of its garment exports. Without them, Bangladesh's entire garment industry would fail, and because China is a competitor, don't expect the Chinese to ride to the rescue.

The Sri Lankan decision was also driven by resentment over ongoing western criticism about the handling of its civil war; criticism that included a 2014 United Nations war crimes investigation. In the same manner, western criticism of Bangladesh has been mounting over the recently concluded national elections; and included a US Congressional briefing in November that also addressed the persecution of Bangladeshi Hindus. As a participant in that briefing, I clearly sensed a change in how US lawmakers and international human rights groups now see Bangladesh and the Awami League.

So, if I were Bangladeshi Prime Minister Sheikh Hasina, I might very well be looking for some leverage against those moves; and the Chinese offer might strike me as a way to staunch the outside criticism. It would be folly, however, to think that China is doing this out of the goodness of its heart; it is entirely strategic.

China chooses debtor nations with small economies that will be unable to sustain the debt and looks for projects in areas that further Chinese foreign policy objectives. One of those major objectives has been to surround and contain India. By targeting the nations surrounding India, they further those policy objectives and look to control land and water routes on which the Indian economy and military depend. In that battle, Belt and Road has been China's weapon of choice, and it already is sending two more of those nations in Sri Lanka's footsteps.

According to the Center for Global Development, a non-profit research organization, Pakistan and the Maldives (along with at least six other countries) are at risk of being unable to sustain their billions of dollars in Belt and Road debt; and can expect the same "deal" that Sri Lanka got. China tried the same thing with Nepal, but with its leaders savvier about China's debt trap diplomacy, the Nepalese rejected the Chinese offer and pursued alternate sources of funding. (Pakistan recently turned down a Chinese offer of aid, too; however, international number crunchers believe that the Pakistani move is too little, too late.)

Those nine at-risk countries represent more than a fourth of the total number of countries that have accepted Chinese Belt and Road loans. Analysts have little doubt that more of the debtor nations will eventually face similar trials. So, the question for the Bangladeshi government is whether it wants to take a one in four (or greater) chance of ruining its economy and sovereignty. Perhaps it would do better by following Nepal's example and find a different source of funds. And Bangladesh does have options.

Although the Center for Global development notes that its researchers would like to collect more data, they make it clear that their evidence should cause potential debtors like Bangladesh to consider the likely economic distress and undermined development efforts that would accompany the Chinese money. Unfortunately, Bangladesh does not have the luxury of trying it and backing out if things turn ugly. Once in it, Bangladesh will have no choice but to dance to China's tune, cede what it's told to cede, and do without the Indian and western economic activity that supports millions of Bangladeshi livelihoods.

The writer is an American intellectual and a geopolitical analyst

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Kazi Nazrul Islam Ave, Dhaka 1215