

Interwoven Realities
The Interface of Geopolitics and Geo-economics in Asia

Anita Sengupta

In an article on Australia's alternatives in a global era that is increasingly moving towards regional powers and organizations to resolve collective problems, Britain's decision to join the China led Asian Infrastructure Investment Bank is highlighted as an example of how geopolitics and geo-economics is not only intimately linked but how increasingly the latter will 'trump' the former. The article goes on to note certain dramatic developments in global affairs, not the least of which is the 'tangible expression of China's material centrality in Asia and beyond', and highlights the recognition of this centrality in Britain's decision to join the organization, exclusion from which would influence its ability to be a player in a 'wider geopolitical and geo-economic game'.¹ Britain's decision, which was followed by a rush of other European states into the institution, was one of the biggest geopolitical stories of 2015 and was portrayed as a repositioning of the global community of states between the new economic superpower and the old one.² Given Britain's increasingly 'isolationist' stance in Europe this recognition of the significance of an organization essentially projected as a financial institution that aims to support the building of infrastructure in the Asia Pacific region is interesting for various reasons.³

In recent years fundamental assumptions underlying the global world order have been politically, economically, socially and culturally challenged. Typically stable territorial formations (nation states, ideological blocks, global markets) have devolved into chaos while typically unstable extra territorial flows (communication networks, trade arrangements, cultural codes or capital reserves) are evolving into new coherent cohesions prompting the argument that globally there are shifts that are moving towards deterritorialization and reterritorialization at the same time.⁴ As Taylor argues "The comfortable division of ideological blocs and nation states set down territorially by the Cold War is being shredded but also rewoven in the uncomfortable reterritorialization of old ethnicities and new economies."⁵ A 'new world order' is in the making proposed by a China with more involvement in global affairs, openness to immigration and with the aim of building a global community of shared interests

¹Mark Beeson, "Geopolitics versus geoeconomics: the new international order", <http://theconversation.com/geopolitics-versus-geoeconomics-the-new-international-order-38824>, March 14, 2015 (accessed 3 February 2017)

² In fact American concerns and displeasure at the UK joining AIIB has been noted in a number of articles. See for instance Nicholas Watt, Paul Lewis and Tania Branigan, "US Anger at Britain Joining Chinese led Investment Bank AIIB", The Guardian, 13 March 2015.

³ AIIB was created with the intention of bridging the gap in infrastructural funding in Asia. However, despite global membership, the AIIB remains a Chinese bank. While China has 30% shares in AIIB, India has 8%, Russia 6% and few countries have more than 2-3% including UK, Germany, Australia. The 'equitable economic order' that the bank proposes as an alternative in the Asia Pacific region requires examination.

⁴See Gearoid O Tuathail and Timothy W Luke, "Present at the (Dis) Integration: Deterritorialization and Reterritorialization in the New Wor(l)d Order", Annals of the Association of American Geographers, Vol 84 No 3, September 1994 pp 381-398, who borrow the terms from the work of Gilles Deleuze and Felix Guattari who develop an understanding of capitalism and state power as forces which simultaneously seek to produce rigid identities and assert fixed geographies

⁵ P Taylor (ed) Political Geography of the Twentieth Century, A Global Analysis (1993) cited in Tuathail and Luke.

and responsibility through economic corridors.⁶ The corresponding reduced emphasis on the sanctity of sovereign limits, that the proposed large scale logistical arrangements would necessarily entail, has brought with it debates on how this would change the rules of the game as far as global influence is concerned. OBOR signals the anticipation of new political principles guided by connectivity and infrastructural development whereby China would become the epicenter that links Eurasia.⁷

The 'new normal', in economic terms, on the other hand, is a position that is likely to disrupt openness to trade on the part of the world that was its most vocal proponent and its support from states like China, which is stepping into the role of 'globalization's biggest supporter'.⁸ This is reflected in President Trump's electoral promise to pull the US out of the twelve nation mega trade deal (the Trans-Pacific Partnership TPP which had been viewed as the means for the US to deepen economic engagement in the Asia Pacific region) and increasing numbers of states opting to join the China led Regional Comprehensive Economic Partnership (RCEP). Begun as a free trade agreement between the ten member states of the ASEAN and the six states with which the ASEAN has existing free trade agreement, RCEP will in all probability be expanded with the inclusion of states like Peru and Chile bringing into question the spatial aspect of the 'regional' economic partnership.⁹ And this is not an isolated example. 'Regional' organizations like the SCO today include as its 'dialogue partners' states as geographically separated as Azerbaijan, Armenia, Cambodia and Nepal.

Traditionally, three central elements have been identified by analysts as constituting the core elements of regionalism. First, a common historical experience and a sense of shared problems among a geographically distinct group of states/societies which constituted a *region*. Second, close linkages of a distinct kind between those states/societies, in other words recognition of a boundary to the region within which interactions would be more intense than those with the outside world, in other words, *regionalization*. Finally, the emergence of an organization giving shape to the region in a legal and institutional sense and providing rules of the game within the region, the element of conscious policy which is central to *regionalism*.¹⁰ Therefore, while dealing with regionalism three elements were considered to be important. The first related to the spatial dimension of regionalism, i.e., how large is the area covered and how is the area defined or redefined as conditions change. A second related to its scope; in other words the tasks or areas of interaction covered by the region or by the regional organization. A third feature was the level and extent of the organization.¹¹ These three were considered to be useful since they indicated the variety and unevenness of regionalism but also brought into focus the fact that regional organizations recognize boundaries both in terms of spatial dimension as well as in terms of scope.

⁶ From President Xi's keynote address at the 2017 World Economic Forum cited from Zheping Huang, "Chinese President Xi Jinping has vowed to lead the New World Order", 22 February 2017, <https://qz.com/918533/the-new-world-order-china-is-now-germanys-largest-trading-partner/>. See also Kamran Yousaf, "China Striving for New World Order", *The Express Tribune*, 26 February 2017, tribune.com.pk/story/1269745/clearing-air-china-striving-new-world-order/.

⁷ Historically, the evidence of relationship between transnational infrastructure and integration is to be found in the 'making' of Europe. European states have had a century long history of mitigating problems resulting from cross border infrastructure use, even during times of conflict, in institutions like the Central Commission on the Navigation of the Rhine and various railway bodies. (For a detailed discussion read A Badenoch and A Fickers (eds), *Materializing Europe: Transnational Infrastructures and the Project of Europe*, Palgrave Macmillan, 2010) This makes sense in the Asian context today with the anticipation that developmental aims propelled by logistical connects would reduce geopolitical compulsions or that despite these compulsions development driven projects would continue to function.

⁸ See details of the discussion in Eshe Nelson, "The New World Order: China is now Germany's Largest Trading Partner", 24 February 2017, <https://qz.com/918533/the-new-world-order-china-is-now-germanys-largest-trading-partner/>

⁹ See for instance "Chile, Peru to join China-led trade partnership", *The BRICS Post*, November 21, 2016.

¹⁰ See R Stubbs and G Underhill (eds) *Political Economy and the Changing Global Order*, London: Macmillan, 1994.

¹¹ Brian White, Richard Little and Michael Smith (eds) *Issues in World Politics*, London: Macmillan, 1997.

The overlapping of states, (no longer contained within clear bipolar divisions) in multilateral 'regional' organizations has brought these boundaries into question. In fact, in terms of significance, institutions like the Asian Infrastructure Investment Bank (AIIB) which includes more than 50 non-contiguous Asian and European states including China and India may functionally emerge as a new 'region', replacing traditionally conceived regions and regional organizations as the new components of power. AIIB supports China's logistic vision of the One Belt One Road (OBOR) with the aim to bring South Asian economies closer to China, Central Asia and West Asia. As an initiative OBOR is projected as an instrument to create a continuous land and maritime zone where countries will pursue convergent economic policies, underpinned by physical infrastructure and supported by trade and financial flows. The inclusion of people to people links is a recognition that soft power will play an important role in creating congenial political environment for sustaining the initiative. The OBOR policy document further states that the initiative is designed to uphold 'open world economy and the spirit of open regionalism', an obvious counter to the more exclusive US proposed mega economic blocks the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP). Deeper economic integration within Asia is embedded in the larger framework of China's attempt to build rail, road and port infrastructures across Central Asia, Afghanistan and Pakistan, thereby dramatically shortening cargo transport time between Asia and Europe/the Middle East and Africa. OBOR has a transcontinental (Silk Road Economic Belt) and maritime (Maritime Silk Route) component. Since much of the transcontinental route passes through areas of traditional Russian influence and regions where Russia is attempting to recreate a common economic zone in the form of the Eurasian Economic Union (EEU) there is a proposed amalgamation of China's Silk Road Economic Belt and the EEU and setting up of a dialogue mechanism which is likely to create a synergy that would cover connectivity, trade, energy and raw material production in the region.

Despite these convergence it is generally assumed that Asian geo-politics is witnessing a 'return of history' where contestations over territory and considerable augmentation of military power are driving security completion. "Asia is the new cockpit of great power and regional competition which will define the trajectories of the 'Asian order'" and "Asia with its history of antagonism and long standing territorial disputes as well as entrenched trust deficit offers significantly more ground for geopolitics to play out on", argues Harsh Pant.¹² In a classical sense, geopolitics is the way in which geography affects international politics or the causal relationship between political power and geographical space. In situations where 'strategic' geographical spaces overlap, for instance in the Sino-Indian dynamics where the same spatial arena is involved (Pacific Asia, South Asia, the Indian Ocean and Central Asia) it is assumed that the logic of geography creates competition.¹³ What runs parallel to this geopolitical narrative, however, is a spate of trade discussions, free trade agreements and regional connectivity projects that have been negotiated within the same space, whether it is the Chinese led Regional Comprehensive Economic Partnership and One Belt One Road, the Russian led Eurasian Economic Union or the alternative Indian initiatives in the Sagar Mala project and Project Mausum. And this is the 'new normal' of global politics, though it does not essentially negate perceptions of power games altogether. Debates around the proposed Maritime Silk Road, projected as an Asian economic corridor is an example. This new 'geography of logistics' has prompted analysts like Deborah Cowen to argue that security will be re-imagined in the context of production and trade

¹² Harsh V Pant and Ritika Passi, "Finding Asia: Debating Order, Entity and Leadership", *Raisina Files: Debating the World in the Asian Century*, Volume 2, January 2017 p 4.

¹³ See for instance, David Scott, "The Great Power 'Great Game' between India and China: The Logic of Geography", *Geopolitics*, Vol 13, No 1, 2008, pp 1-26.

No longer lodged in a conflict between territorial borders and global flows, national security is increasingly a project of securing supranational systems. The maritime border has been a crucial site for experimentation and a space of new policy is blurring “inside” and “outside” national space, reconfiguring border security and reorganizing citizenship and labour rights. These programmes seek to govern integrated economic space while they resurrect borders and sanction new forms of containment. Forces that disrupt commodity flows are cast as security threats with labour action as a key target of policy. Direct connections result between market rule created to secure logistic space and the broader project of neoliberalism”.¹⁴

Conceptually, the up-gradation of maritime connectivity between the Indo-Pacific and extending it further to East Africa and onto the Mediterranean is consistent with India’s own broader maritime economic vision. However, according to the prevalent narrative, MSR should be understood as part of a rising China’s attempt to ‘reorder Asia’. It is argued that China is attempting to create trade and economic relationships with the Association of Southeast Asian Nations (ASEAN) countries through trade, port and continental land bridges to countervail the United States influence and to draw the Indian Ocean Region (IOR) littorals within its sphere of influence. Chinese proposals to develop Kunming Railway that will connect China–Singapore and other countries in Southeast Asia, as also the recently commissioned oil and gas pipelines and proposed railway line connecting the Rakhine coast of Myanmar with Kunming, underscore this thinking. The MSR proposal compliments infrastructural initiatives and enables landlocked south-west China to access markets in Southeast Asia. Some analysts also locate the MSR as part of a Chinese reassurance posture to ‘diffuse the tension’ on China’s maritime periphery after a period of uncertainty over Chinese maritime behaviour. It is also viewed as a policy to complicate the US’ rebalancing strategy by ‘softening’ ASEAN elites renewed interest in reaching out to the US, Japan and perhaps, even India.

The Indian dilemma is as follows. The fact that China is promoting two corridors (continental and MSR) as part of its evolving regional geo-strategy and that India lies on both the Maritime Silk Route and the Southern Silk Route poses opportunities and challenges for India in light of other potentially alternative economic options via strategic partnerships with Japan and the US. For example, a refusal by India and the MSR’s acceptance by ASEAN and a majority of South Asian states would leave India as an outlier and send a clear signal of India being on the wrong side of China. This is perhaps further complicated by India’s own declared intent to attract massive Chinese investment capital in several industrial parks across the country. Such contradictions imply that India would take a hard look at the evolution of the MSR proposal since it cannot afford to be excluded from the emergence of a new geo-economic trend in Asia’s political economy. Analysts argue that India can, simultaneously, conceptualize other strategic options with Japan and ASEAN to present alternative regional initiatives or look for collaboration in organizations like the SCO. It is further argued that if the MSR leads to important neighbours like Bangladesh and Sri Lanka drifting into the Chinese orbit it would represent a serious setback to India’s traditional conception of the subcontinent as a privileged sphere. This would mean that nearly every Indian neighbour in the IOR littoral would have strong economic ties with mainland China, making it difficult for these smaller states to resist internalizing Chinese norms for Asian security.

China has also been pushing for a land corridor—termed as Bangladesh–China– India–Myanmar Economic Corridor (BCIM-EC). The BCIM will connect India’s North-East with China’s Kunming province through road initially, and later, through rail connectivity. If the BCIM corridor eventually fructifies, this

¹⁴ Deborah Cowen, “A Geography of Logistics: Market Authority and the Security of Supply Chains”, *Annals of the Association of American Geographers*, Vol 100, No 3 July 2010, pp 600-620.

would imply not only enhanced trade and connectivity but could also open the door for China to upgrade infrastructure in port facilities in Bangladesh and Myanmar, key hubs in a potential MSR. In other words, the BCIM would supplement the MSR enabling China an easier political opening in the Bay of Bengal. There are several other regional and sub-regional projects of which India is a member. Some of these are the Bangladesh, Bhutan, India, Nepal (BBIN) sub regional initiative; the Bay of Bengal Initiative for Multi- Sectoral Technical and Economic Cooperation (BIMSTEC) with membership of Bangladesh, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan; East-West Corridor; and the Mekong-Ganga Cooperation Initiative.

Nicholas Spykman once observed that ‘Every Foreign Office, whatever may be the atlas it uses, operates mentally with a different map of the world’. For the modern Indian state, it was recognized from the start that India was geopolitically located at the crossroads of several sub-regions. In Nehru’s words “India is situated geographically in such a way that we just cannot escape anything that happens in Western Asia, in Central Asia, in Eastern Asia or South-East Asia.”. A rejuvenated China has kick-started what will probably be a decades-long process of constructing new lines of communication to the sub-regions of Asia. For China, it is incidental that India lies on the crossroads of Chinese Silk Routes. For India, however, this dynamic holds the potential to reshape its entire periphery and impact India’s own role in Southern Asia calling for enhanced engagement and expanded presence. And as India becomes a part of a number of multilateral financial institutions the necessity of a closer examination of their role in global financing of infrastructural projects will assume not just geo-economic but strategic importance. As trade flows compete with military power for influence; geo-politics becomes an extension of geo-economics and infrastructural developments and institutions assume increasing significance this study seeks to examine the interface of geo-economics and geopolitics through an examination of two multilateral organizations the ASEAN and SCO. While this choice is largely conditioned by the geographic requirement to look both east and northwest.

More specifically it will seek to look into:

1. Reinterpreting ‘sovereignty’ in a ‘new world order’: logistical connects and new frontiers of governance
2. The transforming cartographies of ‘regional’ organizations: how the concept of a ‘region’ has been transformed by overlapping ‘trans-regional’ membership and ‘regional’ institutions that encompass global spaces
3. China as the new ‘region’ : how the inclusion of China in Asian regional organizations has the potential to transform it into a new ‘region’ in terms of influence whereas India still remains peripheral in many of the organizations
4. Connectivity and ‘regionalism’: how regional connectivity corridors, trade partnerships and preferential economic arrangements are bringing traditional regional arrangements into question
5. Economic corridors and social conflict: the possibility of areas along the corridors forming a central core ‘region’ and the resultant social conflict in the ‘new’ periphery, the regions on the outskirts of the corridor
6. Economic corridors, regional alignments and ‘Act East’: how Indian engagement with ‘regional organizations’ on the one hand and economic corridors on the other would impact upon its policies