Indian power deal with Bangladesh highlights geo-political rivalry

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Bangladesh has become the focus for increasing geo-political rivalry between China, India and Japan—the latter two backed by the US. Over the past two months, Chinese investment bids in Bangladesh reportedly have been outflanked by Indian and Japanese corporations over port and power plant projects.

According to media reports, India's state-owned Bharat Heavy Electricals Limited (BHEL) is soon to sign a $1.6 billion power station construction contract with Bangladesh after undercutting China's Harbin Electric International Company. The 1,320MW thermal power station will be located in Khulna district, southern Bangladesh. India's *Economic Times* said it would be the largest foreign project by an Indian power company.

Anwarul Azim, a spokesman for the Bangladesh-India Friendship Power Company, a joint venture set up to build the coal-fired plant, said BHEL was the lowest bidder. The Indian government's external lending arm, the Exim Bank, is providing 70 percent of the funding at the low soft interest rate of about 1 percent above the Libor, the leading global benchmark for pricing transactions.

The BHEL agreement further highlights India's efforts to undermine Beijing's economic and strategic influence in Bangladesh and throughout South Asia, as part of Washington's "pivot" to Asia, directed at undermining China and preparing for war.

The Indian media has reported the power station deal as a "second setback" for Beijing, following the failure of a long-planned Chinese deal with Bangladesh to build the huge Sonadia deep-sea port near Chittagong, the country's major port.

China had carried out extensive feasibility assessments and agreed to provide 99 percent of funds to build Sonadia. When Bangladesh Prime Minister Sheikh Hasina visited China in June 2014 it appeared likely that a deal on the multi-billion project would go ahead. While no agreement was signed, Chinese state media reported that "both sides expressed willingness to have further negotiations."

Bangladesh's planning minister, A.H.M. Mustafa Kamal, however, later admitted that the port deal would not proceed because "some countries, including India and the United States, are against the Chinese involvement."

It became clear last July that Bangladesh was moving to shelve the proposed Sonadia port after it signed an agreement with Japan to build a deep-water port in Matarbari, just 25 kilometres from Sonadia. Kamal told Reuters that Matarbari would be a "comprehensive" project, adding that "Matarbari is sufficient, we may have to give up the other port project" (see: "Japan competes with China over port investment in Bangladesh").

Like the port at Hambantota in Sri Lanka and Gwadar in Pakistan, Sonadia was to be part of Beijing's "string of pearls" strategy—a series of Chinese-funded port facilities across the Indian Ocean to safeguard its shipping from the Middle East and Africa. China is heavily dependent on these sea lanes for importing energy and raw materials.

China's investment in Sri Lankan port facilities was pushed back following the

US-backed regime-change in Sri Lanka, which saw the removal of former President Mahinda Rajapakse at the January 2015 election and the installation the pro-US Maithripala Sirisena as president.

India was concerned that the planned Sonadia port would have increased China's presence in Bay of Bengal and is close to India's Andaman and Nicobar Islands. This low-lying and mostly uninhabited

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archipelago of 572 islands is strategically important for India, housing several military bases and surveillance and monitoring stations.

India's Tri-service Andaman Nicobar Command was created in 2001 at an estimated $US2 billion to safeguard India's interests in the region. Facilities on the islands monitor shipping through the Malacca Strait.

Bangladesh's Hasina government has also decided to build another port in Payra, to the west of Chittagong and much closer to the Indian coastline. While the project was first announced in 2013, the bill to establish the port was passed by the Bangladesh government on March 2. *Bangladesh News Today* reported that Dhaka is considering an Indian proposal to build the $15.5 billion project.

On January 20, India's *Business Standard* reported that an unnamed senior member of India's shipping ministry said the project was costly. He warned, however, that if New Dehli "does not take a call on the project, then the Chinese government could step in and develop it for their own commercial and strategic advantages." China and some European governments have already expressed interests in the project.

India's Bharatiya Janatha Party (BJP)-led government is attempting to strengthen political relations with Bangladesh and undermine Chinese influence. Indian Prime Minister Narendra Modi visited Dhaka last June and signed agreements with the Hasina government, including a deal to end a four-decade border dispute between the two countries. Modi also promised a $2 billion line of credit and the release of a previously agreed $800 million. A total of 22 agreements were signed, including on maritime security and the establishment of special economic zones in Bangladesh.

Indian businessmen attending the Bangladesh Investment and Policy Summit in Dhaka in January promised to invest over $11 billion in various infrastructure projects, including a gas pipeline from the Indian state Orissa to Bangladesh and an LNG power plant.

New Delhi is currently building a transit route to the northeast of India through Bangladesh using rail, road and waterways. The northeastern states of India are currently connected by a narrow stretch of land, the Siliguri Corridor or Chicken's Neck.

The India government's interest in Bangladesh is part of its "Act East policy," which is backed by the US and aimed at aggressively promoting its interest in South East Asia and the South China Sea. Transit routes through Bangladesh would provide a direct land route from India to Burma and South East Asia.

China has substantial interests in Bangladesh. It is already involved in upgrading Chittagong port and also won a $705 million contract for a two-lane tunnel under the Karnaphuli River. China is Bangladesh's largest trading partner and the cash-strapped Hasina government is seeking more investment from China.

Under pressure from Washington's "pivot" against China and India's integration into this increasingly provocative geo-strategic policy, Dhaka appears to be distancing itself from Beijing. These shifts and the intense international competition over infrastructure investment and other projects in Bangladesh show that every country in the region is being drawn into the maelstrom of war tensions created by the US drive against China.

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