Disjointed Multilateralism: Economic Development, Economic Integration and the Belt and Road Initiative in South Asia

Introduction

In economic terms, one of the key characteristics of South Asia is the lack of multilateral regional economic integration. Over the past decades, regional organizations such as the Association of Southeast Asian Nations (ASEAN), the European Union (EU) and the African Union (AU) have developed in other geographies of the world and while the specific aims of these regional organizations differ and the organizations have not always been successful in attaining their respective objectives, this overarching process of regionalization has helped to not just create a forum for regional political exchange but has also enhanced the collective economic bargaining power of member States. To be sure, it is not the case that South Asia is not also home to bodies that seek to facilitate enhanced regional cooperation. Organizations such as BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, founded in 1997), ECO (Economic Cooperation Organization, founded in 1985), SAARC (South Asian Association for Regional Cooperation, founded in 1985) and SASEC (South Asian Subregional Economic Cooperation, founded in 2001) have all sought to deepen economic integration between at least some of the regional States. Yet, as COVID-19 has struck South Asia and other regional organizations elsewhere have sought to respond to the pandemic as a collective, South Asia has remained defined by strained strategic relationships and a lack of regional coordination and cooperation (Kumar, 2020). This lack of coordination and cooperation, in itself a direct outcome of the absence of regionalization, has moved to not just limit shared economic development but also cross-border crisis management capabilities.

Besides decreasing the collective economic bargaining power of the region, the lack of regionalization also has geopolitical implications as it allows for the enhanced entry of extra-regional actors and extra-regional initiatives, most notably in the context of China's Belt and Road Initiative (BRI). South Asia has emerged as one of the key spaces for the BRI, being home to large-scale infrastructure investments such as the China-Pakistan Economic Corridor (CPEC). It is anticipated that enhanced economic interaction through the BRI has the potential to reshape economic relations in the region while exacerbating strategic tensions, especially between China and India (Das, 2017). Crucially, infrastructure investment through the BRI does not just deepen the bilateral relationships between BRI recipient States and China but also provides connectivity and engagement opportunities that are currently absent given the lack of successful regional integration. In this context, underdeveloped integration, especially in economic terms, creates a politico-economic vacuum that allows extra-regional actors such as China to increasingly insert themselves into economic processes in the region.

This paper examines processes and issues connected to regional economic development and integration in South Asia in regard to two key topics that have shaped political discussions in the region over the past eight years: the economic impact of the COVID-19 pandemic and China's growing economic influence in the context of the BRI. The paper first reviews trends in economic developments in South Asia and examines the economic impact of COVID-19 on the region. Although economic growth has been rapid in the region prior to the pandemic, its trade potential remains untapped as intraregional trade, potentially facilitated via a stronger institutional architecture, remains negligible. The paper then examines different reasons as to why further integration has not taken place before contextualizing how a lack of integration has enabled China's growing regional influence.

Economic Development and COVID-19 in South Asia

In developmental terms, South Asia has registered high growth rates in recent decades. Between 2013 and 2018, the region's annual GDP (gross domestic product) growth exceeded 6% per annum (World Bank, 2020c), making it one of the fastest growing regions in the world. India is by far the largest actor in the region, accounting for 62% of the landmass, 75% of the population and 82% of the real GDP in 2016 (Raihan & De, 2020). India is followed by Bangladesh and Pakistan in terms of national GDP (see Table 1), and Bangladesh has now surpassed India in the GDP per capita rate (Zaman, 2020).

Table 1: Size of national economies in South Asia, 2019

Country	GDP (US$ in millions) 2019	GDP growth (annual %) 2019	GDP per capita growth (annual %) 2019
India	2,868,929.42	4.2	3.1
Bangladesh	302,571.25	8.2	7.0
Pakistan	278,221.91	1.0	-1.0
Sri Lanka	84,008.78	2.3	1.7
Myanmar	76,085.85	2.9	2.2

Nepal	30,641.38	7.0	5.0
Afghanistan	19,291.10	3.9	1.5
Maldives	5,642.18	7.0	3.9
Bhutan	2,530.55	5.5	4.3

Source: World Bank (2019).

Although regional economic growth has been growing consistently since the 1990s, the material benefits of growth are highly unequally distributed (Deyshappriya, 2019; World Bank, 2020a). The Global Multidimensional Poverty Index, which defines poverty to also include access to healthcare and education, found in 2017 that 48% of all multidimensionally poor people worldwide lived in South Asia (Alkire & Robles, 2017). High poverty rates despite rapid economic development are further complicated by regional population growth given that the young working population is projected to increase in size until at least 2030 (IMF, 2019; Rutkowski, 2020). Economic and demographic trends thus create systemic pressures that are likely to intensify in the coming years and decades.

The extent of dependency on remittances sent from abroad presents another factor that could undermine the long-term sustainability of South Asia's economic trajectory. The provision of remittances, the inflow of money transferred from migrant workers to their country of origin, can provide a stable income for families and communities in their home countries, especially when workers receive wages that they could not earn at home. This makes remittance inflows one of the most stable ways of facilitating poverty alleviation. South Asia as a whole is particularly dependent on the inflow of remittances from abroad: in Nepal, for instance, remittances account for 27% of the national GDP (Mercer-Blackman, & Li, 2021). India plays a key role as the major country of origin, transit, and destination of immigrant workers. India is thereby not only the largest remittance receiver in South Asia but in the entire world (Rutkowski, 2020; Wickramasekara, 2011, p. 18). As indicated by Table 2 below, remittance inflows into South Asia have remained largely stable despite COVID-19, partially even increasing. No data was available for Myanmar, which has faced disruptions in banking services following the 2021 coup (Wongsamuth & Beh Lih Yi, 2021).

Table 2: Change in remittance inflows (% change between different time frames in 2019 and 2020)

Country	Change in remittance inflows between 2019–2020	Timeframe
Afghanistan	+ 41%	Apr. – Sep. 2019 vs. Apr. - Sep. 2020
Bangladesh	+ 21%	Mar. – Dec. 2019 vs. Mar. – Dec. 2020
Bhutan	+ 190%	Mar.– Sep. 2019 vs. Mar. – Sep. 2020
India	- 7%	Apr. – Sep. 2019 vs. Apr.l – Sep. 2019
Maldives	- 53%	Apr, – Sep. 2019 vs. Apr. – Sep. 2019
Nepal	+ 7%	Jul. – Dec. 2019 vs. Jul. – Dec. 2020
Pakistan	+ 18%	Mar. – Dec. 2019 vs. Mar. – Dec. 2020
Sri Lanka	+4%	Apr. – Dec. 2019 vs. Apr. – Dec. 2020

Source: Pochet & Najar (2021).

The stability and partial increase in remittance inflows, 95% of which originated from the Gulf countries (Pochet & Najar, 2021), have alleviated economic pressures on especially impoverished communities in time of the pandemic. This trend has defied estimates by the World Bank (2020b), which predicted the sharpest decline in remittances in recent history as a consequence of COVID-19. The resilience in inflows does not just illustrate but heightens the preexisting reliance on wages earned outside the region.

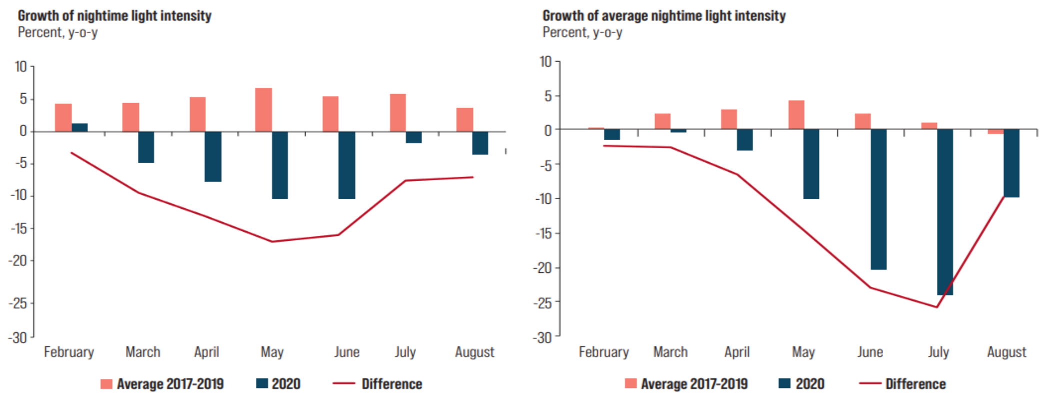
This dependence on remittances does not just mean that South Asian countries are highly dependent on external developments but also indicates that underlying issues have given rise to this reliance on remittances in the first place. Although South Asia has defied predictions regarding the inflow of remittances, new World Bank (2020d) estimates now project a decline of around 4% in remittances to US $135 billion by 2021. Indeed, the resilience in inflows up until this point could be explained by two factors: (1), due to travel restrictions, undeclared physical money transfers are now sent via official channels and (2), short-term inflows are caused by migrant workers losing their job and returning to their home country (Pochet & Najar, 2021). The spike and statistical resilience of remittances may consequently indicate a one-off deviation rather than a sustainable trend. More fundamentally, South Asian countries remain dependent on an external demand for mostly cheap labor as well as the political willingness in other countries, especially in the Persian Gulf, to host large South Asian populations. Crucially, a reliance on remittances often highlights that the country of origin provides insufficient income opportunities, pushing workers to migrate. Large remittance inflows, despite the undeniable positive impact on short-term poverty alleviation efforts, can also reduce domestic labor supply, foster a culture of economic dependency, raise the real exchange rate of the traded currency and decrease exports, having the effect that the national economy of the country of origin becomes less competitive in the long term (Amuedo-Dorantes, 2014). Remittances are thus not just an expression of underlying economic issues but can also produce additional issues in the future.

The extent to which South Asian countries are dependent on remittances also reflects on the pervasiveness of informal labor conditions. According to a 2018 report by the International Labour Organization, informal employment accounted for 87.8% of the total employment in South Asia - more than anywhere else in the world. The prevalence of informal labor relations does not only mean that the vast majority of the regional population does not have access to labor protection measures but also negatively impacts economic development as productivity is lower and unemployment higher than in less informal economic environments (Alexander, 2019). While informal labor structures have the benefit of providing employment to groups that otherwise would have no employment (ibid), it is indicative of the lack of formal economic structures throughout the region. In turn, the lack of formal economic structures negatively impacts governmental capacities as informal economic activity is insufficiently taxed, resulting in government revenues remaining limited. In Pakistan, for example, *"[l]ower tax morale, tax evasion and high compliance costs"* have meant that the *"problem of taxation in Pakistan has been chronic, being one of the main reasons propelling consistent fiscal deficits"* (Mirza et al., 2018, p. 101). Fiscal deficits inevitably shape the government's capability of investing in shared public goods that could benefit national economic development in the long run, including investment in sectors such as education and infrastructure connectivity (Gupta, 2015). While the impact of remittances on economic development is not necessarily negative, the prevalence of economic informality in South Asia poses a major problem for the region.

The issue of labor informality also highlights that reviewing GDP trends may be insufficient in analyzing the economic impact of COVID-19. The pandemic has generally been found to have reversed poverty alleviation effects, with World Bank (2020a) estimates suggesting that South Asia will be the region hit hardest by the virus in economic terms, pushing an additional 49 million people into extreme poverty. Severely limited and partially entirely absent international mobility has particularly hit tourism-dependent economies such as that of the Maldives, where tourism accounts for 56.6% of the national GDP (World Bank, 2020c).

Bangladesh, currently the fastest growing economy in South Asia (Zaman, 2020), experienced an agrarian shutdown that has impoverished significant parts of the rural population (Koshti, 2020). Given the extent of informality, however, it has also become clear that GDP statistics are not fully indicative of economic realities on the ground as an analysis of GDP trajectories helps to assess the general development of economic trends in the region but fails to account for the role of informality. Measuring nighttime light intensity becomes a more useful means of measuring the impact of COVID-19 on a region that remains characterized by economic informality. Nighttime light intensity is detected by satellites, with changes in intensity being indicative or relatively more or less economic activity. Figure 3 illustrates the negative impact COVID-19 has had on economic activity throughout the region.

Figure 3: Nighttime light intensity in South Asia in 2020



Source: World Bank (2020c).

As shown above, nighttime light intensity declined significantly, hinting at the retarding effect COVID-19 and corresponding measures have had on economic activity in the region. Considering that general economic activity in the region has decreased, it can be inferred that employment has been frequently lost as general revenues have declined. The prevalence of informality and the connected problems are thus amplified through COVID-19 and disproportionately affect poor communities and workers outside formal labor structures, potentially fueling a vicious cycle of poverty, informality, and health risks. These structural issues are particularly present for migrant workers within or between countries as they often cannot profit from government schemes and social security nets, and in turn suffer from greater health risks during the pandemic (Irudaya Rajan et al., 2020). As with health risks, the economic impact of the pandemic is not distributed equally throughout the region.

The intersection between public health issues and economic trajectories in the context of COVID-19 illustrates that traditional measurements of economic developments (such as trends in GDP) may be insufficient in measuring the economic development of South Asia as a whole. Although economic growth plays a crucial role in achieving the other sustainable development goals (SDGs) formulated by the UN, the GDP does not account for the detrimental environmental impact rapid economic growth can have. This point is particularly vital for a region that remains reliant on agricultural production as droughts and other natural disasters eliminate crops and threaten the livelihood of many. As a result, an analysis of GDP growth is not necessarily indicative of whether this growth is socially, economically and environmentally sustainable (Kapoor & Debroy, 2019). In the context of South Asia, the pursuit of SDG 1 (poverty reduction) is not just hindered by climate change, which will render the region increasingly vulnerable to natural disasters, but also rising food prices (World Bank, 2020a, p. 38). Spikes in food prices can be explained by, amongst others, a growing population and production shortfalls that are triggered by climate change (Asian Development Bank, 2011; Carrasco & Mukhopadhyay, 2012). This illustrates the intertwinement of SDGs and demonstrates the importance of viewing economic development as a cross-cutting issue. Mainali et al. (2018) examine the potential for synergic effects among SDGs in Bangladesh, Nepal, and Sri Lanka, and show that higher synergy values can be found *"where countries' policy have recognized the importance of linkages among the cross-sectoral targets"* (Mainali et al., 2018, p. 19). The economic sphere should thereby be regarded as the sector that inherently overlaps with security, environmental, and health objectives.

Despite positive net economic trends over the past thirty years, South Asia remains plagued with economic issues that negatively impact the long-term development of the region. Remittances create economic opportunities but can also produce economic restraints while further incentivizing a lack of investment in the country's own formal economic structures. Economic precariousness is further reflected in and exacerbated by the extent of economic informality, which sustains a lack of government capacity while inhibiting economic development. The economic impact of COVID-19 has further exacerbated these structural issues.

Economic Integration Processes in South Asia

One key characteristic of economic development in South Asia is the absence of multilaterally structured economic integration. Economic integration, for instance through policy harmonization, the reduction of tariffs and the subsequent stimulation of regional trade is generally conducive to economic growth as it allows for increased capital accumulation, surging productivity and competitiveness and improved financial integration (Ehigiamusoe & Leen, 2019). In the case of South Asia, it has been repeatedly noted (Kathuria, 2018; World Bank, 2020a; World Bank 2020c) that an untapped trade potential in the region has limited the extent of regional economic development, sustaining the pervasiveness of regional poverty. Thus far, there is no comprehensive regional Free Trade Agreement (FTA) that has included all regional actors, making South Asia the least integrated sub-region in Asia (Ding & Masha, 2012; Kathuria, 2018). This can be partially seen as the result of the diversity in regional organizations that could provide further integrative mechanisms. As Table 4 indicates, regionalization in South Asia follows a patchwork-like pattern, with none of the organizations including all regional actors.

Table 4: Memberships of South Asian countries in regional organizations

Country	**SAARC**	**ECO**	**BIMSTEC**
Afghanistan	X	X	
Bangladesh	X		X
Bhutan	X		X
India	X		X
Maldives	X		
Myanmar			X
Nepal	X		X
Pakistan	X	X	
Sri Lanka	X		X

The non-incorporation of all regional States is partially an outcome of differing regional orientations. BIMSTEC is focused on cooperation surrounding the Bay of Bengal and also includes two member States of ASEAN, Myanmar and Thailand, and ultimately seeks to strengthen the ties between eastern South Asia and Southeast Asia. Contrastingly, ECO's spatial focus lies with economic engagement with Central and Western Asia. Given the diverging geographical orientations of both BIMTSEC and ECO, neither have the ambition to include the entirety of South Asia. As a result, SAARC is the main organization that actively seeks to engage all South Asian countries.

Considering the imbalance between India and other regional actors in terms of economic, geographical and demographic size, India is bound to play a leading role in any regional forum. An economically strong India has yielded economic benefits for the region as a whole in the past: the increased liberalization of the Indian economy in the 1990s, for instance, helped to stimulate growth in neighboring countries, making regional growth an economic spillover effect (Ding & Masha, 2012). Yet, the extent of the size imbalance, resulting in India's dominance in terms of labor force and general productive capacity, has also raised concerns that the lowering of trade barriers would result in Indian products and services outperforming other regional economies (Desai, 2010; Hossain & Duncan, 1998).

Opposition to Indian regional leadership is especially visible in the case of Pakistan. The relations between both countries post-partition maintain mutually high threat perceptions that de-incentivize cooperation between two economies that together account for 88% of South Asia's GDP (Ahmad et al., 2018; Kathuria, 2018). These threat perceptions, despite Pakistan's membership in SAARC, also limit the extent to which Pakistan is willing to engage in regional mechanisms as Islamabad views SAARC merely as a forum for India to promote its national interests under the guise of regional multilateralism (Bhattacharjee, 2018). Upheld threat perceptions also motivate consistently high levels of military spending in both countries, which has been found to negatively impact bilateral trade volumes (Sapkota, 2020). Estimations suggest that bilateral tariff reductions could increase the trade volume to more than US $20 billion, ten times as much as today (Malik, 2020). Yet, the extent of mutual visa restrictions and the lack of trade cooperation makes bilateral trade so costly that it is less expensive to move goods to Dubai first instead of crossing the border between the two countries directly (Mathew, 2019). While the economic potential of India-Pakistan relations subsequently also remains untapped, the geopolitical rivalry between both countries constrains the economic prospects of the region as a whole.

Pakistan's perceived concerns regarding the role of India help to explain the relative ineffectiveness of SAARC up until this point. It must be noted that many concerns of Pakistan regarding India are informed by idiosyncratic Pakistani worries to some extent (i.e., regarding territorial disputes surrounding Jammu and Kashmir). The lack of trust in and support of regional organizations is reflected in the lack of comprehensive FTAs. The SAARC Preferential Trading Agreement (SAPTA), for instance, was signed as early as 1993 but continued to uphold high non-tariff trade barriers (Ratna, 2020). Its successor, the South Asian Free Trade Agreement (SAFTA), in effect since 2006, also did not successfully reduce trade hindrances, partially due to SAFTA being disproportionately focused on reducing tariff-barriers in order to increase trade connectivity (Ratna, 2020). The implementation of the SAARC Agreement on Trade and Services (SATIS), which came into force in 2012, has not made significant progress either (Raihan, 2020). High para-tariff and non-tariff measures like sensitive lists consequently continue to hinder deepened trade cooperation (Weerakoon, 2020). Extensive sensitive lists that allow participants to exempt goods from tariff reductions have consequently made bilateral trade agreements a much more efficient way of facilitating economic interaction (Ratna, 2020). This focus on bilateralism, a result of lacking multilateral mechanisms, reflects the concerns that especially smaller actors have in regard to Indian economic leadership and FTAs that would presumably disproportionately benefit India. The subsequent lack of policy coordination has reinforced the idea that South Asia lacks a shared *"development model"* around which policy harmonization could be organized (Raihan & De, 2020). Due to a lack of regional integration, the economic potential of the region remains largely underdeveloped.

Lacking integrative and multilateral mechanisms ultimately has a direct negative impact on the economic development of the region as a whole. Policy harmonization through, for example, the eradication of remaining barriers (like sensitive lists) in FTAs would significantly stimulate trade and regional competitiveness (Weerahewa, 2009). Indeed, the lack of regional integration in South Asia means that the trade trajectory in the region defies observations made elsewhere. Contrasting South Asia with more economically integrated regions, several analyses (Ahmed et al., 2010; Kathuria, 2018; R. Kumar, 2020; Raihan & De, 2020) have found that geographical proximity in the region is not conducive to stimulating trade. Compared to trade in East Asia and the Pacific, where intraregional trade accounts for 50% of total trade, it only makes up 5% of total trade in South Asia (Kathuria, 2018, p. 7). South Asia's broader integration in the Asia-Pacific is declining too, with Sapkota (2020) finding that South Asia's trade intensity with the rest of Asia fell from 1.27% in 1990 to 1.16% in 2017. The lack of integrative mechanisms and regional connectivity has resulted in situations where it was cheaper for South Asian countries to trade with Brazil instead of within South Asia (Kathuria, 2018). Taneja and Bimal (2020) find that high transaction costs within South Asia are caused by inefficiencies of formal trade that *"relate to the high transportation costs, infrastructure bottlenecks at land customs posts, procedural delays, complexities of obtaining licenses, customs clearances, paperwork, various refunds, banking and bribes"* (p. 274). High transaction costs are thus a direct result of lacking policy harmonization as well as a lack of trade infrastructure. The lacking efficacy of FTAs, a reflection of the underlying inefficacy of organizations such as SAARC, hence means that intraregional and interregional trade costs continue to present a key obstacle for the economic development of the region.

An additional factor constraining the successful economic integration of the region, even if it was desired, is the prevalence of partially armed conflicts and domestic political instability throughout the region. To find sustainable solutions to structural issues such as the extent of labor informality, for instance, far-reaching political and economic reforms are required, yet regional actors are often characterized by low policy implementation capacities as institutional reach and institutional capabilities remain weak. In a vicious cycle, the lack of adequate institutional structures reinforces informality which in turn reinforces the detrimental effects of informality on economic growth. The recent military coup in Myanmar, for example, has undermined the gains and institutions of the pro-democracy movement in the country while also undermining the international trust in the long-term stability of the country (Rice, 2019). Potential subsequent issues (such as declining FDI or additional sanctions) are also not necessarily confined to one country but impact the region as a whole. For example, growing instability in Myanmar could further push people to migrate to Bangladesh, which is already struggling with over 742,000 Rohingya refugees from Myanmar (Parameswaran, 2020; UNHCR, n.d.). Similarly, the prevalence of conflict in Afghanistan, besides producing and maintaining refugee flows, tightly constrains the capacity of the Afghan government to formulate macroeconomic policy while the lack of governmental control reinforces a dependency on informal labor structures (World Bank, 2021). The political influence of non-State actors such as the Taliban also plays a role in sustaining informality, with heroin production in Taliban-controlled territories being estimated to serve as the full-time work for more than 354.000 people (UNODC, 2018). The continued prevalence of such high-scale structural issues renders it more difficult to find regional solutions to shared regional issues (Weerakoon, 2020). The lack of domestic stability throughout the region thus operates as a major factor constraining integration.

One additional underlying factor is the geography of the region. Connectivity is naturally limited by landscapes such as deserts and mountains, constraining the extent to which countries can be integrated into the global and regional economy. Geographical conditions also inform the concentration of economic activities within a country. As argued by Rickard (2020), *“[s]ome areas benefit from international economic integration while others lose, and as a result, economic geography shapes citizens’ experience of globalization”* (p. 187). Domestic geographies consequently inform *“the availability of raw material, suitable climate conditions, proximity to markets, and an educated workforce or research and development facilities”* (Rickard, 2020, p. 198). Crucially, geography can also shape the trade relationship between regional actors and can provide political leverage for some States. Landlocked countries, for example, are dependent on trade via the territory of other States for access to maritime markets (Alkire & Robles, 2017; Deyshappriya, 2019; World Bank, 2020a). The dependency of other regional actors creates political leverage for States that have access to maritime trade routes. The use of geographical leverage for political gains can serve to further undermine the potential for economic integration.

One shared issue that could serve as a segue for increased multilateral cooperation has been renewable energy production and connectivity. As *“no South Asian country is going to be able to meet its energy needs entirely from within its own domestic resources”* (Singh, 2013, p. 459), cooperation in the field of energy connectivity may motivate enhanced coordination. As Tortjada and Molden (2021) argue, hydropower in particular can be a *“catalyst for regional cooperation in South Asia''* if financial mechanisms and regulations for its development are put in place. Rasul et al. (2021) also suggest that the nexus between water, energy, and food security in the region can increase connectivity through the development of waterways and the mitigation of flood and drought effects. Shukla et al. (2017) moreover note that *“renewable energy can attract investment, provide energy security through diversification, spur technological research and enhance stable economic growth”* (p. 345). Demand for enhanced cooperation is given as regional countries are generally facing insufficient and unstable power supplies, limiting their productive potential as a result (De, 2020, p. 22). Enhanced policy coordination would not just help to attract additional FDI but would specifically benefit smaller, less-developed countries in the region not only despite but especially because of their specific geographical conditions. Particularly mountainous areas in Nepal, Bhutan, the Northeast of India, and Myanmar can profit from the development of hydropower plants and overcome energy shortages if investment in hydropower development is increased (De, 2020). While the energy market is currently dominated by bilateral agreement rather than a multilateral architecture (Pillai & Prasai, 2021, p. 8), regional coordination, i.e., through increased politico-economic integration, could help to create a more regionalized energy market. This market could create more reliable and cost-effective supply networks for South Asian countries while providing a segue for enhanced policy convergence and harmonization.

Successful regional integration has been absent due to a variety of reasons. One of the overarching difficulties is the relationship between India and Pakistan, which limits the economic interactions between both countries at the expense of the region as a whole. Additional components that constrain integration potential are manifested by multi-faceted forms of domestic instability observable throughout South Asia. While there are issues that could motivate and do require enhanced cooperation (such as hydropower exploration), the cooperative framework through which multilateral cooperation could take place is not (yet) given. This produces and sustains a lack of regional connectivity and integration.

Regional Connectivity and the BRI

Chinese infrastructure investment through the BRI, initially announced in 2013, responds to this lack of integration and the associated lack in regional connectivity. Through concerted policy, advertised as infrastructure investments, throughout the world, the institutional framework of the BRI ostensibly seeks to improve policy coordination, enhance infrastructure connectivity, make trade less impeded, pursue further financial integration and enable people-to-people exchanges (European Bank for Reconstruction and Development, n.d.). In the regional context of South Asia, the BRI includes several large-scale projects, most notably CPEC, expected to cost up to US$75 billion (Das, 2017) as well the China-Myanmar Economic Corridor (CMEC) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC). The BRI's plans of not just reshaping connectivity infrastructure but also integrating policy and financial networks is likely to be a shaping component of politico-economic developments in South Asia in the years to come (Das, 2017). Crucially, the BRI's focus on infrastructure investment responds to the lack of regional integration and connectivity present in South Asia while at the same time inducing competitive advantages for Chinese companies. This has been analyzed as an effort to obtain economic leverage and to pursuit geopolitical influence which has all the markings of an expansionist project.

China's connectivity initiatives have markedly put it at odds with India. Compounded by deteriorating relations between both countries in recent years, epitomized by the 2020 border clashes in the Himalayas, the BRI has become deeply embroiled in Indian-Sino competition over political and economic influence in South Asia. Initially India showed some willingness to partake in the BRI, for instance in the context of BCIMEC, yet this stance changed following the 2015 announcement that CPEC would also run through parts of Pakistan-administered Jammu and Kashmir, which continues to be claimed by India (Pant & Passi, 2017). In the years since, India has further refused to join the Regional Comprehensive Economic Partnership (RCEP), which would have been another possibility for trade facilitation with China (Wagner & Scholz, 2020). The deepened economic ties between China and Pakistan through the BRI, in combination with the insertion of CPEC into the Kashmir conflict, can be viewed as further undermining possibilities for cooperation (Markey, 2021). India's increasingly cautious stance towards China's growing regional influence is also visible in the renewable energy investment sector, in which India has acquired a largely dominant position in recent decades (Atlantic Council, 2020). Following surging Chinese investments in energy infrastructure in South Asia, India has become increasingly concerned *"about China's investments in the power sectors of neighbouring countries"* (Pillai & Prasai, 2021, p. 9). Although Indian-Sino cooperation in the context of the BRI and RCEP has consequently remained largely minimal, India continues to be a major destination for Chinese FDI (American Enterprise Institute, 2021; BU Global Development Policy Center, n.d.). This shows that despite the tense relationship, at times both countries have pursued an 'engage but deny' strategy (Gabusi, 2020), consisting of (attempted) cooperation in order to contain the strategic aspirations of the other side. That said, the BRI and CPEC in particular, has hardened the fronts between both countries and has made integration and connectivity a key realm for the growing competition between Beijing and New Delhi.

It is worth noting that the BRI is not bound to emerge as an institutional alternative to distinct regional mechanisms in South Asia. While potentially producing beneficial net economic outcomes for recipient countries in the short-term, BRI policy continues to be largely shaped by China and the prioritization of Chinese domestic interests (He, 2019; Hoering, 2020). China will continue to secure necessary resources and markets for continued industrial expansion and as a result the BRI is likely to develop in a way that China perceives as most beneficial for its politico-economic goals, many of which are likely to shift over time. Through the BRI, China provides low-cost financing for countries in need of infrastructural development, while subjecting them to Chinese objectives which may not always overlap with the aims of countries in South Asia. In exchange for providing infrastructure, participating countries open their financial markets to China and take up extensive loans which have raised increasing concerns about debt sustainability and the untransparent restructuring mechanisms of these loans (Acker et al., 2020). Due to lack of bargaining power of recipient countries' governments, China is able to establish conditions that can prove unprofitable and disadvantageous for local people and leave taxpayers with the burden to repay debts over an extensive period of time. Thereby, funding is heavily tilted toward Chinese government-led construction companies and trade deficits are likely to increase (Jones & Hameiri, 2020). In addition to the official geopolitical and economic goals of the grand project, which include infrastructure, connectivity, free trade and the integration of financial markets, China's expansive foreign policy interests must be viewed with particular caution in the long-term. Partaking countries must develop administrative mechanisms that help to assess and balance the need for long-term loans and infrastructure investment with the costs of increasing economic dominance and influence of China. This creates an urgent need for South Asian countries to ensure the financial feasibility and sustainability of extensive infrastructure projects in order to minimize the exertion of political influence by China. Criticism of the BRI often focuses on concerns about China taking over strategic assets and infrastructure after countries are unable to repay the loans in what is called "debt-trap diplomacy". The Hambantota port in Sri Lanka is repeatedly referred to as an example for this concern. The port was leased to a Chinese State-owned enterprise for 99 years after Sri Lanka was unable to satisfy foreign loans (Moramudali, 2020). This means that the China Merchant Port company will handle significant portions of operations and profit, while the ownership remains in Sri Lanka. Similarly, in the case of the CPEC, the recipient country, Pakistan, pays a large share of the hidden costs of the BRI. Despite efforts to transform the Gwadar port in Pakistan into a global trade hub, delays in other BRI infrastructure projects in and around the port city Gwadar led to slow business and protests. Following the Gwadar port deal, the China Overseas Port Holding Company receives 91% of the profits from terminal and maritime operations over the next 40 years in a leasing agreement similar to the one concluded for the Hambantota port in Sri Lanka (The Economic Times, 2017). Increasingly, opposition and protests have formed within local communities towards the CPEC project around the notion that China profits more from the economic corridor than Pakistan and that mineral resources are being exploited (Baloch, 2021). While the creation of economic corridors can contribute to the creation of job opportunities in the partaking countries, the special economic zone also allows for a higher influx of Chinese workers and goods which potentially drive local products and producers out of the market. The resentment within the local community in Gwadar hints at the fact that alleged job opportunities and figures put forward by authorities about the creation of jobs have failed to materialize. For the people in Gwadar, access to basic necessities like electricity and water remains very limited and for the local fishermen, free access to the sea has been blocked as a result of the infrastructure development around the port (Ebrahim, 2021). In addition, the long-term costs of environmental degradation in the region are borne by the local residents. In the immediate vicinity of Gwadar, a $540 million coal-fired power plant is being built by the China Communication Construction Company, despite the government's decision to forego new coal-fired power plants (Ebrahim, 2021). This example shows that while environmental degradation is outsourced, China continues to seek new ways to secure resources tapping into countries as part of the BRI.

In Afghanistan, whereas Western countries are debating the continuance of international aid programs, China's approach towards the Taliban is shaped by expansionist pragmatism. A spokesman for the Taliban expressed a strong desire to be involved in the CPEC, which gives China access to the Indian Ocean in Pakistan. If these aspirations are fulfilled, Beijing could become one of the new regime's most important supporters in the coming years, and secure Chinese access to the vast deposits of iron, copper, gold and lithium in the country plagued by political instability and terrorism (Reuters, 2021). Until now, China has only invested little in extraction due to concerns about security challenges and high levels of corruption (Felbab-Brown, 2020). Strangely enough, these concerns seem to have disappeared from Beijing's perspective with the Taliban's takeover of Afghanistan while for most of the world thinks otherwise.

Moreover, the impact of the BRI will continue to be shaped by external developments. The outbreak of COVID-19, for instance, has resulted in the execution of BRI projects being delayed, investors becoming more hesitant and China seeking to concentrate investment within China rather than abroad (Shepard, 2020). The ultimate success of the BRI is consequently not a given. Despite this, *"[t]he infrastructure-funding gap in Asia and Africa is not going to go away because of a virus"* (ibid), meaning that South Asian countries should contemplate on developing a truly regional approach in order to guard the region from expansionist powers.

Conclusion

The lack of comprehensive multilateral mechanisms has divided the region and has reinforced a focus on bilaterally organized economic relationships. Crucially, the lack of a regional economic architecture, which reflects and reinforces the lack of regional connectivity, must be seen as one of the main factors allowing for the entry of China into the region. China has opportunistically capitalized on the lack of existing structures, positioning itself as an external alternative.

Despite rapid economic growth in recent years, South Asia remains characterized by deep economic inequalities, a potentially unsustainable reliance on remittances, pervasive labor informality and a lack of economic and political integration. Migrant workers and workers in the large informal economy of South Asia have little access to social services, which renders them particularly vulnerable in the face of the COVID-19 pandemic. Although remittances still flow into South Asia and might compensate for income losses in the short-term, in the long-term South Asia has an immense need to foster a more sustainable approach to economic development. Although political and economic integration does not provide the answer to all of these issues, it would help to address the untapped trade potential that is currently undermining the region's economic development.

A lack of regional integration has also negatively impacted the region's collective capacity to respond to COVID-19. Although improved political and economic integration in South Asia would not have prevented the negative economic impacts of COVID, it could have alleviated them. Policy harmonization, for instance, could help to regulate formal cross-border traffic, harmonize health and hygiene protocols, enhance healthcare provisions, especially to groups employed in the informal sector, and provide economic relief on both a microeconomic and macroeconomic level. The trade in vaccines and protective equipment could be accelerated alongside the intraregional trade in other essential goods. Regional integration, then, would have benefited the resilience of the region as a whole.

As such, both COVID-19 as well as China's growing expansionism have highlighted that structural pressures are likely to be exacerbated by external developments if additional political and economic integration in South Asia - between South Asian States - does not take place.

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