

## Finance Capital and Infrastructure Development: The Asian Context

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The proposed project looks at the connection between networks of finance capital and infrastructure-led development in the context of India's Look East Policy (renamed as the Act East Policy in 2014) whose main thrust has been to forge sustainable political and economic relationship with its neighbouring countries in Southeast Asia so that it can compete with China as a regional power, especially in the context of Asia's emergence as the leader of globalization following the economic meltdown in the West. The change in the attitude must be analyzed in terms of India's changing relationship with Asian power blocs and regional conglomerates like the Association of Southeast Asian Nations (ASEAN) and Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC). 'Pre-liberalisation' India was sceptic about this 'regional architecture' and viewed ASEAN as an American stratagem to control Southeast Asia.<sup>1</sup> This negative assessment changed into a desperate attempt to gain confidence of the ASEAN countries in the early nineteen-nineties when the then Prime Minister P. V. Narasimha Rao announced the Look East Policy and 'led economic missions to Indonesia, Singapore, Malaysia, Thailand, Vietnam and South Korea to spread the message that India was open for business'.<sup>2</sup> The eagerness was matched by ASEAN's gradually inclusive appraisal of India.<sup>3</sup> However be India's location within ASEAN's organisational structure, the economic alliance between them is yet to bloom in its full. India in 2014 has been the ninth largest trading partner with ASEAN (67 billion US dollars of total trade) where as China is still its largest trading partner (366 billion US dollars of total trade in 2015).<sup>4</sup>

One reason of this lacklustre growth is identified as the 'dismal physical infrastructure connections between India and ASEAN markets'.<sup>5</sup> The Chairman's Statement of the 13th

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<sup>1</sup>Lavina Lee, 'India as a Nation of Consequence in Asia: The Potential and Limitations of India's "Act East" Policy', *The Journal of East Asian Affairs*, Vol. 29, No. 2 (2015), 71.

<sup>2</sup>*Ibid*, 74.

<sup>3</sup> 'ASEAN granted India "sectoral dialogue" partner status in 1992, full dialogue status in 1995, membership of the security focused Asian Regional Forum (ARF) in 1996, and equal status with China and Japan as an ARF summit level partner in 2002. In 2003 India, along with China, were the first states outside of ASEAN to sign the ASEAN Treaty of Amity and Cooperation and in 2004 ASEAN and India signed a Partnership for Peace, Progress and Shared Prosperity agreement. By December 2012, the relationship between India and ASEAN was declared by both sides to have the status of a "strategic partnership". India was included as a founding member of the East Asian Summit in 2005, overcoming the objections of Malaysia and China, with the sponsorship of Singapore and Japan' (*ibid*, 78-79).

<sup>4</sup>*Ibid*, 74.

<sup>5</sup>*Ibid*, 75.

ASEAN-India Summit (2015) emphasises the point in clear terms: ‘We are also pleased to note various initiatives undertaken by ASEAN and India to promote the ASEAN Connectivity Agenda. We strongly encouraged continuous cooperation between ASEAN and India in this area, in all three dimensions, namely physical, institutional and people-to-people connectivity.’<sup>6</sup>One initiative among many others is the formation of the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC).It was formed in 1997, when India had started to gain some prestige from its peers in the ‘developed’ world, with Thailand’s insistence and support from the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).<sup>7</sup> This sub-regional grouping was intended for increasing trade and cooperation in other areas between two ASEAN countries (Myanmar and Thailand) and five SAARC (South Asian Association for Regional Cooperation)countries (India, Bangladesh, Nepal, Bhutan and Sri Lanka). A 2014 Brief on functioning of the initiative prepared by the Indian Ministry of External Affairsmentions that the total population of all BIMSTEC countries taken together consists of twenty-one percent of the world population – a huge source of human capital considering the size of the region.<sup>8</sup>

In 2007, the Asian Development Bank (ADB) conducted a study titled the ‘BIMSTEC Transport Infrastructure and Logistics Study’ which was endorsed in a BIMSTEC Ministerial Meeting in 2009. ADB’s interest in the Bay of Bengal region is palpable in the context of increasing energy demands and China’s Look South policy which promotes infrastructure development in areas around the Bay: ‘Since the [Bay of Bengal] leads to the Malacca Strait, that opens up to the South China Sea (SCS), these routes are crucial to economies in the SCS (China, Japan) – which explains the growing interest and involvement of extra-littoral players in the Bay.’<sup>9</sup> The ‘Technical Assistance Consultant’s Report’ of the aforementioned study points out that BIMSTEC lacks an ‘overarching or specific policy on either transport or logistics’ and there have been demands from ‘below, in the form of its Economic Forum’ to introduce such a policy in order to reduce the high cost of moving goods from one member country to another.<sup>10</sup> The

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<sup>6</sup><http://asean.org/wp-content/uploads/images/2015/November/27th-summit/statement/Final-Chairmans%20Statement%20of%2013th%20ASEAN%20INDIA%20Summit.pdf>; accessed on 9 August 2016.

<sup>7</sup>SmitaShrivastava, ‘BIMSTEC: Political implications for India’, *The Indian Journal of Political Science*, Vol. 66, No. 4 (2005), 974.

<sup>8</sup>[https://www.mea.gov.in/Portal/ForeignRelation/23022\\_BIMSTEC\\_Brief\\_February\\_2014\\_1\\_.pdf](https://www.mea.gov.in/Portal/ForeignRelation/23022_BIMSTEC_Brief_February_2014_1_.pdf); accessed on 10 August 2016.

<sup>9</sup> Mohammad Humayun Kabir and Amamah Ahmad, ‘The Bay of Bengal: Next Theatre for Strategic Power Play in Asia’, *Croatian International Relations Review*, No. 72 (2015), 201.

<sup>10</sup>*The Technical Assistance Consultant’s Report: Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation Transport Infrastructure and Logistics Study* (Asian Development Bank, 2008),

<sup>3</sup><http://www.adb.org/sites/default/files/project-document/65311/38396-01-reg-tacr.pdf>; accessed on 17 August 2016.

Study also derived its inspiration from a Concept Paper published by ADB in 2006, which also 'noted the lack of a developed logistics environment in the BIMSTEC countries due to the limited penetration by third party logistics (3PLs) and the residual reliance on traditional small-scale suppliers of single services.'<sup>11</sup> The Report recommends upgrading all international roads on the BIMSTEC corridors to Asian Highway Class I by 2020, developing a coordinated regional road development programme, upgrading border link roads, connecting landlocked countries like Bhutan and Nepal with railways and solving the problem of restricted draught and limited navigation of large vessels in ports in the northern part of the Bay (Chittagong, Kolkata and Haldia) by constructing deep water ports.<sup>12</sup> Consequently, many projects are underway to overcome the bottlenecks in transport infrastructure with financial and technical support from ADB and the World Bank. Such projects include building of cross-border infrastructure between India and Thailand, construction of port-based SEZs in Myanmar, and planning of an India-Myanmar-Thailand Trilateral Highway linking Moreh (India) with MaeSot (Thailand).<sup>13</sup>

The Asian Development Bank appears as a selfless, benevolent funder to all regional blocs. However, the revamping of logistical infrastructure in South and Southeast Asia is crucial to the working of ADB as well. According to its website, eighty percent of its lending to its members countries is concentrated in infrastructure, education, environment, regional cooperation and integration, and financial reforms.<sup>14</sup> Most of the money in infrastructure goes into funding improvement of transportation. ADB has already established a programme for its developing member countries (DMC) to promote the concept of 'sustainable transport initiatives' which is supposed to allow 'basic access and development needs of individuals, companies, and society to be met safely and in a manner consistent with human health.'<sup>15</sup> This concept is coterminous with the narrative of ADB's projection of Asia as a steadily growing economic region in spite of various infrastructural bottlenecks.<sup>16</sup> 'Physical connectivity is the bedrock of many economic cooperation and integration efforts,' a recent report on regional cooperation and integration confirms.<sup>17</sup> But the 'hardware' of physical connectivity – construction of roads, bridges, ports, rail

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<sup>11</sup>*Ibid.*

<sup>12</sup>*Ibid.*, ix-xv.

<sup>13</sup>Prabir De, 'Strengthening BIMSTEC Integration: The New Agenda', *BIMSTEC Newsletter*, Vol. 72, No. 1 (2016), 2.

<sup>14</sup><http://www.adb.org/about/policies-and-strategies>; accessed on 18 August 2016.

<sup>15</sup> ADB, *Sustainable Transport Initiative: Operational Plan* (Manila: Asian Development Bank, 2010), 4:

<http://www.adb.org/sites/default/files/institutional-document/31315/sustainable-transport-initiative.pdf>; accessed on 18 August 2016.

<sup>16</sup> ADB, *Regional cooperation and Integration Strategy* (Asian Development Bank, 2006):

<http://www.adb.org/sites/default/files/institutional-document/32091/final-rci-strategy-paper.pdf>; accessed on 18 August 2016.

<sup>17</sup>*Ibid.*, 11.

lines – must be in concurrence with its ‘software’ – legal and regulatory frameworks, systems of customs clearance, etc.<sup>18</sup> In that sense, regional cooperation will require uniform regulatory and fiscal frameworks across borders: ‘harmonization of regulations, procedures, and standards.’<sup>19</sup> This combination of hardware and software of infrastructure pertains to the concept of Asia itself as an integrated infrastructural project. Thus multiple publications by ADB and the Asian Development Bank Institute (ADBI) – the research wing of ADB, operating from Tokyo since 1997 – propose to build an infrastructurally ‘seamless’ Asia.<sup>20</sup> These studies agree that ‘the time is ripe for research on cross-regional integration’<sup>21</sup> which will obviate the impending economic crisis.

The time is also ripe for initiating massive infrastructural activities to match these studies. Kolkata – the city itself and its port – has attracted the attention of the designers of a ‘seamless Asia’ for being at a relatively central location in the grand scheme of things in South and Southeast Asia. So much so that it could be projected as a logistical hub in the region. The studies on a connected Asia cannot ignore the reality of its centrality with respect to various logistical chains that must be formed to facilitate cross-border movement of labour, capital and commodities. ‘In South Asia all corridors originate from Kolkata and Chittagong ports in the Gulf of Bengal,’ observes one study on the land connectivity in South and Southeast Asia.<sup>22</sup> The same study mentions that there are ‘five possible road corridors for South Asia’ – three of which start in Kolkata: the Kolkata–Chicken’s Neck [via Siliguri] corridor (Manipur), the Kolkata–Bangladesh corridor, and the Kolkata–Chicken’s Neck corridor (Mizoram).<sup>23</sup> Similarly, due to the possibility of being at the centre of numerous road and rail corridors, depleted yet diverse infrastructural facilities, and richness and dexterity of human capital, the Kolkata port acquires a special place in the paradigm of Asian connectivity, especially in the Bay of Bengal region. For example, one of the glaring examples of public-private partnership in the Asian connectivity paradigm is the Kaladan Multi-modal Transit Transport project which is supposed to connect the

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<sup>18</sup>*Ibid.*

<sup>19</sup>*Ibid.*

<sup>20</sup> ADB and ADBI, *Infrastructure for a Seamless Asia* (Tokyo: Asian Development Bank Institute, 2009); Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (eds.), *Connecting Asia: Infrastructure for Integrating South and Southeast Asia* (Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2016 [copyright with ADBI]); Prabir De and Kavita Iyengar (eds.), *Developing Economic Corridors in South Asia* (Manila: Asian Development Bank, 2014).

<sup>21</sup> Naoyuki Yoshino, ‘Foreword’ in Morgan and Ganeshan Wignaraja (eds.), *Connecting Asia: Infrastructure for Integrating South and Southeast Asia* (Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2016), ix. Yoshino is the current Dean of IDBI.

<sup>22</sup> Jean-François Gautrin, ‘Land-Based Cross-border Transport Infrastructure’ in Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (eds.), *Connecting Asia: Infrastructure for Integrating South and Southeast Asia* (Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2016), 38.

<sup>23</sup>*Ibid.*, 39.

Kolkata Port to the Sittwe Port in Myanmar.<sup>24</sup> A deep water port will be built at the Sagar Island – 150 km in the downstream of Kolkata – jointly by the Kolkata Port Trust and the government of West Bengal.<sup>25</sup> This Port, along with the one in Haldia, will operate as part of the integrated port system under the Kolkata Port Trust. Apart from taking care of the large vessels which cannot anchor at the Kolkata Port due to restricted draught, it will also work as a military base of India for surveillance of the Bay of Bengal region.<sup>26</sup>

It is debatable how much of all this will come to fruition; what is rather palpable is the urgency with which plans of regional integration, schemes of infrastructural development, strategies of military concentration, and designs for removing obstacles in the way of movement of capital come together to produce a logistical world. This world is also ‘patterned’ by the postcolonial invention of the Area Studies and the regionalism that it promotes. As Sandro Mezzadra and Brett Nielson argue, the ‘rise of area studies...involved an effort to bestow a sense of scientific authority and objectivity on the division of the world into more or less boundable areas, supposedly united by social and cultural features and understood as comparable and thus separable entities.’<sup>27</sup> During the Cold War, these ‘areas’ played their respective roles as lackeys of the American or the Soviet camp, or, tried to remain unattached like India but finally leaned on either of the two. In early nineteen-nineties, the same regional blocs transformed themselves into cogs of a huge infrastructural machine whose formation and sustenance is coterminous with increasing physical and virtual connectivity between the same regions. This conception of the continent – breakable into regional conglomerates but also presentable as a seamless unity when needed – is impossible without taking the question of infrastructure as its organising principle. Similarly, infrastructure in this context is defined as a political entity whose blueprint is drawn in the interplay of global capital and local aspirations.

The project will strive to explore this connection between the idea of ‘seamless Asia’ and the infrastructural requirements for its realisation in connection with the emerging networks of finance capital in the region. The concept of finance capital is often reduced to discussions around the figure of the solitary, speculative economic agent and her speculative decision-making abilities. This study, however, will try to bring the concept of infrastructure development at the

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<sup>24</sup> Mohammad Humayun Kabir and Amamah Ahmad, ‘The Bay of Bengal’, 222.

<sup>25</sup> ‘Kolkata Port Trust, West Bengal govt to sign JV for new port’, *Live Mint* (7 January 2015): <http://www.livemint.com/Industry/rvWeoFww5eWhg1N6Z5lb9I/Kolkata-Port-Trust-West-Bengal-govt-to-sign-JV-for-new-port.html>; accessed on 18 August 2016.

<sup>26</sup> ‘NHAI to construct bridge to Sagar Island’, *Times of India* (28 April 2016): <http://timesofindia.indiatimes.com/city/kolkata/NHAI-to-construct-bridge-to-Sagar-Island/articleshow/52018921.cms>; accessed on 18 August 2016.

<sup>27</sup> Sandro Mezzadra and Brett Neilson, *Border as Method, or, the Multiplication of Labor* (Durham and London: Duke University Press, 2013), 42.

core of its conceptualisation and will look at the institutional paradigms of regional conglomerates and their conversations with the expansive networks of finance capital. This will involve a close reading of the policy documents of the Indian government, statement of purposes and designs of on-going infrastructural projects in the country, studies and project reports conducted by the regional groups and the development banks, and discussions about these forms of developmental activities in public forums and media. The main objective of these readings will be to produce a narrative of changes in both geopolitics and the ideas of finance capital in instances of shifting of their mutually constitutive boundaries in the last one decade.