

IDSA COMMENT

Xi's Belt-Road Initiative: Recalibration, Strategic Imperatives



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The second Belt-Road Forum (BRF) was held in Beijing from 25-27 April 2019. The three-day event was organized to promote the 'Belt-Road Initiative' (BRI) - President Xi Jinping's multi-trillion-dollar infrastructure development and investment venture. The Summit was attended by 40 global leaders, including Russian President Vladimir Putin and Pakistan's Prime Minister Imran Khan, China's two closest allies. The gathering was larger than the first Summit held in 2017, which had just 29 participants. Among the new entrants were Austria, Portugal, the United Arab Emirates, Singapore and Thailand. Italian Prime Minister Giuseppe Conte became the first G7 leader to join the BRI. India stayed out for the second time on grounds of sovereignty given that the China Pakistan Economic Corridor (CPEC) traverses through Pakistan-occupied Jammu and Kashmir (PoJK).

BRI has come under fire due to lack of transparency, weak institutional mechanism, scepticism about Chinese loans leading to debt trap, and poor environmental record. Besides, it is being perceived as an exclusive 'Chinese Club'. With new deals aggregating US\$ 64 billion signed and 283 concrete deliverable outcomes, despite criticism particularly from the US and its allies, the grand plan apparently remains on track and is gaining international traction. With a view to dispel growing concerns, the focus of this second Forum was on projecting BRI as an attractive investment destination. President Xi staunchly defended the Belt-Road, assuring its 'win-win' outcome.

BRI provides China a unique platform to pursue its multiple objectives. Besides expanding global influence, it is in sync with President Xi's 'China Dream' (*Zhong Quo Meng*), envisioning a 'powerful and prosperous' China. Numerous hurdles notwithstanding, the Belt-Road Initiative is bound to impact the prevailing

geopolitical dynamics and have strategic ramifications. It merits a pragmatic evaluation.

BRI: An Appraisal

The mammoth infrastructure development initiative was originally conceptualized as a 'going out' strategy to develop productive outlets for China's domestic overcapacity, diversify foreign asset holdings, and contribute to the stabilization of the Western provinces and the Eurasian hinterland. It was in 2013 that President Xi Jinping launched the 'One Belt-One Road' (OBOR) project, later rechristened as BRI. The initiative was portrayed as a benign investment venture – a 'road of peace and prosperity' with vast benefits. Spanning across Asia, Africa, Oceania and South America, the total value of the scheme was estimated at \$ 3.67 trillion. According to the World Bank, the plan is expected to lift global GDP growth by three per cent.

China's initiative evinced interest from a large number of countries since it was filling the void left by International Financial Institutions (IFI) which had stopped financing infrastructure development. BRI is in no way a traditional aid programme, but a money-making investment. It blends political, economic and strategic dimensions. Being country specific, the approach adopted varies from resolving debts, accepting payments in cash, commodities or in lease. Investments in many cases seek to further core Chinese national interests including gaining access to sensitive ports and securing sea lanes of communication in the Indian Ocean Region (IOR). Alongside the physical infrastructure, another ambitious project on the anvil is the 'digital silk road' aimed at enhancing digital connectivity. This will enable Chinese dominance of 5G technology and networks, arousing concerns amongst Western nations.

A few BRI countries had expressed dissatisfaction with the on-going ventures including Sri Lanka, Malaysia, Myanmar and Bangladesh. Several projects under CPEC also came under the scanner. A hydro-power project in Nepal was scrapped. The Trump administration holds the view that China's 'predatory financing' pushes smaller countries into debt, endangering their sovereignty. Beijing's acquisition of Hambantota port on 99-year lease in a debt swap agreement in 2017 is a case in point. Recently, US Secretary of State Mike Pompeo slammed China while addressing the opening session of the 'Arctic Council' in Finland for using its power through BRI to achieve security objectives.

The exact number of projects under BRI is hard to calculate, though these run into thousands because many have been informally negotiated. Most striking of the Belt-Road ventures is the East Coast Rail Link (ECRL) which will connect Malaysia's East Coast to Southern Thailand and Kuala Lumpur. CPEC, connecting Xinjiang with Gwadar and the 'Gulf of Oman' is a signature project. Total trade between China and BRI nations has exceeded \$ 6 trillion. Chinese investment in these countries stands at over \$ 80 billion. BRI provides China an overarching framework for enhancing bilateral and multilateral cooperation.

Recalibration and Branding

In the wake of growing international criticism, President Xi recognised the need to review and recalibrate the BRI. During the April 2019 Summit, he vouched for China's sincerity and vowed 'zero tolerance' on corruption while assuring deliverance of 'high quality' schemes in consonance with international standards.

Key concerns, namely cleaning of state subsidies, reducing non-tariff barriers, boosting imports and protecting 'Intellectual Property Rights', were also highlighted.

China has been criticised for allowing its companies to take away 90 per cent of the business and dictating own financing terms to borrowers. Xi reaffirmed that BRI would adopt market-driven practices, making financial terms negotiable between lenders and borrowers. He also indicated that new rules will be formulated within the framework of the World Trade Organization (WTO). Signs of partial backtracking by China are evident from the fact that Malaysia has renegotiated the terms of the rail project with a much-reduced outlay and increased local participation. Even Pakistan is in the process of reviewing the terms of CPEC.

According to former Australian Prime Minister Kevin Rudd, with the policy refresh in implementing BRI, it will be less of a political target in future. In the image building exercise, Belt-Road has now been termed as a 'community of common destiny'. A kind of G150, it seeks to promote multilateralism, globalisation and development, alongside human rights, providing an umbrella for plurilateral cooperation. BRI manifests China's confidence as a global player, gradually stepping into the strategic space yielded by the USA.

India's Stance on BRI

India once again chose to keep out of the BRI since the reasons for its abstention from the 2017 Summit remain valid. According to the Ministry of External Affairs (MEA), connectivity initiatives must be based on universally recognised international norms, good governance, rule of law, openness, transparency and equality. It further stressed that projects should not create a debt burden and instead empower local communities.

At a pre-Summit conference, China's Foreign Minister Wang Yi emphasised that Sino-Indian ties were insulated from the differences over BRI. He said that China understood India's concerns about CPEC. According to China's Ambassador to India, Luo Zhaohui, better connectivity between the two countries could be the key to address the existing trade deficit and bring more strategic convergence on India's 'Act East Policy'.

India's keeping out of the BRI does not count for much unless it has a blueprint to counter China's grand design. New Delhi's first regional initiative, its 'Connect Central Asia Policy' (CCAP), is a step in the right direction as it reflects the nation's will to play a larger role in the region. The 'Trilateral Agreement' between Afghanistan, India and Iran offers an excellent opportunity to implement a 'Look North Strategy'. There is vast scope for connectivity with ASEAN as well.

Strategic Imperatives

Despite impediments, China remains steadfast in pushing through the BRI to achieve its multiple objectives. The BRI now dominates Beijing's geo-economic discourse. Growing apprehensions about the sustainability of various projects and the burgeoning debt burden of the recipient countries have led to serious doubts over the long-term viability of such a mega venture, putting China's credibility at risk. Consequently, the focus of the recent Summit was on dispelling misgivings.

BRI is primarily South Asia and IOR centric, as is evident from the number of projects in these regions – CPEC, CMEC (China-Myanmar Economic Corridor), 'Nepal-China Trans Himalayan Multi-Dimensional Connectivity Network' including Nepal-China cross border railway, besides significant projects in Bangladesh, Maldives and Sri Lanka. The Maritime Silk Route encompasses major ports such as Kyakhphu in the Bay of Bengal and Gwadar in the Arabian Sea. On completion of the above ventures, China will enjoy a competitive edge in the region.

India has rightly chosen not to participate in the Forum as there is no viable opportunity for it. New Delhi needs to closely monitor the infrastructure development activities in the region from the strategic perspective and within the larger framework of relations with Beijing. At the same time, it must pursue alternate connectivity initiatives like the Asia-Africa Growth Corridor (AAGC) in collaboration with partners such as Japan to ensure geostrategic balance in the region.

China's Communist leadership is known for grand initiatives. President Xi's Belt-Road is one such mega venture. While still in the evolution stage, BRI has the potential to be a game changer in China's quest to shape a 'Sino-Centric' Global Order.

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