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Vijay K Nambiar joined the Indian Foreign Service in 1967. He studied Chinese in Hong Kong, and served in China from 1970-72 and returned to South Block and Udyog Bhavan until 1976. He then served as First Secretary in Tito's Yugoslavia. He was posted from 1979 to 1982 in the Indian Mission at the United Nations (UN) in New York and served in Delhi during the 1983 NAM Summit and after. From 1985 to 1987, he was India's Ambassador in Algeria. He returned to Delhi as Joint Secretary East Asia in the MEA in 1987 and helped prepare for Rajiv Gandhi's historic visit to China in 1988.

Subsequently, he served as India's Ambassador/ High Commissioner in Afghanistan (1990-1992), Malaysia (1993-1996), China (1996-2000), Pakistan (2000-2001) and Permanent Representative to the UN in New York (2002-2004). Post-retirement, he served as Deputy National Security Adviser of India (2004-2006). He was then deputed by the Government of India to serve in the United Nations Secretariat as Under Secretary-General, Special Adviser to Secretary-General Kofi Annan (2006-2007), then as Chef de Cabinet to Secretary-General Ban Ki-moon (2007-2012) and later as Adviser on Myanmar (2012-2016).

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The Belt and Road Initiative Post-April 2019: Plus ça Change!

Abstract

The extensive and wide-ranging presence of the Belt and Road Initiative (BRI) has become a phenomenon which is here to stay. The proposal announced by President Xi Jinping in 2013 at Nazarbayev University envisioned China's reaching across the world to strengthen communication, improve road connectivity, enhance trade and investment facilitation and strengthen people to people exchanges. It is clear that the BRI has become the most important element of the 'Chinese Dream' in assuming centre-stage in a 'Community of Shared Destiny' of a globalised world in the new century, the test of its civilisational strength and resilience. This paper takes stock of the contemporary geopolitical, economic and social aspects of the BRI.

Keywords: *Belt and Road Initiative, infrastructure, connectivity, Chinese Dream*

The extensive and wide-ranging presence of the Belt and Road Initiative has become a phenomenon which is here to stay. The proposal announced by President Xi Jinping in 2013 at Nazarbayev University envisioned China's reaching across the world to strengthen communication, improve road connectivity, enhance trade and investment facilitation and strengthen people to people exchanges. Described as the 'project of the century', the BRI covers infrastructure and investments worldwide of a potential value estimated to be approximately between USD 1.2 and 8 trillion (Bosu 2018)[1] affecting more than 4.4 billion people, or 60 per cent of the world's population, encompassing almost one third of the global GDP and more than a quarter of the world's trade volume. The latest entry into the initiative came by late March in the previous year, when Italy became the 130th country to sign up for BRI projects with China.

Originally seen as a logical continuation of Deng Xiaoping's policies (of the eighties) of building Socialism with Chinese Characteristics (*Zhongguo Te se She hui Zhu yi,*) and integrating it into the environment of global capitalism and of Jiang Zemin's Going Out strategy (*Zou chuqu Zhanlue*), (during the nineties) that enabled China to secure accession to the WTO in 2001 and integration into the global economy, the BRI, under Xi Jinping, has come to be identified with the grandiose pursuit of the 'Chinese Dream'. As China progressively increased its external trade and became the largest trading partner to more than 180 countries, it has sought to project a superior model 'of international system in place of the 'western' rules-based order, as well as to create new multilateral institutions in place of those that so far supported global development and international trade. If the recent global polls carried out by the Pew Research Center are to be believed, this move is still perhaps too soon to materialise, as the international opinion about the rise of China still seems to be a point of contradiction. While a large number of the people

1 Deloitte speaks of a capital cost of BRI projects of between US$4-8 trillion

surveyed in most countries seem to believe that China's influence and reputation in the international arena had expanded markedly, only 41 per cent saw this development as a positive change (Pew Research Center 2019). In some quarters, Xi Jinping's BRI project is also seen as a response to the US rejection of Xi's suggestion for a new system of Chinese interaction and diplomacy with the world, called the new model of major country relations'. When this suggestion was made in 2015, Xi had hoped a rising China would be provided more space in an order still characterised by US hegemony. But the peremptory repudiation of this overture added a greater urgency to Xi's efforts to reach out especially to continental Europe and to a large part of the developing world with a more ambitious vision. At the Forum meeting of May 2017, however, Xi sought to reassure the world that China had no intention 'to reinvent the wheel' through the BRI but rather it wished to complement and assist the development strategies of its partner countries by leveraging their comparative strengths (Xinhuanet 2017). For him, the BRI was seen as China's platform of cooperation which would create a space to uphold and grow an open world economy, to achieve economic integration and interconnected development and deliver '*win-win*' benefits for all. He stressed that this could only happen in a peaceful and stable international environment.

The goals and actors of the BRI have, meanwhile, been continuously evolving. On the one hand there is —the pragmatic consideration linked to connectivity, to the quest for a new engine of growth, utilisation of surplus capacity, development of new markets as Chinese industry moves up the value chain, more deployment of its foreign reserves, internationalization of Renminbi, and developing and stabilising the less developed western regions of China. (Vivekananda International Foundation 2019) But as China's exports as a percentage of GDP appear to be declining and a substantial proportion of the country's growth is due to the current domestic investment and consumption accompanied by supply-side structural reform, it is cutting down capacity in some critical sectors. BRI is being seen as a means to potentially help in the smooth transition to a more consumption driven growth model while also providing a kind of stimulus package for the dropping growth rate.

But, there is another critical domestic political factor relevant to this thrust. China's dramatic successes in recent years in eliminating poverty and building a solid and growing middle class of more than 420 million has contributed crucially to the survival and prestige of the ruling party. However, the ruling Communist Party is strongly aware of the fact that if China must avoid what South Korea faced, where a dictatorship advocating Confucian values was overthrown and replaced by what from the late eighties became a thriving democracy; indeed if the Communist Party of China was to survive and continue their rule, it had to recognise the compulsion of buttressing the country's impressive economic growth within a social matrix that strongly reinforced the dignity, value and self-image of its people, especially its young generation (Ingram 2019). Apart from providing them a better quality of life, the government would need to capture the imagination and loyalty of younger generations by pursuing an expansive and outward-looking vision and policy that would add to the country's international image, while raising the Party's prestige and credibility. Following the events of Tiananmen in 1989, it was only after his visit to Southern China in 1992 that Deng Xiaoping was able to successfully provide a new perspective for China's youth that helped divert them from the pro-democracy political mobilisation and make them look inwards, towards enriching their exclusive goals, towards becoming affluent, enhancing their professional prospects and the value of their lives. Today, an entirely new generation is being provided with a new alternative to reunite, one that is focused outwards - the Chinese Dream‘ of which the BRI is an integral part. The cornerstone of this effort is a massive program of funding infrastructure and connectivity to lift not only the hitherto underdeveloped regions of Western China, but also to stretch it further along Eurasia, the Pacific and beyond to Africa in a new expression of it's manifest destiny. Through this ambitious project, China would have the potential to imprint its own developmental experience on to the world at large. The BRI has thus increasingly become connected with the struggle for legitimacy and longevity of the Party and the regime.

But, even as the thrust and spread of BRI activity across Asia and Africa has been frenetic, this plan has drawn criticism from many states of the developing world for its lack of transparency, unreasonable size and scale, the unsustainably large debt burdens it has caused, its reliance on Chinese labour providing little hope for local employment, and its insufficient attention to safeguards against corruption, waste or environmental damage. In many sections of the population in recipient countries, China's approach is perceived as being no less than the colonialism adopted by the Western powers of earlier centuries.[2]

China's official and non-official media has been quick to dismiss these charges. *The Global Times* in August 2018 stoutly argued as follows:

> China is not colonising Africa. Africa has a lot of untapped potential as regards natural resources, while China needs to expand on two grounds, namely back at home to provide more infrastructure for a booming population and on the other hand, increase her influence on the world stage by securing economic ties on grounds once dominated by the West. China has capital and a need for raw materials. Africa has a lot of raw materials (mineral wealth) and is very much under-capitalized. It seems like a natural exchange that China should be developing Africa. However, this is nothing like colonization: colonization was what the European powers did to Africa from the 1500s to 1962.

2 “for all of China"s denials that its overseas ambitions could be compared to those of Europeans or Americans, for all of its insistence that its actions are driven by fraternal solidarity with Africans, its fellow victims of colonization, its fellow travellers on the path to development, what I was witnessing in Africa is the higgledy- piggledy cobbling together of a new Chinese realm of interest. Here were the beginnings of a new empire, a haphazard empire perhaps, but an empire nonetheless.”Excerpt From: French, Howard W. “China's Second Continent: How a Million Migrants Are Building a New Empire in Africa”. Apple Books.

3 Contrast this to what Namibia"s Minister of Finance, Calle Schlettwein told NYT correspondent Brook Larmer (NYT May 2 2017): “The Chinese say, „We want you to be masters of your own destiny, so tell us what you want." ” But they have their conditions, too. “They want de facto total control over everything, so it"s difficult to bring about a situation that is truly beneficial.”

> We do not yet see huge cities of Chinese settlers, nor China setting up extraterritorial laws, or making a kind of two-tiered system where Chinese people have superior status to Africans.[3]

Nearer home, critics recall all too constantly the example of Sri Lanka's Hambantota port where, in December 2017, the port was handed over to China on a 99-year lease due to Sri Lanka's inability to service debts of USD 1.5 billion. The Ports and Shipping Minister declared this decision as having been taken to get out of a ‘debt trap’. Other examples include Djibouti in East Africa, where the government's control of a container terminal built as part of BRI projects was due to be lost, after the country was unable to clear debt equivalent to 88 per cent of its GDP of USD 1.72 billion; in Venezuela, China had struck a series of oil-for-loansagreements from 2007 that left it owing China around USD 20 billion, according to estimates by China‘s Commerce Ministry; in Laos, which saw the country's debt reach 68 per cent of GDP, raising doubts about it being able to pay off USD 6 billion for a rail line being built by China; in Maldives, where the opposition claimed the country faced a looming debt trap, with USD 92 million in annual payments due to China to pay off an airport upgrade and bridge project—roughly 10 per cent of the entire budget (Manning & Gopalaswamy 2018).

Other projects in the neighbourhood have also come up for serious introspection and suffered rollbacks to varying degrees. Malaysia had decided to come out of a rail link project that was part of BRI which would have connected its east and west coasts (Deloitte 2019). China was, however, able to renegotiate the project by bringing down the price by a third from the original estimate of $16 billion to USD 11 billion in April last year. The project was suspended amidst doubts of cost overruns that would have increased the project size to USD 20 billion. Myanmar, too, was able to downsize a BRI-related port project from USD 7.5 billion to USD 1.3 billion, on grounds that ―it didn‘t want to repeat the experience of other countries and build infrastructure without sufficient demand. (Meyer & Zhao 2019) Meanwhile, for well over five years, public protests had caused the government to suspend the Chinese-assisted Myitsone Dam project in Kachin state and re-examine environment-related issues of the Letpadaung aluminium project. Both projects were vigorously pushed by the Chinese government despite strong image problems faced by them within Myanmar.

The land-locked economies of Central Asia faced challenges due to their lack of infrastructure, and its leadership was well aware of the reality that to increase the region's access worldwide they would need funding and financial support from outside. Home to a number of renewable resources, Tajikistan and other parts of Central Asia, saw the opportunity to leverage the BRI to upgrade and rebuild hydropower plants, develop mining etc and improve their overall productivity to make them more competitive. But, with China emerging as the largest investor in Central Asia, concern also grew among the people of a perception of ‘vassalage to Beijing’. (Standish 2019) Inevitably, too, the implementation of projects like road building brought in their wake allegations of large-scale corruption. Even before the BRI was mooted, the Dushanbe-Chanak highway in Tajikistan, built with Chinese funding, opened in 2010 which was operated by an offshore company with no history of highway projects; this and other projects reportedly funnelled around USD 25-30 million of illegal funds (GCRF COMPASS Workshop Proceedings 2019). In June 2018, Kyrgyzstan's media reported an USD 850 million BRI project under the Chinese Exim Bank‘s sponsorship for a new North-South highway, which was enmeshed in illegal payments involving Kyrgyz ministers and Chinese contractors. A former Kyrgyz Prime Minister also faced corruption charges linked with redevelopment of Bishkek‘s power plant by a Chinese company which deprived heating facilities to residents numbering thousands during the cold winter months of 2017 (GCRF COMPASS Workshop Proceedings 2019).

At the second annual Belt and Road Forum in April last year, President Xi Jinping acknowledged the need for the opportunities and outcomes of the BRI to be ‘shared by the world’. He also recognised the need to give more attention to the oversight of non-transparent networks of infrastructure projects, of taking on more high quality and sustainable deals and for ‘zero tolerance‘ against corruption. Also acknowledging concerns of the BRI being a ‘debt trap‘ for participating countries, the Chinese leader committed to creating a ‘debt-sustainability framework’ as well as compliance with international infrastructure contracting standards, and measures to ensure environmental sustainability (Wong & Areddy 2019). He urged foreign and private-sector partners to contribute more funding to BRI projects. Meanwhile, stressing the more positive aspects of BRI, Foreign Minister Wang Yi said: —the trade volume between China and countries joining the BRI has surpassed USD 6 trillion, with more than 80 billion US dollars of Chinese investment in those countries (Wang 2019), while 82 overseas cooperative parks had been jointly built by China along with the countries along the route, creating nearly 300,000 jobs for local people. The major thrust of the second BRI Forum was thus for all stakeholders to —act in the spirit of multilateralism, pursue cooperation through consultation and keep all participants motivated (Xi 2019). Xi gave special emphasis on the need for a cleaner and greener growth model together with improvement of the living standards of people across the BRI. These statements clearly indicate Beijing's keenness to change the prevailing narrative surrounding the BRI and to project it as being more inclusive.

The crux of the matter remains, however, that the business model of the BRI has not changed; it is a Chinese ‘investment that expects a return’. Chinese financial institutions lend money for BRI projects in partner countries, and the construction contracts are awarded to mostly Chinese firms. A Chinese company [thus] receives much of the proceeds of the loan, but the host country has got the debt. If the [return on investment] isn’t sufficient to pay off the debt, China will repossess [the project, and it] becomes a debt-for-equity swap.(Meyer & Zhao 2019) But China's approach as a foreign investor to developmental projects operating within such constraints, whether in Africa, Central Asia, or elsewhere, also incorporates the concept of ‘patient capital’ (Kaplan 2018). Investors in patient capital are ‘equity-like’ investors, willing to ‘sink’ money in a business and to forego immediate returns in anticipation of more substantial returns down the road. Such patient capital investors are better positioned to take risks and to develop comparative advantage in infrastructure financing over investors subject to more traditional conditions of capital account investment and short term interests.

The Global Infrastructure Forum held in Bali in October 2018 stressed that, contrary to widespread perception, there is sufficient financing available to fix the world's infrastructure shortfalls, what is needed is to model the projects as 'bankable' (Zibell 2018). Management professor, Zhao Minyuan of Wharton School explains that, on their own, many of the BRI projects were not likely to produce sufficient return on investment, and that explains why private investors are not attracted to them. China is hoping that by coordinating all these projects – by connecting all the railways, connecting the waterways with the railways every single project will generate more return in the aggregate. It is in that context, that China's state sponsorship of BRI makes sense. With state sponsorship, you create enough externality to make every single investment, which would otherwise be un-investible, a good project. She noted that many of the projects are in some of the most challenging geographic areas and institutional environments, and the key is to generate enough momentum for a coordinated effort. (Meyer & Zhao 2019)
To further facilitate BRI projects, China has been institutionalising substantial numbers of platforms focusing on funding for development; these include the US$40 billion Silk Road Fund in 2014 and the USD 3 billion South–South Climate Cooperation Fund in 2015. In August 2017, the Shanghai-based BRICS-led new development bank opened a branch in Johannesburg. Similarly, China's longer standing policy banks, including the China Development Bank and the China Export Import Bank have adopted a strong outward focus.[4] In August 2016, China EXIM reached an understanding on a USD 1 billion industrialisation programme with the African Export–Import Bank to assist development of industrial parks and special economic zones in Africa.

Side by side, China's Belt and Road Initiative has served as an important platform for internationalizing the Renminbi (RMB), boosting its use both as a trade and financing currency. By 2017 itself, more than one third of BRI countries had signed bilateral swap agreements with China. Through these agreements, partner countries were able to obtain the RMB needed by their respective domestic parties. Building stronger trading links along the Belt and Road helped them not only to increase RMB cross-border trade, but also further promoted the currency in offshore markets. Not only were Chinese companies able to use their RMB balance sheets to fund projects along the Belt and Road, but they could increase RMB liquidity in those countries thereby enabling future RMB business. In May 2018 at a meeting hosted by Zimbabwe, a forum attended by permanent secretaries of ministries of finance and deputy governors of central banks from 14 Southern and Eastern African countries, these officials discussed the use of the Chinese RMB among their reserve currencies (Xinhuanet 2018). While the BRI is about connecting the Asian, European, and African continents, opportunities for Chinese investment extend to other parts of the world, including the Americas, offering additional avenues for RMB use. Together, the BRI and RMB internationalization initiatives are bound to have a significant impact on the world (Kuo 2018).

BRI's progress in South Asia

Nepal

Despite its traditionally strong cultural links with India, perhaps because of it, Nepal's leaders have always regarded better ties with China as a way to reduce its excessive dependence on India. Chafing under the 'big brother' attitude of Indian politicians, and deeply impacted by the five-month economic blockade of 2015, many Nepalese leaders continued to leverage public sentiment against India and in favour of China. Buoyed by this mood, the new government of K P Oli sold the promise of the BRI bringing better infrastructure and greater connectivity with the outside world and helping expand Nepal's reach into international markets. Attractive projects were proposed by Chinese businessmen to boost tourism and international trade, and China promised to allow Nepal the use of Chinese dry and sea ports, and particularly to develop railways across the country connecting to Tibet and across China, all of which resonated strongly with the leaders and public of Nepal even as it presaged the opening up of vast new vistas for this small landlocked country. Nepal's current railways stretch over just 18 miles of track. While China's plans which included a railway link from Lhasa through Shigatse and Kerung to Rasuwa in Nepal and from that point to Kathmandu as well as further to religious tourist destinations of Lumbini in the south as well as to Pokhara in the west, were immensely attractive, the projected costs of these connections appeared prohibitively high. The Trans-Himalayan Multidimensional Connectivity Network to be completed by China within two years would cost USD 312 million whereas the Kerung-Kathmandu line would cost around USD 2.75 billion, the Kathmandu-Pokhara railway line a further USD 2.8 billion and the ambitious East-West railway which would cover around 950 kms of track, was expected to cost a whopping USD 7 billion. For a country with a GDP of around 31 billion, these were big figures and Nepal's leaders were not unmindful of the experience of countries like Sri Lanka and Laos (Adhikari 2018). Notwithstanding these worries, however, the benefits of the BRI in terms of improved infrastructure and connectivity appeared too good to pass up. The Nepal-China Trans-Himalayan Multidimensional Connectivity Network was officially included in the Joint Communique of the Second Belt and Road Forum in Beijing and during Xi Jinping's recent visit to Nepal a deal was signed for a 70-km rail link cum 28-km tunnel connecting Gyiron in Tibet with the Nepalese capital Kathmandu (Budhatoki 2019). This will be one of the most ambitious infrastructure projects in the country.

Sri Lanka

While clearly Sri Lanka's leaders are aware of the implications of the country's indebtedness to China due to the BRI projects, its debt repayment obligations go beyond any one particular nation or project. Whatever the international repercussions of Hambantota, the real fact, is that, by end-2018, Sri Lanka's foreign debt was estimated at USD 55 billion, or around three–fourths of its GDP. But, officials declare that only nine percent of this debt was owed to China. BRI investments in Sri Lanka are quite significant. Chinese investments in the port sector are expected to transform Sri Lanka's shipping and industrial sectors. The 114.5-km long Matara-Kataragama Railway link will be the first new rail line in the country after its independence in1948, improving the coastal connectivity for southern Sri Lanka and expected to stimulate growth in industrial and tourism sectors. Colombo Port City, the largest infrastructure project in country's history, will create a new investment destination in the region. Today Sri Lanka's leaders views the BRI in terms of the country's overall economic and military strategic engagement which is not considered a zero-sum game (Moonesinghe 2019). The country has benefited from its growing economic ties with China through the BRI and, as such, the government is keen to continue this engagement. But, at the same time, it has adopted a strategy of balancing the economic relationship with China through the BRI through a broadening of its military engagement with other actors across the Indian Ocean region. Sri Lanka will maximise its economic gains but avoid having to submit to China‘s more strident political or military ambitions (Moonesinghe 2019).

Bangladesh

The same is true, *mutatis mutandis* with Bangladesh. During Prime Minister Sheikh Hasina’s July 2019 visit to China, Bangladesh signed five agreements, three MoUs and one Letter of Exchange covering a range of sectors including power, investment, culture, tourism, and technology. Since 2016, under the BRI rubric Bangladesh has accessed significant funding from China for its infrastructure projects. When Chinese President Xi Jinping visited Dhaka that year, the two countries signed 27 investment and loan agreements totalling USD 24 billion. If the USD 13.6 billion invested by China in joint ventures in earlier years is added, this totals to over USD 38 billion, making China Bangladesh's single largest investor (Ramachandran 2019). Other major BRI projects being considered include the development of ICT intra-network for the government; modernizing the telecommunication network for digital connectivity, a reliable and affordable telecom facility and measures to enhance tele-density, National Data Centre in Ghazipur; development of the Payra deep seaport; a rail link project over the Padma that will enable direct rail link between Dhaka and Southern Bangladesh; and a 220-km oil pipeline that will enable easier unloading of imported crude oil to facilities inside the country (Shamrat & Ali 2018). Most of these projects are financed by commercial borrowing from China against market rate interest terms but these investments have been agreed to as they are recognised as being crucial for the Bangladeshi economy. The government is worried about the country's ability to repay, especially in the context of possible rise in global oil prices, the slowing down of Bangladesh's own inward remittances and possible fluctuations in its readymade garments exports. Additional concerns include those of inadequate sensitivity shown by Chinese workers to local culture and tradition, which came to a head in the Payra power plant incident. These contretemps have not, however, diluted the interest for further such projects from China (Islam 2019). While there is awareness of India's own reluctance to be part of BRI and its fears of "encirclement" by China, among a large number of Bangladeshi businessmen and officials, even those otherwise sympathetic to India, the growing international clout of China provides major incentive for more intense engagement. For the government too, there is an added incentive of seeking to bring China more directly into efforts to resolve the Rohingya imbroglio.

On the broader issues of the BCIM as part of the BRI and the connectivity implications of the Asian Highway projects 1 and 2, despite the active engagement of UNESCAP in the development of the Asian Highway, there is some frustration at its current unsatisfactory status. In the circumstances, the BRI plans to connect Asia with Europe have assumed greater credibility (Akhtar 2019).

Pakistan

The China Pakistan Economic Corridor is perhaps the most prominent and best known flagship of the BRI in this part of the world. It comprises a large cluster of infrastructure projects covering modern transportation networks, energy projects, and special economic zones under construction with Chinese help covering the length and breadth of Pakistan. Originally valued at USD 46 billion, its current value is more than USD 62 billion. While China had originally begun the highway project across the Khunjerab Pass as early as in 1959 and evinced interest in building a deep-sea port at Gwadar before the turn of the century, CPEC cover for the upgradation and modernisation of these projects took shape only around 2014. Its first phase became operational in November 2016, when Chinese cargo was first transported overland to Gwadar for onward maritime shipment to Africa and West Asia. Other major projects, especially in the power and energy sectors were commissioned in 2017.
It was clear, despite official statements claiming the CPEC was a purely economic endeavour, that the corridor had strong security-related and strategic dimensions and that the various related schemes around the country were premised more on political motivation than economic calculation. This is also evident in the fact that Pakistan's military has played a dominant role within the CPEC either directly through their participation in the apex committees and other CPEC-related entities or indirectly through the involvement of major military-business entities in project execution. There were also reports of the CPEC being used as a form of "rent creation" by Pakistan’s elites and to foment struggles between different elite groups, between military and industrial groups as well as among these and feudal families (Wolf 2019: 310). Meanwhile, though the debt repayment terms of Chinese loans for projects under the CPEC framework, not being transparent, were difficult for outsiders to access, it was nevertheless clear was that Pakistan had put itself in a position where very large amounts of money would be needed for debt servicing in the coming years (Wolf 2019: 311). The core problem, as Kaiser Bengali pointed out, was that the country was spending heavily without comprehensive cost-benefit calculations and Islamabad could well end up repaying Beijing a CPEC-related investment portfolio initially worth USD 50 billion (through a loan-and-interest scheme) something amounting to USD 90 billion over a span of 30 years. (Wolf 2019: 311).

In April this year, the German TV group DW reported that the implementation of CPEC projects had slowed since August last year and that Pakistan's Minister for Commerce, Industry and Investment Dawood had called for a suspension of all CPEC projects pending a review. Dawood told the *Financial Times* that the CPEC could be stretched over another five years. He blamed the previous government for giving Chinese companies undue advantages in Pakistan over local companies. Dawood also criticised the previous government headed by Nawaz Sharif, now indicted by the court on corruption charges, for granting China ‘too favourable’ terms on many projects. Chinese companies received tax breaks, many breaks and have an undue advantage in Pakistan; this is one of the things we're looking at because it's not fair that Pakistani companies should be disadvantaged, he said. Though this report was later denied and PM Imran Khan attended the Second BRI forum in Beijing in late April, it will be recalled that it was Imran Khan's protest and blockade of Islamabad in 2014 that caused the cancellation of Chinese President Xi Jinping's official visit to Pakistan (Shams 2019).

The new PM Imran Khan is squarely in the pocket of the Pakistani army. His predecessor Nawaz Sharif felt that improving the country's economy was the only way to curtail the military's strength and it was primarily his initiative to privilege economic ties with China that paved the way for the finalisation of the CPEC. Even before his ouster, the military was able to hijack this process and take over direction of the CPEC process from the civilian leadership in the country. Some observers in Pakistan believed that the Sharif government had seriously believed that better ties with India would be good for the economy of Pakistan and that the Chinese may have encouraged this line of thinking for its own interests. To a question from DW about Chinese interest in bringing the two countries closer, Karachi columnist Nadeem Akhtar responded that given the improved ties between India and China in recent months and the bilateral trade reaching USD 90 billion, China would wish to boost economic relations in its neighbourhood, primarily for its own interests. China will ultimately want to extend CPEC to India to tap in its huge market. But, he stressed, the Pakistani military would not want to give up its power and would continue to oppose better economic ties with New Delhi (Shams 2019). In this approach, it would not be lacking in supporters within the Chinese establishment either. However, in this context, it is of interest that the author of one of the more definitive works on CPEC also believes that as long as Pakistani elites do not improve relations with their neighbours, foremost by stopping their support for cross-border terrorists and solving border and territorial disputes, the CPEC will be unable to create maximum benefits or produce a significant contribution for regional cooperation. (Wolf 2019: 313)

China's Broader Engagements under BRI

Africa

China's relationship with Africa today is a far cry from the strongly ideological Africa is ripe for revolution‘ stance taken by the PRC during the early nineteen sixties and seventies. Except for the Tan-Zam Railways completed in 1976, there was little aid to Africa that was truly developmental undertaken until the early 2000s. By that time, China's own frenetic internal developmental needs produced an insatiable appetite for raw material and foreign resources which impelled local companies to move aggressively abroad especially into Africa. For the next decade China was all over the continent and as one commentator said in 2017: if you take the red-eye flight from Shanghai to Addis Ababa, the Ethiopian capital, chances are you‘ll be seated among Chinese workers heading to a construction site in oilrich Equatorial Guinea, a cotton-processing plant in Mozambique, a telecom project in Nigeria. China's trade with African nations has increased fortyfold in the past 20 years. (Larmer 2017)

China's willingness to provide assistance without subjecting its partners to conditionalities of human rights, clean governance or fiscal restraint was hugely welcomed. Some countries, like Namibia, considered China's 'all-weather friend' (like Pakistan) provided it key resources in return for strong political support. The Chinese companies, speaking of 'win-win' pursued projects for construction of roads, railways, ports and pipelines, mines and telecom networks which was recognised a something that might never have been built without them. But, with these companies taking 90% control of the assets (as the CNG did of the Husab uranium mines) relations between host government and investor became skewed. Also the inward migration of large numbers of experts and contract workers created stresses in society as did the scandals involving Chinese nationals accused of tax evasion, money-laundering and poaching endangered wildlife which alienated the local population. 'You can argue that China is the best thing to happen to Africa or the worst', says Eric Olander, the co-host of the weekly China in Africa Podcast. 'The beauty is in the complexity' (Larmer 2017).

Nowhere in Africa is the BRI argument for improvement of infrastructure to help spur all-round economic development made more compellingly than in East Africa, especially in the case of the SGR in Kenya. This 480-km passenger and freight rail connection between Nairobi and Mombasa completed in 2017 at a cost of USD 3.2 billion was considered the country's largest such project since independence and has transformed the logistical landscape in East Africa. Apart from drastically upgrading Kenya's own transport infrastructure and connectivity to the outside world and reducing transit time for its passengers and freight, it has also potentially opened up the route to nearby landlocked economies such as Uganda, South Sudan, Rwanda, and Burundi. The USD 1.5 billion second stage of the line to Naivasha was inaugurated in October this year but the high costs of financing this mammoth project seems to have left Chinese investors reluctant to fund the planned USD 3.7 billion extension of the line to the Uganda border. Despite public criticism of the project and the fact that the country's debt has mounted to a staggering 55% of its GDP, the national leadership of Kenya has not been daunted from continuing to press forward with this BRI related project. Meanwhile, Tanzania has also been pressing ahead with Chinese assistance on a USD 7.6 billion railway line to its landlocked neighbours Uganda, Rwanda, Burundi and Eastern Congo.

Much of this kind of infrastructure investing by China in Africa is loan-funded, and while concerns were expressed from time to time of the unsustainable sovereign debt levels, a recent analysis by the US Center for Strategic and International Studies (CSIS) has noted that overall, of the 39 African countries listed on the Belt and Road official website, only three countries: Congo-Brazzaville, Djibouti, and Zambia show China's government financing as the principal creditor. Around 67 percent of African governments' external debt is owed to either the private sector (which may include Chinese companies) or multilateral institutions. The analysis also reports the findings of the China Africa Research Initiative (CARI) at Johns Hopkins University that seem to reveal that Chinese loans are not a major contributor to debt distress. While, therefore, China‘s strategic aspirations may be causally related to its economic engagement in Africa and the two may be mutually reinforcing, it would be dangerous to claim that all of China‘s engagement along the BRI in Africa was detrimental.(Risberg 2019) As the director of the Africa Program at the Center stated recently, at a congressional hearing, it is essential to draw a clear distinction between Chinese activities that threaten U.S. interest and those that are neutral or complementary.‖ The analysis further states:China struggles with project quality, adherence to environmental standards, and transparent procurement processes, necessary practices for sustainable infrastructure development everywhere. However, China‘s contributions to many 'African countries' development have become a central aspect of those countries' development strategies. Many of China‘s infrastructure projects in Africa address a desperate need for roads, railways, ports, and energy. This includes a 2,600 MW hydropower scheme in Nigeria, USD 3 billion in telecom equipment to Ethiopia, Sudan, and Ghana, and major railroad projects in Nigeria, Gabon, and Mauritania.

Europe

The period of reform and opening up under Deng Xiaoping saw China expand its foreign trade exponentially from around USD 20 billion in the late 1970s to $475 billion in 2000. During this period too, it emerged as the second largest recipient of foreign direct investment in the world, cumulatively exceeding even countries like Mexico and Brazil. Meanwhile, by the turn of the century, there was a reversal of roles and Chinese firms became major investors abroad, and long before the BRI, these companies were acquiring leading banks in the UK, Sweden‘s largest carmaker, robotics companies in Germany, power utilities in Portugal, solar farms in Hungary, and even famous soccer teams like AC Milan and Ashton Villa (Deloitte 2019). Even China‘s biggest port investment in Piraeus was made in 2016, two years before Greece signed up for the BRI.

Despite these extraordinary forays, however, the country remained insufficiently integrated in many ways with the world economy. Through a dense and opaque set of tariffs and nontariff barriers, it continued to keep critical sectors of its economy insulated from international competition. As an EC strategy paper of March 2019 states: China‘s proactive and state-driven industrial and economic policies such as 'Made in China 2025' aim at developing domestic champions and helping them to become global leaders in strategic high-tech sectors. China preserves its domestic markets for its champions, shielding them from competition through selective market opening, licensing and other investment restrictions; heavy subsidies to both state-owned and private sector companies; closure of its procurement market; localisation requirements, including for data; the favouring of domestic operators in the protection and enforcement of intellectual property rights and other domestic laws; and limiting access to government-funded programmes for foreign companies. (European Commission 2019: 5) The paper underlines that while Chinese financial services were expanding steadily into EU markets, European companies were not being allowed similar access to the

Chinese market. It calls for a more balanced and reciprocal economic relationship, and underlines the need for an EU-wide strategy that seeks synergies between the EU and third countries, including China, in transport, energy and digital connectivity, on the basis of international norms and standards. The key principles of EU's engagement on connectivity are financial, environmental and social sustainability, transparency, open procurement and level playing field. (European Commission 2019: 5) Even as Italy's joining the BRI heighten tensions regarding a unified EU approach vis-à-vis China, a leading European expert on Asian affairs, argues that in order to achieve such a relationship the EU must reduce its reliance on China and work on building a stronger and more sustainable European economic model. (Holslag 2019) Wharton Professor Meyer predicts that China would possibly have to face tough negotiations in Europe and that European countries, unlike Italy, may not go separately to China. They will go as a group, probably led by Germany, and again try to negotiate volume discounts. (Meyer & Zhao 2019) At the end of the day, Meyer feels the winners will be the host countries and not China. (Meyer & Zhao 2019) He also refers to the trilateral investment initiative between Australia, Japan, and the U.S. to help meet infrastructure needs of the Indo-Pacific.

Looking to the Future

Deloitte China, in a recent report, makes the confident assertion that participation in BRI projects in the future will be more international and inclusive, with greater private-sector involvement. It also finds that project opportunities will increasingly open up for more advanced economies also and will extend and deepen beyond Asia and Africa and beyond energy, resources and infrastructure. Secondly, China's focus on quality projects will result in more transparency and raise attention to risk reduction. This will aid consultancies,presumably like Deloitte to help their clients in target countries to avoid 'buying wrong' or 'buying expensive' by conducting better due diligence when making investments. Outsiders can also help these parties to navigate differing tax and regulatory requirements and better assess political and policy risks. Thirdly, newer categories and different geographies are likely to emerge, especially in technology as the Digital Silk Road progresses. It cites a number of technology-led projects like a self-driving tractor run on Chinese technology being trialed in Tunisia as well as the use of B2B platforms like Osell and Alibaba to link outside companies with Chinese suppliers.

Meanwhile, the city of London, which had been promoting itself as a centre for Renminbi business since 2012 has grown to become the leading trading hub for Renminbi (RMB), with levels of the Chinese currency going through London far outstripping that of any other financial centre (McGuinness 2019). The City of London Corporation in collaboration with the People's Bank of China has also been considering how to help build up a better network of financial institutions and services for the BRI. Through such collaborations the BRI promoters are seeking ways to encourage an understanding of the longer investment horizon needed for sustainability of projects; of establishing reasonable cost of funds to ensure reasonable returns on invested funds and better participation by official institutions; using development financing as a driver to attract commercial financing over time; encourage local state currencies to play an active role in mobilising local savings and to develop capital markets denominated in local currencies; and to build a better network of financial institutions and services as well as diversify investment tools and risk management means (Joint Report by PCOB and City of London Corporation 2018). The Report calls for setting up of Equity Funds; issuance of Silk Bonds to diversify financing channels of BRI financial products; PPPs as a means for participation in BRI projects; and promotion of derivatives for diversification and hedging (Joint Report by PCOB and City of London Corporation 2018). The major point that emerges from these moves by China is the stronger integration they suggest in Chinese financial modalities with other markets.

The attitudes of Western states towards the BRI have varied widely. The United Kingdom, on the one hand, is eager to take advantage of its expertise in banking and development finance to help China find ways to mitigate the financial risks of the BRI, build capacity and also get western banks to support debt sustainability of BRI projects. It even went so far as to support China's full membership of the Paris Club. But, at the same time, it is also working with the US, Japan Australia and others to create 'healthy competition for the BRI'. A similar ambivalence can also be seen as being played out by Japan and Australia; Japanese PM Abe had initiated the idea of a Free and Open Indo-Pacific (FOIP) as early as in 2016, as a way to connect Asia and Africa, as well as the Indian and Pacific Oceans, by establishing trans-border connectivity corridors with the object of strengthening a rules-based and open maritime order to prevent instability and conflict‖ (Mehta 2019) andavoid any one country's [read China's] dominance in the maritime realm of the Indo-Pacific region. Yet, despite its many anxieties, when push came to shove, the Japanese PM did attend the Second BRI Forum in April 2019. Similarly, in Australia, when, in May 2017, the Cabinet Security Committee discussed linking the BRI with Australia's Northern Development Strategy, the official response was negative, stressing there was no evidence of any tangible benefits accruing to Australia nor any extra investment coming from China beyond what would happen anyway. Added to this were suspicions arising because of the absence of transparency in Chinese BRI proposals. Citing its preference for multilateral initiatives rather than bilateral ones like the BRI, Australia was prepared to join the Asian Infrastructure Investment Bank (AIIB) while keeping some distance from the BRI (Laurenceson & Collinson 2019). Yet, when the Second Forum was convened in April this year, Australian Foreign Affairs and Trade Secretary, Frances Adamson, attended it and confirmed Australia's preparedness to engage in the Belt and Road Initiative (BRI) (Adamson 2019).

Behind this ambivalence towards the BRI is a more deep-seated fear and anxiety about the political and strategic implications that the rise of China portends. This anxiety can be observed in matters of the Indo-Pacific region as a whole as well as for the continuous change of power and influence between nations at the local and sub-regional level. This applies as much in the case of the smaller countries of the Asia-Pacific, ASEAN and South Asia, who are at the receiving end of political influence and pressure from all sides, as in the case of the bigger nations like

Australia, Indonesia, Japan and India who continue to nurse their own fears, interests and ambitions. Unlike past eras, no country, perhaps not even the US, can afford a strategy of outright confrontation with China of the kind adopted against the USSR during the Cold War period. The interconnectedness and mutual dependencies that the advent of technology and globalisation in the new century has forced on every country have precluded such a response. And yet, possibly for the first time in almost three decades, there is a palpable sense of public insecurity in the US and other Western states over the new sense of 'manifest destiny' being displayed by China seeing it not so much as a military threat as a broader geo-economic and socio-cultural challenge.

How will China face the future? It is clear that the BRI has become the most important element of the 'Chinese Dream' in assuming centre-stage in a 'Community of Shared Destiny' of a globalised world in the new century, the test of its civilisational strength and resilience. But how this dream will materialise will depend on the direction that the BRI assumes in the next few decades. In July 2019, the Centre for Global Developments looked at two possible courses of actions the BRI project could take. On the one hand, there were few indications that some Chinese banks could agree to form coalitions with other international agencies and multilateral development banks around the world. Consequently, they could use common due diligence and project evaluation standards and through these means, work jointly with outside agencies on co-financing bankable, high-impact projects with greater transparency and risk-sharing possibilities (Parks 2019). By pursuing this course more broadly, China could effectively ensure fewer non-performing loans, have higher impact projects and suffer lower reputational risk in host countries. The road could be paved for a China that would burnish its image as a genuine team player around the world. On the other hand, Beijing could stick to the more traditional path it has followed thus far, of being more self-regarding and subject to strong Party and central government controls. By following this way, China has been relying on its own nationals for implementation of projects and subjecting its projects to costing and subsidization regimes that continue to remain opaque and impervious to outside scrutiny. While strategically bypassing standard international development financing rules, norms and practices, it might seek to resist efforts to keep its projects in consonance with environmental, social, and fiduciary safeguards applicable elsewhere or to modernise its monitoring and evaluation practice, under the facile rationalisation of following its own unique model of ‗socialism with Chinese characteristics.' By adopting such a path of ‗going it alone' that would depend on closed door agreements with narrow elites in partner countries, the Centre says, it would result in China possessing poorly designed projects and unsustainable financial liabilities that would in turn exert top-down as well as bottom up pressures within the country, drastically reduce its foreign exchange reserves, prompt corruption and waste and ultimately result in a decreased appetite for overseas entanglements and a domestic population that will turn inwards (Parks 2019).

In January last year Chinese Vice-Minister of the Ministry of Foreign Affairs, He Yafei, in an article stressed that ―Openness between China and the countries of the world has led to the formation of global value chains, production chains, and supply chains that are efficient and interdependent in the era of globalization, providing a powerful driving force for the steady development of the global economy (He 2019). He spoke of adhering to the 'existing rule-based governance system' while working for proper and gradual reform, including reform of the World Trade Organization through 'appropriate consultations by all countries'. He urged a spirit of 'competitive neutrality' among nations through peaceful competition and win-win cooperation. He declared stoutly that China would never 'subvert the existing international system'.

In the final analysis, though, the test of China's willingness to integrate within the broader international community will depend on how far it will be willing to orient itself to these norms, rather than remain insistent on adjusting them by giving them exceptional 'Chinese characteristics'. Despite the revolutionary rhetoric used by Mao during the mid-20th century against '*heping yanbian*' or peaceful evolution in China, which became one of the principal reasons for launching the Cultural Revolution and for the power struggle against leaders like Liu Shaoqi and Deng Xiaoping, China has witnessed precisely such a peaceful evolution since Deng's policy of 'reform and opening up' regardless of such a rhetoric. Yet, ideologically the party has been compelled to place a fig leaf over this change in approach by not only asserting the undisputable supremacy of the Party, but also clothing most of its policies in a strongly nationalist fabric of 'socialism with Chinese characteristics' and effectively bypassing any attempt to subject itself to a uniform standard of international conduct. As long as this compulsion remains, the CCP dominated system will remain brittle, policies will continue to be opaque and the system will be characterised by exceptionalism and unpredictability. This in turn will affect its credibility and trust around the world. However, in a fast changing world, and a China that is changing even faster, even this has the potential to change!

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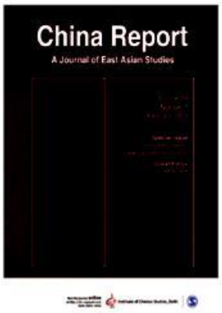

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