

China's Belt and Road Initiative: History In the Making

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During the 19th and early 20th centuries, the geopolitical theories of Halford J Mackinder and Alfred Thayer Mahan emphasized the centrality of continental land power and maritime power respectively as the fulcrum of world power. China's Belt and Road Initiative(BRI) combines both dimensions as part of its overall strategy. This is being presented as a modernized version of the historical Silk Road, which consisted of caravan routes across Eurasia and sea borne trade across a vast ocean space linking the Western Pacific, the Indian Ocean and the Mediterranean.

As envisioned by Chinese President Xi Jinping, BRI includes a vast network of railways, energy pipelines, highways, setting up telecommunication networks between Asia and Europe, also addressed as "Digital Silk Road," and streamlined border crossings. This kind of network expansion will enable China in hardwiring the global system with modern transport infrastructure, accompanied by policy coordination, economic integration, trade liberalization managing excess capacity, and people to people links.

The Political and Philosophical Foundations of BRI

The BRI was announced in 2013 at Astana and Jakarta with the purpose of reviving the old silk route which connected Asia to Europe. The Initiative is projected as a new model of international relations based on inclusive cooperation. BRI has five different dimensions:

- 1.Policy Coordination
- 2.Transport Infrastructure
- 3.Free Trade
- 4.Internationalization of RMB(Chinese Yuan)
- 5.People Exchange

BRI is a part of the China Dream,Xi Jinping's call for the rejuvenation of the country. To achieve this dream, China follows the concept of Tianxia 天下 which means "All under heaven." (*China Heritage Quarterly* 2010). The concept of Tianxia is successfully popularized by a Chinese scholar Zhao Tingyang, who argues that the most defining feature about the world today is that there is no political unity, but chaos, conflicts, non-cooperation, and anarchy. To frame a new political concept that is distinct from western ideas and philosophy, the Chinese government chose Tianxia as a cornerstone of their most ambitious geopolitical initiative.

The principle of Tianxia is interpreted as 'unified global system.' It stresses the culture of interdependency between individual states and

says that no entity can think of itself in isolation.

As stated by Xi Jinping in his speech at BOAO Forum for Asia in 2015, "only through win-win cooperation, can we make big and sustainable achievements that are beneficial for all" (*The Diplomat* 2020). With the adoption of Tianxia, China has started projecting interdependency as an opportunity and appears to be moving towards using its Comprehensive National Power to integrate its neighborhood; the project is similar to an umbilical cord that would not be easily disrupted with the reshaping of the regional economic and security architecture with 'Chinese characteristics.'

The Economic Belt

The Economic Belt passes through three broad geographical areas, the first from northwestern China and northeastern China to Europe and the Baltic Sea via Central Asia and Russia. The second belt passes through northwestern China to the Persian Gulf and Mediterranean Sea passing through Central and West Asia.

The third belt passes through southwestern China to the Indo-China peninsula, connecting to the Indian Ocean. These three routes are segregated into six economic corridors:-

1. The New Eurasian Land Bridge
2. The China-Mongolia-Russia Corridor
3. The China-Central Asia-West Asia Corridor
4. The China-IndoChina Peninsula Corridor
5. The China-Pakistan Corridor
6. The Bangladesh-China-India-Myanmar Corridor

There are three routes envisioned for the Maritime Silk Road. First, the Indian Ocean-Africa - Mediterranean Sea linking the China-Indo-China peninsula economic corridor, running towards the west from South China Sea to the Indian Ocean connecting CPEC and BCIM corridors. Second, the China- Oceania- s South Pacific going through South China Sea into the Pacific Ocean. The third passage is leading to Europe via the Arctic Ocean.

China-Pakistan Economic Corridor

Infrastructural investments and the long term accessibility to financing, which China provides, has a positive effect on the BRI partner country's economic growth and therefore enhances the living standards of BRI countries.

Beijing has described the corridor linking China and Pakistan as one of the most effective BRI projects, with the hope in both countries that the investment in infrastructure will strengthen the economic and political bonds between them.

With Pakistan's underfunded infrastructure, it is evident that Islamabad would be attracted to Chinese investments. Up to USD 62 billion is being invested in this corridor; USD 12.4 billion was the initial investment in power plants alone by the end of 2019. Once the fishing port of Gwadar transforms into the largest port in South Asia, China will potentially obtain direct access to the Arabian Sea and the Indian Ocean, avoiding the Malacca Strait choking point. However at the moment this route is not economically viable. One of the opportunities is the increase in jobs. When the largest solar power plant Quaid-e-Azam Solar Power Park Bahawalpur was installed, it not only generated the cleanest and the most reliable source of energy for Pakistan but also increased employment. In total 30,000, job opportunities were created in infrastructure and power sectors due to the investments made by China. There is also the substantial economic benefit from the Gwadar project. The fact that China is investing USD 4.8 billion in developing Gwadar could make the city the busiest port in South Asia by 2022 and will become a significant city of trade, connecting China with markets in Central and South Asia. There are also special economic zones implemented where companies can enjoy business incentives and tax holidays to develop and encourage investment from around the world. These zones can be found in large cities in Pakistan, such as Faisalabad, Islamabad, Mirpur, Nowshera, Karachi, and Gilgit.

Central to the CPEC project are the investments made in rail and road networks. The Lahore Line metro train, which will connect the city of Lahore from one end of the town to the other, will significantly improve Pakistan's infrastructure and will allow 250,000 passengers to commute daily. The Karakoram Highway, a 120kms highway that connects Thakot and Havelian in KPK (Khyber Pakhtunkhwa), is a major highway that will establish a north to south network and was expected to be completed by end of 2020.

New Eurasian Landbridge

An international railway line at the heart of this corridor, connects China with both Eastern and Western Europe via Russia and Central Asia. With a major highway passing through Kazakhstan, Russia, Belarus, and Poland, before connecting with the European railway network, it reduces the time and expense of shipping goods and aims to improve the economies in the western parts of China and Central Asia, also major European dry ports such as Duisburg.

China-Mongolia-Russia

The first expressway in Mongolia was opened in 2019. The project was built by the China Tiesiju Civil Engineering Group. This expressway connects Mongolia's new international airport Ulan Bator international airport to the Yarmang toll station near Ulan Bator Mongolia. The 32kms-long expressway will shorten the driving distance from 90 minutes to 40 minutes, which is aimed to boost both passenger traffic and local economy. This was a symbolic project between China and Mongolia initiated on 70th anniversary of China Mongolia diplomatic relations and also a part of BRI project.

Russia's Eurasian Land-Bridge project is also expected to grow trade along this corridor. One of the important projects is a railroad bridge being construct over the Amur River on the boundary with China. This will reduce the traveling time between Russia and China, and the construction is expected to be completed by the end of this year. Trade has been increasing

between China and Russia. It is estimated at USD110.8 billion in 2019 and a free-trade deal between the two nations will enhance it further.

China-Indochina Peninsula Corridor

Boosting trade is one of the benefits of the projects along this corridor. It connects China with Thailand, Myanmar, Laos, Cambodia, Vietnam, Singapore, and Malaysia. Chinese investments will help this region to improve its infrastructure and will also promote national projects like Thailand's Eastern Economic Zone and Malaysia's Free Digital Trade Corridor. The project also aims to construct rail links through Laos and Thailand to establish a direct rail connection between Singapore and Kunming.

Bangladesh-China-India-Myanmar Corridor

This corridor is one of the least active corridors, primarily because India and China have been unable to reach agreements on several issues. One of the essential projects along this route is the construction of oil and gas pipelines through Myanmar's Kyaukpyu port on the Rakhine coast, which will enable China to have an alternative supply route for its oil shipments bypassing the Malacca Strait chokepoint.

China-Central Asia-Western Asia Corridor

This corridor links high-speed railway lines from China to the Mediterranean and enhances the connectivity between China, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Iran, and Turkey. The corridor also consists of roads and other infrastructure developments, which will reshape the economy of the entire Central Asian region. Each corridor presents several different opportunities for trade and investment, in terms of commodities moving through China-Mongolia-Russia, logistics along the Eurasian Land-Bridge, infrastructure in Central Asia or Pakistan, or oil and gas through Southeast Asia.

Funding of the Belt and Road Initiative

There are various institutional mechanisms funding the BRI. These are:

1. Policy Banks

Agricultural Development Bank of China (ADB)
(ADB)

China Development Bank (CDB)

Export-Import Bank of China (CHEXIM)

2. State-Owned Banks

Agricultural Bank of China (ABC)

Bank of China (BOC)

China Construction Bank (CCB)

Industrial and Commercial Bank of China
(ICBC)

3. State-Owned Funds

China Investment Corporation (CIC)

Silk Road Fund (SRF)

4. International Financing Institutions.

Asian Development Bank (ADB)

Asian Infrastructure Investment Bank (AIIB)

New Development Bank (NDB)

The total BRI project value is estimated at US\$4 to 8 trillion. Diverse funding channels such as BRI bonds, private capital investment and public-private partnerships (PPP) but also State-Owned Enterprise (SOE) investment will be the key for the success of the Initiative.

The Impact of Covid-19 On the BRI

China being the epicenter of the pandemic, its economy has ground to a halt. Its GDP declined in Q1 2020 by 6.8 per cent year on year (YOY) basis; the first recorded economic contraction in decades. Covid-19 also significantly impacted the global economy, affecting manufacturing, supply chains and the movement of people and goods. As the coronavirus' ripple effects are felt across the globe, the existence, speed, and scale of BRI will also be affected, both in the immediate and longer-term. Despite the challenges of manufacturing and supply chain operation, the pace of digital BRI operation has grown, as has investor interest in Chinese tech firms, and the general healthcare sector.

There are three main areas where COVID-19 may affect BRI. It may shift the direction of BRI activities linked to global supply and digital value chains; there may be increased

participation of the private sector, and enhanced incentives for global cooperation. The updated research shows that the efficiency of BRI operation will continue to increase over the longer term, due to greater participation of the private sector and international companies, as well as a closer alignment of BRI with global supply chains.

Despite the challenges of manufacturing and supply chain operation, the pace of digital BRI operation has grown, as has investor interest in Chinese tech firms, and the general healthcare sector.

China's Plan of Action: Possible Standpoints

Whatever the lasting effect COVID-19 would have on the global economy, BRI remains China's priority. What remains relevant will be the short-term and long-term response of the government to the virus, deficiencies in the Chinese health system, and the economic effects on the financially challenged SME sector of the country. This is likely to divert official focus and money from BRI over the next 12 months, and probably longer.

Chinese capital's reduced flow and the economic effect on the financially challenged SME sector of the country may result in a less enthusiastic attitude towards the BRI over the next 12 to 24 months as China's priorities move to produce results at home rather than abroad. This may mean reduced investments in the smaller, less essential markets of BRI, where there are limited opportunities to link these investments with the global supply. Accordingly, Central Asia, sub-Saharan Africa, and Eastern Europe will see a short-term dip in activity related to the BRI, relative to Southeast Asia.

Notwithstanding this, the outlook is far from bleak. As China seeks to share its valuable experience of fighting COVID-19 with other BRI countries, one key area of potential will be projects that focus on strengthening low-income countries' health systems, even if they focus on soft processes rather than hard

infrastructure. This will be a future environment in which China is expected to expand its efforts, as part of the BRI. In the short term, improvements to global supply chains would offer new diversification opportunities by joint operation with others in both North and South East Asia. In relation to Chinese tech companies, there is also a potential for accelerated digital BRI activity, and private players can now become more active in BRI.

India's Perspective

India does not endorse BRI. One reason is that the CPEC agreement with Pakistan runs through disputed territory of Pakistan Occupied Kashmir (POK). It is also a Chinese project in the design of which India has had no role to play. Its financing mechanisms are opaque. The lack of transparency in BRI projects is another reason for India's reluctance not to join the BRI project.

However, India is a player in the BRI on a proxy basis. It is being listed as a "Belt & Road Nation" on the Hongkong government trade development center BRI website. India has participated in other BRI themed initiatives, such as the Asian Infrastructure Investment Bank, where it is the second-largest shareholder. India is also a member of the Shanghai Cooperation Organization which is led by China and plays an important role in promoting BRI. Chinese Foreign Direct Investment(FDI) and Foreign Portfolio Investment(FPI) in India have been significantly increasing. In regards to bilateral trade, it hit US\$84.44 billion in 2018 and is rising YoY by 19 per cent.

It will be worthwhile for India to take part in China's BRI officially because currently, India neither has enough resources nor the political and economic weight to establish connectivity networks on a global scale. India should carefully identify the components of BRI, which can enhance India's connectivity to major markets. Regardless of the concerns and risks that come with FDI, the BRI provides an opportunity to accelerate the so far lagging infrastructure development in India.

Working together with China on BRI is one way to improve relations. BRI could be a vehicle to get into closer contact and discussions with China and other nations in South and West Asia. Being part of the China's ambitious project BRI, India could give a South Asian character to the two BRI corridors on India's western and eastern flanks, by linking them with plans for connectivity in the Association of Southeast Asian Nations (ASEAN) region.

India has so far chosen to cooperate on parallel projects to the BRI, e.g., in partnership with Japan. So now it has an opportunity to co-create a very different Asian bloc with China and the other countries in the region. This is an option worth considering.

Conclusion

BRI is a vast geostrategic vision of economic and strategic transformation of China's place in the world and has introduced the new theory of international relations which rejects the power politics and believes in resolving disputes by table talks rather than confrontation.

Through Belt and Road initiative China is working towards investment in the developing countries that have been ignored and diminished since decades. There is a lot of skepticism and criticism, but the undeniable fact remains that the BRI infrastructure projects have improved connectivity at all levels for the host countries, created jobs, combined with associated attempts at local industrialization and agricultural trade. This will provide the best opportunities to partner countries to lift themselves out of isolation, poverty and depreciation.

It is also important to understand that the Asia's future lies amongst India and China. Just as world cannot ignore the two Asian giants, India and China also cannot ignore each other. Both countries should go hand in hand for future development and work towards establishing strong strategic relations. India should coordinate its domestic strategies with China's BRI to accelerate its connectivity projects on a global platform.

Lastly, BRI aims to fill up the gaps of inadequate infrastructure and boost international trade commerce particularly for countries that have been unable to fully integrate in the world economy and all developing economies should take advantage of this progressive project to transform themselves into a developed nation.

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