

China's "Belt and Road Initiative" – resetting the system

David Scott

Introduction

"All roads lead to Rome" – as the proverb goes. However, in May 2017 one could be excused for thinking that all roads were leading to Beijing. At a time when the US under President Trump was widely seen as stepping back from an international leadership role, the Chinese state media headlined China's "leadership role" on display at the *Belt and Road Forum*, the largest and highest-level international event ever initiated and hosted in the history of the People's Republic of China.¹ Deng Xiaoping's foreign policy injunction of the 1990 that has guided China for over two decades, "maintain a low profile, never act as a leader" (*taoguang yanghui, juebu dangtou*), was well and truly buried by the holding of the Belt and Road Forum.

A four-fold structure is followed in this article. Firstly, the Belt and Road Forum held in May 2017 is considered, particularly with scrutiny over patterns of participation by other countries. Secondly, the broader *Belt and Road Initiative* that China has pushed so noticeably since 2013 is outlined and linked to various geoeconomic and geopolitical nu-

ances. Thirdly the Belt and Road Initiative is put into a comparative/wider regional context through considering China's prominence in other related initiatives like the BOAO Forum for Asia (BFA), the Asian Investment and Infrastructure Bank (AIIB), and the Comprehensive Regional Economic Partnership (RCEP). Fourthly, such initiatives are put into a still wider political context. The conclusion considers whether the Belt and Road initiative reflects an embrace of open globalisation or is actually a positioning by China in a geoeconomic-geopolitical framework of extended regional opportunity taking?

Belt and Road Forum

The Belt and Road Forum was designed to highlight future trade routes between China and Europe; one being the land route across Eurasia (the "Belt") and one being the maritime route across the Indian Ocean (the "Road"). The proverbial alien from Mars could have been excused for thinking that China's days as the *Middle Kingdom* had returned as representatives from 56 other governments, including 18 Presidents and 14 Prime Ministers, arrived in Beijing for the Forum. Other

¹ 'China taking on leadership role in difficult times' *Global Times*, 18 May 2017.

² Melissa Leach, 'China's Belt and Road Initiative – a game-changer, but which game?' Opinion (Institute of Development Studies), 15 May 2017 [<https://www.ids.ac.uk/opinion/china-s-belt-and-road-initiative-a-game-changer-but-which-game>] (accessed 14 August 2017).

³ Emily Rauhala and Simon Denyer, 'Silk Road forum showcases China's power — and the power of its propaganda' *Washington Post*, 15 May 2017

non-governmental organisations were also present, with Melissa Leach from the Institute of Development Studies calling the Belt and Road Forum a “game changer”, but wondering whose game was being played?²

Chinese emphasis at, and commentary on, the Belt and Road forum was win-win cooperation, though outside observers reckoned that the “Forum showcases China’s power — and the power of its propaganda”.³ Most of the participants were from countries that were potentially involved either in the overland “Belt” or the maritime “Road” schemes. A closer look at participants indicated some of the politics behind the Belt and Road Initiative, as it showed who was most receptive to China’s allurements.

The Overland Silk Road Belt component attracted a wide range of participants from Central Asia, Eurasia and Eastern Europe. Central Asia representatives included Mongolia (Prime Minister), Kyrgyzstan (President), Kazakhstan (President), Uzbekistan (President), Afghanistan and Azerbaijan – although Turkmenistan was absent.

Eurasian attendance at the Belt and Road Forum was simple, Russia, China’s leading strategic partner. It was no surprise to find the Russian President Vladimir Putin addressing the opening ceremony. However, it remains unclear how far China’s Belt proposal would actually complement or perhaps undermine the Russian-led Eurasian Economic Union

(EEU) established in 2014 between Russia, Belarus and Kazakhstan, which Kyrgyzstan and Armenia joined in 2015. Belarus’ President also attended the Forum.

East/Central European attendance was significant at the Belt and Road Forum, including Finland, Ukraine, Estonia, Latvia, Poland (Prime Minister), Czech Republic (President), Slovenia, Hungary (Prime Minister), Romania, Serbia (Prime Minister) and Macedonia. Their political attendance reflected the important economic projects underway, such as the Chinese-financed Serbia-Hungary rail link. It is significant that

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Estonia, Latvia, Poland, the Czech Republic, Slovenia, Hungary, Serbia, Romania and Macedonia are also members of the *China-Central and Eastern European Countries (CCEEC)* mechanism established in 2012; complete with a Secretariat set up within China’s Ministry of Foreign Affairs, and an Investment Fund set up in 2016. The *Riga Declaration on Closer Cooperation in Logistics* was adopted in May 2016 at the CCEEC summit to foster integrated transport corridor development between Europe and Asia, and of course gave fulsome support to China’s overland Belt concept. Latvia’s attendance at the Belt and Road Forum was no surprise given Riga’s emerging role as the main European seaport for the overland Belt route, and the decision taken in May 2016 to set up the CCEEC Secretariat on Logistics Cooperation in Latvia.



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The Maritime Silk Road (MSR) attracted a comprehensive number of participants at the Forum. An extension of the Maritime Silk Road into the Southern Pacific has been a recent development, reflected in the presence at the Belt and Road Forum of Australia, New Zealand and Fiji (Prime Minister).

In Southeast Asia, various South China Sea littoral states sent high-level representatives; notably Vietnam (President), Cambodia, the Philippines (President), Malaysia (Prime Minister), Singapore and Indonesia (President). This was despite rising South China Sea frictions between some of those states (Vietnam, Philippines and Indonesia) and China.

A swathe of Indian Ocean states from its littoral and basin areas also attended Beijing's extravaganza. These included Singapore, Indonesia (President), Australia, Malaysia (Prime Minister), Thailand (five ministers), Myanmar, Bangladesh, Sri Lanka (Prime Minister), Iran, Pakistan (Prime Minister), the Maldives, and Kenya (President).

The Maritime Silk Road comes up from the Indian Ocean into the Red Sea and then the Mediterranean, from where various states sent representatives. These included Saudi Arabia, Egypt, Syria, Turkey (President), Greece (Prime Minister), Italy (Prime Minister), Tunisia and Spain (Prime Minister). The attendance of the Greek Prime Minister was no surprise as Piraeus has been identified as the European entry point for the Maritime Silk Road, and in which China Cosco Shipping (CCS), China's largest shipping company, took over a controlling majority share in the port operator Piraeus Port in 2016.

European Union (EU) feelings may well have been ambivalent towards the Belt and Road



Forum. For its part China argues that the Belt and Road Initiative complements the EU *Trans-European Transport Networks (TETN)* scheme. In similar vein Jyrki Katainen, Vice President of the European Commission attended the Forum and went on the record to say the EU would be “proud” to work with China on improving connectivity between Europe and Asia, though he called for “transparency” in such planning. Nevertheless, in effect the Mediterranean members (Spain, Italy and Greece) and the Central/Eastern European (CCEEC members) countries present at the Forum formed two subgroups undercutting common EU positioning and strategy towards China, and weakening the European Commission’s grip on trade regulation and forward economic planning.

Significant additions to the participants at the Belt and Road Forum were Japan and the United States, who had expressed misgivings about the nature of the Chinese initiative.

France, Germany and the UK were all present at the Belt and Road Forum, pressing their national interests. Not surprisingly, their economic ministers all looked forward to increased trade and opportunities for their particular countries to gain valuable company contracts from the infrastructure projects being mooted across Eurasia and the Indian Ocean. It was significant that at the Forum the UK, France and Germany refused to sign a trade panel declaration drafted by China, on the grounds that it did not sufficiently address their concerns surrounding transparency of public procurement standards.

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though widely expected not to attend the Forum, they decided at the last minute to attend, albeit sending fairly junior representatives. Japan sent the Liberal Democratic Party (the ruling party) Secretary General Toshihiro Nikai, and the US sent Matt Pottinger, the National Security Council senior director for Asia.

With regards to the US, it is unclear how far Washington sees China's overland Belt initiative as compatible with its own *New Silk Road* (NSR) scheme aimed at linking Central Asia to South Asia. It is equally unclear how far the US sees China's Maritime Road initiative as compatible with its own *Indo-Pacific Economic Corridor* (IPEC) initiative aimed at linking South Asia and Southeast Asia. Both the NSR and IPEC initiatives were floated during Obama's first administration, subsequently languished during his second administration, but were re-emphasised by the new Trump administration. What is clear is that both of these US projects are of direct benefit for India. Pottinger came away from the Forum saying that the US welcomed connectivity programs from any quarter, but hoped (and in effect demanded) an open playing field for US companies bidding for infrastructure contracts. In that vein the US embassy in Beijing announced it was setting up a *Belt and Road Working Group* with US companies to engage with the initiative.

With regards to Japan, Tokyo has been pushing its own *Free and Open Indo-Pacific Strategy* (FOIPS) since 2016, and in convergence with India has been floating the idea of an *Africa-Asia Growth Corridor* (AAGC). Both

schemes have been seen as implicitly in competition with China's Belt and Road initiative. Nevertheless, almost a month after the Belt and Road Forum, in June 2017 Shinzo Abe the Japanese Prime Minister, in a keynote speech *Asia's Dream: Linking the Pacific and Eurasia* said that Japan was now ready to cooperate with the Chinese initiative. However, he warned that this was dependent on the infrastructure being open for use by all, and on contracts for the construction of the infrastructure being conducted through a procurement process that was "transparent and fair". In other words, Chinese companies should not be given preferential treatment in such projects.

This demand for fair play made by Japan was exactly the demand being made by the US, the EU and by West European countries. Such concerns about a level playing field remains one of the concerns about China's pushing of the infrastructure projects in the Belt and Road initiative, since their earlier record in African has been one of generally using Chinese companies (profits for them) and Chinese labour force in building infrastructure projects, thereby doing little for local employment.



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*The BRI points to a resetting of the international system,
and of the international economy.*

A significant omission from the Belt and Road Forum was India, which took umbrage over the appearance of the *China-Pakistan Economic Corridor* (CPEC) as a linking spur between the overland and maritime Silk Road routes, and refused to attend. The immediate issue for India was that Kashmir is disputed territory, claimed by both India and Pakistan, with the CPEC route going across parts of Pakistan-administered Kashmir, which are of course claimed by India. In reality there is a much wider context for India's extreme wariness over China's regional initiatives; since India has continuing worries on being encircled by China, exemplified in the subsequent Doklam standoff from June-August 2017. Consequently New Delhi has studiously ignored Chinese blandishments to join in the Maritime Silk Road (MSR) scheme. Instead India has pushed its own (*Mausam, Cotton Route*) projects for the Indian Ocean, has maintained interest in a *North-South Transport Corridor* (NSTC) linking Russia, Iran and India, and has welcomed joint cooperation with Japan in an *Africa-Asia Growth Corridor* (AAGC) initiative.

All of these permutations of schemes across Eurasia and the Indian Ocean indicate how much infrastructure and connectivity projects

⁴ 'India-Japan growth corridor may mean division, not connectivity for Asia, Africa' *Global Times*, 1 August 2017

⁵ Paolo Magri, 'Introduction', in Alesia Amighini (ed.) *China's Belt and Road. A Game Changer* (Milan: ISPI, 2017), p. 11; 'Belt and Road: promoting healthy globalisation' *Global Times*, 15 May 2017

⁶ Hugh White, 'China's Belt and Road Initiative to challenge US-led order' *East Asia Forum*, 8 May 2017; Tom Miller, *China's Asian Dream: Empire Building along the New Silk Road*, (London: Zed, 2017).

⁷ Colin Mackerras, 'The Belt and Road to China-based globalisation' *East Asia Forum*, 31 August 2017.

are not just economic, but are geo-economic, not just political but geopolitical. Indeed, it remains a concern for Beijing that other rival schemes like the *Africa Asia Growth Corridor* (AAGC) being pushed by India and Japan will undercut the appeal of the Maritime Silk Road scheme being pushed by China.⁴

The "Belt and Road Initiative"

Politically, the Belt and Road Initiative (BRI) has been a prominent feature in Chinese diplomacy since 2013, constantly invoked in bilateral visits undertaken by the Chinese leadership across Eurasia and the Indian Ocean. The BRI points to a resetting of the international system, and of the international economy. With regard to the international system, the BRI has been described in the West as "Chinese move on the global chessboard to shape the future international balance of power" (Maghi), and in China as something whereby "thanks to the success of the Belt and Road, China can also improve its international status and geopolitical influence" (Ng).⁵ Structurally the BRI seems designed "to challenge US-led order" (White), and may represent unofficial "empire-building" (Miller) by China.⁶ With regard to the international economy, the BRI

has been recently described as “a potent symbol of the rise of China-based globalisation” (Mackerras).⁷

The “Belt” refers to the overland *Silk Road Economic Belt* (SREB) unveiled by President Xi in September 2013 during his trip to Kazakhstan, while the “Road” refers to the *Maritime Silk Road* (MSR) unveiled by Xi in November 2013 during his trip to Indonesia. These Chinese proposals were initially coupled together as *One Belt, One Road* (OBOR), and subsequently renamed as the *Belt and Road Initiative* (BRI). The geographic scope of the BRI is huge; involving four continents (Europe, Asia, Australasia and Africa), two oceans (Indian Ocean and Pacific Ocean) and three seas (South China Sea, Red Sea, and the Mediterranean). In December 2014, China put in \$40 billion to set up the *Silk Road Fund*, a state-owned enterprise headquartered of course in Beijing, to support Belt and Road infrastructure projects.

A comprehensive outline of the BRI scheme by the Chinese government was given in March 2015 in their paper *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. It was jointly released by the Ministry of Foreign Affairs and the Ministry of Commerce – fitting reflection of the strategic and commercial nuances of the BRI. Its central axiom was “mutual benefit and win-win cooperation”. In the paper, the Chinese government argued that “the initiative to jointly build the Belt and Road, embracing the trend towards a multipolar world, economic globalisation, cultural diversity and greater IT application, is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation”. The *Visions* paper also envisaged greater use of the renminbi as a wider international currency. The careful reader would note that not only was China embracing globalisation, it was also embracing China’s role as a centre of power in a





multipolar world that was replacing previous US unipolar pre-eminence. Stressing regional cooperation left open the extent to which the BRI represented an extension of what China's "region" (and "regional interests" to establish, gain, maintain and defend) actually consisted of; in other words China moving out from East Asia across Eurasia and the Indo-Pacific.

In the wake of the successful Belt and Road Forum, China released a further paper *Vision*

⁸ 'B & R can transcend clashes of civilisation' *Global Times*, 23 July 2017.

for Maritime Cooperation under the Belt and Road Initiative in June 2017. It outlined "three blue economic corridors" going from China across the Indian Ocean to the Mediterranean, from China across to the South Pacific, but also from China across the Arctic to Europe.

The Belt and Road Initiative (BRI) rhetoric is aimed at roads, railway and port – creating trade networks across Eurasia and the Indian Oceans and increasing connectivity flows. Five *connectivities* are stressed by China with regard to the BRI; namely political, infrastructure, capital, trade and people-to-people exchanges which reflect win-win outcomes for all involved. In effect China is calling for political cooperation whereby capital is funnelled to finance infrastructure projects that will increase mutually beneficial trade. People to people exchange is the most nebulous part of the BRI,⁸ with the sceptical observer tempted to dismiss it as secondary window dressing.

There is a subtle economic rationale to the BRI. Globalisation brings with it the relationship between global supply and manufacturing networks, with China seeking to anchor China in the expanding supply chain web. Within the logic of globalisation, through the BRI China wants to consolidate its position at the centre of global supply and manufacturing networks. China understands that as its economy matures and income levels rise, the lower-wage industries which have fuelled China's growth are now migrating to less-developed nations, like Vietnam for example where labour costs are lower. Consequently, through the BRI, China seeks to centre itself in the expanding supply-chain web, and so capture the lion's share of more sophisticated higher-wage economic opportunities.

There is a more obvious economic rationale to

the BRI, which is to increase trade flows. On the one hand, the BRI will help the import of primary energy flows (crucial for China's energy security imperatives) from Central Asia and Siberia via the overland Silk Road Economic Belt, and from the Middle East via the Maritime Silk Road, as well as other mineral resources from Afghanistan and Africa that China needs to fuel its industries. On the other hand, the BRI will also help the export of Chinese manufacturing. Since China's embrace of globalisation, its economic growth has been an exports-led drive which has racked up increasingly large financial surpluses with the US and Europe. China talks about the BRI scheme as a win-win situation for itself and other countries, but it might be argued that it is a win-win situation primarily for China, a two-fold win for China since it will be China

Such accelerating Chinese financial investment in Belt and Road countries may lead China's banks into over-extended lending in risky ventures.

winning advantages for its imports and winning advantages for its exports. The final obvious economic benefit for China is in the actual infrastructure projects that will underpin the transport networks envisaged across Eurasia and the Indian Ocean. If African precedents are anything to go by, these will be delivered primarily by Chinese companies, and with increased international use of the renminbi.

A noticeable pattern in 2017 is accelerating Chinese investment in Belt and Road countries. However, such accelerating Chinese financial investment in Belt and Road countries may lead China's banks into over-extended lending in risky ventures; something that could threaten not just China's banking system, which would in turn pose risk to the global banking system.



The immediate context of the Belt and Road Initiative (BRI) is a widening regionalism represented by China moving out from its immediate East Asia setting.

Alongside the geoeconomics of the BRI are overlapping geopolitical considerations.⁹ Xi's welcoming address to the Belt and Road Forum may have involved him asserting that "in pursuing the Belt and Road Initiative, we will not resort to outdated geopolitical manoeuvring"; but in reality both the overland "Belt" and maritime "Road" routes have clear geopolitical purposes in three ways. Firstly, increased access to energy and mineral resources is a geoeconomic but also geopolitical matter, involving location and power. Secondly, a basic geopolitical consideration for China is its own sense of being blocked in the Western Pacific by ongoing US maritime supremacy. However, blocked eastwards, China can turn westwards with its Belt and Road schemes. Thirdly, India's sense of being encircled by China's Maritime Silk Road scheme is another geopolitical consideration, underpinning India's reluctance to support the BRI initiative.

This of course raises the issue of how far China's Maritime Silk Road (MSR) initiative is but the different face of the so-called *String of Pearls* policy. The String of Pearls concept argued that China was seeking naval basing/facilities across the South China Sea and Indian Ocean (around India), through building maritime civilian infrastructure in friendly states in the region. The concept was formulated by US

defence contractor Booz Allen Hamilton in 2007 in their report to the Pentagon on *Energy Futures in Asia*. It should of course be noted that Beijing has constantly rejected the String of Pearls as being an accurate portrayal of Chinese policy, but then the sceptic could point out that it would be in China's interests to deny such a policy. Certainly this "string of pearls" framework is widely accepted in India as an accurate portrayal of China's encirclement of India. A decade later and China's Maritime Silk Road (MSR) focus on developing port

facilities across the South China Sea and Indian Ocean stretches involved the same geographic areas, and perhaps the same geopolitical imperatives?

The immediate context of the Belt and Road Initiative (BRI) is a widening regionalism represented by China moving out from its immediate East Asia setting.

⁹ Hanns Hilpert and Gudrun Wacker, 'Geoeconomics meets Geopolitics, China's New Economic and Foreign Policy Initiatives' *SWP Comments*, No. 33 (June 2015).

¹⁰ Tom Sun and Alex Payette, 'China's Two Ocean strategy: Controlling waterways and the new silk road' *Asia Focus*, No. 31 (May 2017).

Looking over the past decade, China's push for the MSR could be seen as a ploy for "controlling the waterways", part of China's "two-ocean strategy" of moving into the Indian Ocean.¹⁰ This forward maritime presence in the Indian Ocean was demonstrated during 2017 at Gwadar when the China Overseas Port Holding Company (COPHC) was granted a 40-year operating lease in April, and at Djibouti when naval facilities for China were set up in July. It was fitting that Djibouti was represented at the Belt and Road Forum by the Chairman of Djibouti Ports and Free Zones Authority (DPFZA), Aboubaker Omar Hadi.

Other related Chinese initiatives

The immediate context of the Belt and Road Initiative (BRI) is a widening regionalism represented by China moving out from its immediate East Asia setting. This is also being



demonstrated via three mechanisms; through China's setting up of the BOAO Forum for Asia (BFA), through China's leading position in the setting up the Asian Investment and Infrastructure Bank (AIIB), and through China's pre-eminence in negotiations to set up the Comprehensive Regional Economic Partnership (RCEP). When all of these initiatives of China's self-styled "new era economic diplomacy"¹¹ are put together, then what we have is a Chinese thrust across the Indo-Pacific and Eurasia. In effect, the field for such economic diplomacy represents an extended neighbourhood, an extended regionalism.

The BOAO Forum for Asia has been called

¹¹ Zhang Jun, 'China's economic diplomacy entered the new era', Ministry of Foreign Affairs, 19 April 2017 [http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1454825.shtml] (accessed 14 August 2017).

¹² Tim Collard, '2017 Boao forum: A welcome projection of soft power' *Opinion* (China.org), 1 April 2017 [http://www.china.org.cn/opinion/2017-04/01/content_40541816.htm] (accessed 14 August 2017).

China's answer to the World Economic/Davos Forum held in Switzerland; but with the difference that not only is the BOAO Forum a regional forum aimed at Asia, it is also organised by one country China in a way that the Davos Forum is not dominated by one country. China has organised the BOAO Forum since 2002. Certainly the BOAO Forum provides China with clear soft power image benefits.¹² The rhetoric at the BOAO Forum is on China's favourite foreign policy mantra of win-win cooperation. Consequently, at the BOAO Forum held in March 2017 the Vice Premier Zhang Gaoli emphasised the importance of the Belt and Road Forum in providing "solutions to the economic challenges of the region and new

drivers for interconnected development will be delivered through the building of the Belt and Road”.

The Asian Investment and Infrastructure Bank (AIIB) has been another Chinese-led initiative, arising from proposals by Xi Jinping while on his visit to Indonesia in October 2013, where he also first outlined the Maritime Silk Road framework. The AIIB was subsequently launched at a ceremony in Beijing in October 2014, and was formally set up in December 2015, with headquarters located in Beijing and with a Chinese President Jin Liqun appointed for five years. Its remit is Asia and Oceania – the scope of China’s Belt and Road initiative. The capital of the bank is \$100 billion, equivalent to two thirds of the capital of the Asian Development Bank, and about half that of the World Bank.

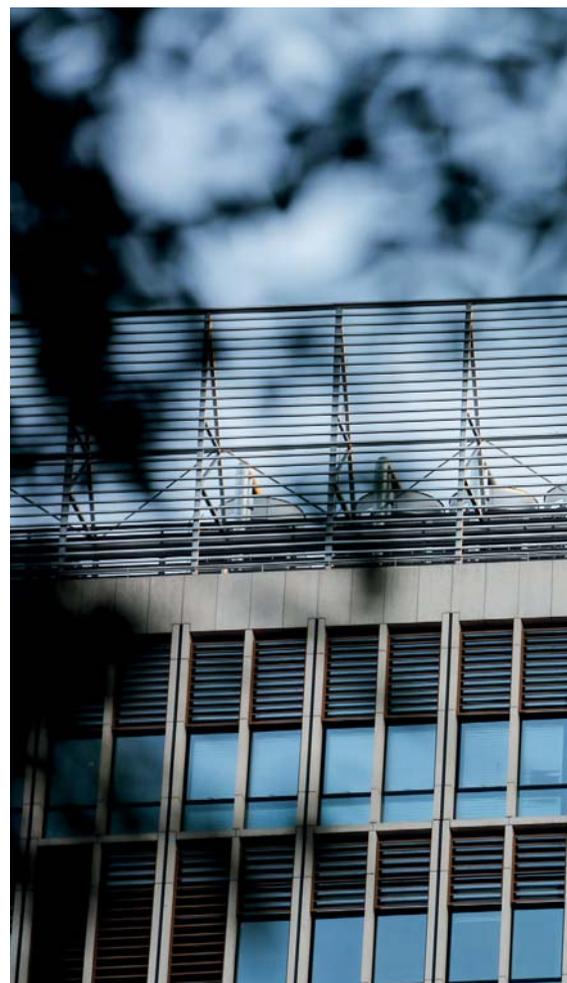
In economic terms, the Asian Investment and Infrastructure Bank (AIIB) is a vehicle for China to funnel its growing foreign currency reserves. In soft power terms, the AIIB enables China to clearly project itself as working with and for the benefit of fellow Asian countries.¹³ Hard power comes through the leading institutional position of China in the AIIB, holding just over 26 percent of voting rights, far ahead of the next biggest voter India with just over 8 percent. Geopolitically, the AIIB serves as a counter to the established Western control of the International Monetary Fund and the World Bank. The AIIB is also a better vehicle for China than the Asian Development Bank (ADB); since China has only 5.47 percent voting rights in the ADB, while Japan and the US each have 13 percent. While the US studiously avoided any participation in the AIIB, US allies in the Asia-Pacific like South Korea and Australia as well as leading European countries like the UK, Germany, France and Italy

¹³ Rebecca La Forgia, 'Listening to China's multilateral voice for the first time: analysing the Asian Infrastructure Investment Bank for soft power opportunities' *Journal of Contemporary China*, April (2017), pp. 1-17.

¹⁴ 'After TPP: RCEP as China's magic bullet?' *The Globalist*, 17 February 2017.

signed up for AIIB membership. Canada also applied to join in 2017, with Japan considering joining. In effect, the US has been left largely isolated, with China at the centre of one of the most significant multilateral institutions of recent times. Infrastructure projects under the Belt and Road Initiative fall squarely within the remit of the AIIB.

The Regional Comprehensive Economic Partnership (RCEP) is in effect an attempt to set up an open trade area between 16 countries across the Indo-Pacific; namely India, the ASEAN states, China, South Korea, Japan, Australia



and New Zealand. The significance of such schemes is, of course, not only who is in them but also who is not. In the case of RCEP, the significance absence is the US. The RCEP has cut across the Trans-Pacific Partnership (TPP) negotiated between. Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. It is significant that the TPP participants did not involve China, and indeed the TPP was widely seen as a US economic counter to China. Though the United States under Obama signed up to the TPP scheme in February 2016, the first decision of the new



Trump administration in January 2017 was to withdraw from the TPP scheme. This has left the road much clearer for China to push through with the RCEP, which it considers is convergent with the Belt and Road initiative, and which does not involve the US.¹⁴

Political context

There is of course a wider political context to the Belt and Road initiative, and indeed of those associated economics-oriented mechanisms like the BOAO Forum for Asia, the Asian Investment and Infrastructure Bank, and the Regional Comprehensive Economic Partnership.

Let us cast our minds back. On Mao Zedong's death in 1976 the emergence of Deng Xiaoping as paramount leader initiated an explicit "reform" (gaige) programme during the 1980s. This was most evident in the "Four Modernisation" (*Si ge xian dai hua*) programme covering modernisation of agriculture, industry, science & technology, and defence. Modernisation of agriculture meant dropping the collectivist

low yield mentality of the Maoist communes and reintroducing a degree of private ownership. Modernisation of industry meant introducing western-style entrepreneurial ways of operating – in effect private enterprise, profit and capitalism. Mao would have turned in his grave! Both the adoption of industry and of science & technology involved deliberately going to the West, i.e. the US and Europe.

China explicitly embraced globalisation, signified with joining the World Trade Organisation in 2002, with the official mantra being one of “going out” (*Zou chuqu*). This involved going out in terms of looking for these outside models, in terms of pushing forward an export-led policy of economic development and international rise, in terms of Chinese investments (generated by growing trade surpluses) seeking foreign markets to invest in, and in terms of Chinese companies operating globally.

Two further aspects of the Four Modernisation are worth highlighting. Firstly, the Four Modernisations involved a hierarchy and sense of priorities. The first three reflected an economics thrust with military modernisation left as the latest to be implemented. Only after economic and technological modernisation would military modernisation be possible – which in a practical way made sense. The current trouble for the world is that the economic and technological modernisation now achieved by China is precisely what is enabling military modernisation, and with it questions of Chinese intentions.

Secondly, the Four Modernisations was envisaged as a 50 to 70 year process – i.e. being completed some time between 2030 and 2050. This of course means that we are still in this period of transition, in which China has not yet completed its economics-led modernisation.



In this process of rise, maintaining a peaceful external environment was deemed crucial to China’s economic development. Consequently, it is no coincidence that since 2000 a battery of terms was deployed from China’s diplomatic tool bag to reassure the international system, and indeed international financiers, that China was a “responsible” (*fuzeren*) power. This reassurance diplomacy was centred around terms like “peaceful rise” (*heping juechi*), “peaceful development” (*heping fazhan*), “good neighbourhood policy” (*mulin zhengce*), and “win-win cooperation” (*shuangying*). The Belt and Road Initiative ticks all of these boxes. External and internal stability went hand in hand, hence China’s double focus on externally shaping a “harmonious world” (*hexie shijie*), and internally shaping a “harmonious society” (*hexie shehui*) – which would thereby ensure regime survival.

China’s adoption of the term “peaceful rise” maintains this sense of ongoing economics-led rise in the international system. Questions of China’s intentions thus fall into two time periods. With regard to this present period of



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modernisation China wants to rise, and naturally prefers to rise peacefully. What country wouldn't prefer to rise peacefully than having to fight for its rise, given that a peaceful rise is more assured and of course cheaper? However, although China may be genuine in its desire for peaceful rise, and while it may be prepared to pursue far reaching cooperative policies with other countries, especially in the economic area, this speaks to the present period of the Four Modernisations. The present leadership continues to vehemently assert that once China has completed its process of economics-led rise China will remain a responsible power and will never go down the path of hegemonism. However quite simply their present assurances about the future are empty since they will not be in power then, and it is impossible for anyone to say what a more powerful (risen and modernised) China will or will not do in a couple of decades time.

¹⁵ Mahmood Monshipour and Sergio Egoávil, 'China's rising power: economic growth vs. freedom deficit' *Journal of Human Rights*, Vol. 10, No. 3 (2011), pp. 290-310.

The importance of this economics-led rise became even more important in 1989, when Communist Party rule in China was almost toppled by rising demands for political reform. The events of Tiananmen Square may have been resolved in the immediate terms by Deng Xiaoping ordering an army crackdown. However, even as political reform was taken off the table, "economic reform" (*jingji gaige*) was re-stressed. Indeed, something of an unofficial bargain ensued whereby the Chinese leadership in effect promised to deliver economic prosperity (involving economic reform) so as to avert demands for democracy (involving political reform). Quite simply, maintaining economic success has become an essential part of Beijing's *regime survival strategy*.¹⁵ Economic success is in turn predicated on an exports-led growth model, and asset acquisition, in which the Road and Belt initiative is an important new component.



The importance of this economics-led rise became even more important in 1989, when Communist Party rule in China was almost toppled by rising demands for political reform.

Conclusions

Chinese commentary has been that the Belt and Road Initiative (BRI) “aim is to boost globalization”; but also slightly more revealingly that it has “ushered economic globalisation into a new era, forming a new pattern”.¹⁶ Certainly the BRI represents a “new geography of trade”.¹⁷ The Chinese state media has indeed argued that globalisation is not an undifferentiated global pattern, but instead is actually involving a move from national economic frameworks to continental frameworks.¹⁸ However, the question remains as to whether this all represents an extended regionalism to China’s advantage rather than open globalisation? The BRI can still of course be depicted in terms of economic win-win mutual benefit, but equally well it can be seen as China attempting to carve out economic pre-eminence in this “extended” continental-sized regional arena of Eurasia and the Indo-Pacific. Such extended-regional economic re-ordering leads Douglas Bulloch to argue that the BRI “does not support globalisation so much as subvert it” to China’s advantage.¹⁹

A recent profile by Wang Yiwei at the from the China People’s Institute of Foreign Affairs

¹⁶ ‘Belt and Road aim to boost globalization’ *China Daily*, 15 May 2017; ‘Belt and Road initiative leads economic globalisation onto new path’ *Global Times*, 11 May 2017.

¹⁷ Amighini, ‘Towards a new geography of trade’ in Amighini (ed.) *China’s Belt and Road*, pp. 121-140.

¹⁸ “One Belt, One Road” follows worldwide pattern of regional integration’ *People’s Daily/Global Times*, 11 March 2015.

¹⁹ Douglas Bulloch, ‘China’s Belt and Road initiative does not support globalisation so much as subvert it’ *Forbes.com*, 29 May 2017 [<https://www.forbes.com/sites/douglasbulloch/2017/05/29/chinas-belt-and-road-initiative-does-not-support-globalisation-so-much-as-subvert-it/>] (accessed 12 August 2017).

(CPIFA), contained telling comments about the impact of the Belt and Road scheme on the global economy and international system.²⁰ With regard to the global economy, Wang argued that the Belt and Road Initiative (BRI) represents a balanced globalisation which will “bring unprecedented opportunities to less developed countries that have been marginalized in the process of economic globalization to move faster toward industrialization and modernization”. However there are problems



in this. The BRI may lock countries in Central Asia and the Middle East into being cheaper raw resources providers for finished Chinese products which are then exported back to them at higher prices, giving China the advantage? Moreover, increased trade with Europe is not necessarily of equal benefit. Given the increasing China-EU trade imbalance during the past decade, increased volume of trade generated from the BRI may just enable an ever increasing trade deficit for Europe and ever increas-

²⁰ Wang Yi, 'Embarking on a new voyage of Belt and Road cooperation' *Foreign Affairs Journal* (China Institute of Foreign Affairs), No. 124 (Summer 2017) [<http://www.cpifa.org/en/cms/item/view?table=book&id=217>] (accessed 14 August 2017).

ing trade surplus for China? Infrastructure contracts, the workforce used for infrastructure projects, and loan repayment terms will be key specific indicators for judging how open and fair and mutually beneficial the BRI process is for other countries.

Finally in that analysis by Wang Yiwei, amid his repeated invocation of win-win cooperation for mutual economic benefit, he gave explicit political advantages for China in the international system. This was partly with immediate reference to the Belt and Road Forum, in which Wang argued that "the success of the Belt and Road Forum also marks a start for China to play a greater and more influential role globally". In turn the Belt and Road Initiative was portrayed at times by Wang as change in the international system to China's benefit; "China's leading role in [...] managing international affairs will also rise to a new level [...] the Belt and Road Initiative helps further boost China's international standing. The Belt and Road is China's project of the century [...] The development of the Belt and Road is increasingly becoming a leverage and practice ground for China's major-country diplomacy". Talk of increased leverage for a Great Power is maybe not very reassuring?

Countries need to be careful about involvement in China's Belt and Road Initiative (BRI), and should closely consider the actual degree of mutual benefit involved in such participation. Much like house buying, other countries should look carefully at the terms, conditions and outcomes involved in the BRI, and should compare it closely with in the other schemes being mooted by other countries for infrastructure routes across Eurasia and Indo-Pacific. The well established adage for house buying comes to mind, *caveat emptor* "let the buyer beware". ■

