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**'Belt and Road Initiative (BRI) and Its Future Implications'**

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When we look at the BRI, it is important to look at it from a broader perspective. Over the last decade or so, there has been a flux in global geopolitics. The older established powers are being challenged by other emerging centers of power especially in Asia. It is in this context that we have to look at BRI, the evolution of which coincides with this flux. In addition there is an attempt by China to reshape the world order as we know it.

Since 2008, China has made successive bids to place itself on par with the United States (U.S.) or to at least be recognised as its equal. In course of time, they want to gradually surpass the U.S. in the exercise of global power. For this they came up with a new formulation: 'a new type of big power relations', which envisaged precisely that the U.S. and China would be joint arbitrators on global issues. However the U.S. has declined China that status. At the 19<sup>th</sup> Party Congress in October 2017, Xi Jinping spelt out China's ambitions very clearly. He said that by 2049 -- that is the founding anniversary of the People's Republic of China (PRC) -- 'China will be a major world power with pioneering global influence'. The term 'world power with pioneering global influence' implies that China will have the influence to create or reshape international organisations like the UN, World Bank, WTO etc. More recently on 3<sup>rd</sup> April, Yan Xuetong, a well-known Chinese scholar and strategist who is close to Xi Jinping, expressed confidence in China's rise by saying he hoped "that U.S. and China will work together to provide progressive leadership to the world".

There are major implications for the region too. China's rise has been assertive, and some would even say aggressive, as evidenced by its activities in the South China Sea (SCS),

air violations over Japan, with Taiwan, and along the borders with India. With the BRI, China is effectively squeezing the strategic space of its neighbors and also bending international borders. The CPEC brings this out clearly. China has shed its decades long ambiguity over POK (Pakistan occupied Kashmir), Gilgit and Baltistan and has now openly backed Pakistan's claims. To protect Chinese investments, they have asked Pakistan to further integrate these regions into the federal structure of Pakistan and the Pakistan government is carrying out elections in these areas. With the flow of Chinese economy, diplomatic and military power into Pakistan, we can see the military implications overtones of the CPEC.

The Bangladesh-China-India-Myanmar Corridor (BCIM) is the last leg of the BRI and is similarly not acceptable to India. Both Myanmar, and Bangladesh don't really manufacture any goods that India needs and it is Chinese goods and people that will come through the BCIM and flood the northeast. More Chinese products and immigrants will flow into the sensitive and vulnerable areas, like our North East, when our businessmen already have problems transporting goods to the region and we have problems with identification of the population. The problem is magnified with China coveting Arunachal Pradesh.

The BRI is a geostrategic economic initiative, which will expand China's economic, diplomatic, and military power across the globe. It has already begun to do so regionally, which fits into its declared ambition of achieving the 'China Dream', which includes the 'rejuvenation of the great Chinese nation' by 2021 which is the centenary of the Chinese Communist Party and includes the 'recovery' of territories said to have been lost by the imposition of unequal treaties by foreign powers.

What actually does the BRI imply? It covers 55% of the world GNP, 70% of the total population, and 75% of the world's known energy reserves. I define it simply, "the US\$ 1.4 trillion BRI is to connect production centers in China with natural resources centers and markets around the world over a China-built communications artery. It has rail, road, sea, aerospace and cyber components" and is multi-dimensional. The BRI will put to use

China's surplus manpower, idling financial resources, and the unused infrastructure and technological capabilities of China's huge State-owned Enterprises (SoEs). The best part is that the recipient countries will be paying for it since the projects are mostly financed by loans and very few grants except in cases like Gwadar!

In this context, worth noting is that the SoEs have gained 28% in profitability since 2014. An EU study showed that 89% of the contracts awarded under BRI are to Chinese SoEs. The rates of interest charged by Chinese banks are around 7% with reportedly additional hidden costs.

The BRI, incidentally, is a collection of projects, with some begun almost 10 years before 2013, that have been stitched together and put under this umbrella. It is a China-conceived and China-led project. To underscore the point, last year China's Supreme Court set up special BRI courts in China where all matters relating to the BRI and all arbitration relating to the BRI are to be decided. These are in Beijing, Xi'an, and Shenzhen.

Over the past 18 months, there has been a burgeoning push back to the BRI. India's refusal to join the initiative, which lacks transparency and violates its territorial integrity and sovereignty, has contributed to the difficulties of BRI. Many countries have begun reviewing BRI projects following India's assertion that it is a 'debt trap' and the example of Hambantota in Sri Lanka. These include China's "iron brother" Pakistan, who hosts the BRI flagship of CPEC. They are reviewing 50% of the BRI projects, but have already given Gwadar to China on a 50-year lease. There are also conflicting figures of China's actual investment in CPEC with Pakistan mentioning a figure of US\$ 19 billion. Thailand and Malaysia are also reviewing the BRI projects, and Malaysian Prime Minister Mahathir accused China of being a new imperialist power soon after his meeting with the Chinese Premier and has successfully brought down the cost of a BRI rail project by 30%, showing the high margins in costs. But the BRI has been incorporated into China's Constitutions at the 19<sup>th</sup> Party Congress and Xi Jinping is personally backing the project, thereby putting the State's force behind the BRI. Also, Premier Li Keqiang in his report

to the second session of the 13<sup>th</sup> NPC, which concluded on the 15<sup>th</sup> March, said that China “continues to have a window of strategic opportunity”, implying that they will continue to push ahead with the BRI despite the obstacles that they face.

Closely associated with the BRI and to which little attention is paid is the acceleration in build-up of the muscle power, or armed forces, of China along with economic and diplomatic power. The PLA Navy, the second largest Navy in the world today which is celebrating its 70<sup>th</sup> founding anniversary in Qingdao today, plans to have 5 aircraft carriers and is rapidly building a number of warships. By 2030 or 2035, China intends to have a Navy which has 350 surface warships and 100 submarines. That’s a very large Navy. They have also started building or upgrading 75 ports around the world along with coastal infrastructure. China’s Ministry of Transportation in May said “they are building 42 ports in 34 countries”. Many of these will be bases or logistics bases. Chinese military literature already mentions Gwadar as a “logistics naval base”, and Karachi as “a regular navy base”. China clearly intends to back commercial and diplomatic initiatives with military muscle.

The digital BRI also expands China’s cyber capabilities with digital espionage hubs detected in some countries on the BRI.

Closer to home, the CPEC highlights the military overtones of the BRI. The secure fiber optic cable that has been laid from Kashgar, namely the headquarters of the South Xinjiang Military District which is just north of and across Ladakh, connects with the Pak GHQ in Rawalpindi bypassing the political capital of Islamabad. And there are a number of PLA personnel deployed in Pakistan especially in Gwadar. There are Chinese security companies now operating in Pakistan as much as they are operating in Africa. There is a clear expanding Chinese military presence in Pakistan and these are factors India has to contend with.

But its not all smooth sailing and the push back to BRI will grow unless the Chinese are able to fund it in a manner that is much more attractive and transparent. But China’s

economy is slowing down and is in difficulty as suggested by the Chinese banks meeting in last April when they said that they would have to look for diverse sources of funding -- indicating China does not have the capacity or willingness -- to pump huge sums into BRI. China's Exim Bank, in fact, said yesterday (April 22) that they have 1 trillion Yuan stuck in outstanding loans which they have not been able to recover. Also the areas through which the BRI will pass such as Pakistan, Turkey and the Central Asian Republics are troubled areas. There is growing resentment due to the huge influx of Chinese people. These are further compounded by the Chinese advancing formulas like 'creating a community of common destiny' and suggesting it and their system as an alternative to the world's democracies. Given the direction the situation inside China is moving in and the 'social credit management system' that seeks to regulate the actions and possibly even thoughts of people, these are troubling for those asked to subscribe to it. There are hidden worries for virtually all countries and, as far as India is concerned, there are no tangible benefits in opting for the project.

*(Text of talk by Mr Jayadeva Ranade at seminar on 'The Implications and Future of the Belt and Road Initiative' at IIC on 23 April, 2019)*