

NIDS International Symposium on Security Affairs 2019

Belt and Road Initiative and the Future of the International Order



The National Institute for Defense Studies, Japan

NIDS International Symposium on Security Affairs

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Future of the International Order**

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Preface

This publication is a collection of papers originally presented at the International Symposium on Security Affairs “Belt and Road Initiative and the Future of the International Order” hosted by the National Institute for Defense Studies (NIDS) on December 10, 2019. Brief biographies of the symposium’s presenters and the program are found at the end of this volume.

The growth of China, which is an important neighbor of Japan, brings significant changes to this region and the world. If we focus our attention on the direct implications on security, China’s expanding military capabilities and areas of activity will allow China to act more unilaterally, and there is concern that the neighboring countries will be unable to restrain them and consequently lose their vital interests. However, China’s growth extends across a range of fields, including the economy, technology, and diplomacy. If China and many countries work together successfully, this could potentially change the way international affairs are conducted. For example, emerging economies like BRICS (Brazil, Russia, India, China, and South Africa) have made contributions in international norms, trade, and finance to complement the Western-led international order, and according to some discourse, could continue to reform the international community while avoiding clashes.¹ If these substantive changes take place, sounding the alarm only on China’s military issue may not resonate with countries partnering with China to reform the international community and may fail to create a more desirable international order.

A key concept in considering the possibility of such transformation of international order is China’s Belt and Road Initiative (BRI). In 2013, President Xi Jinping proposed the BRI, and discussions ensued domestically for its materialization. China announced the official contents of the initiative in 2015 and has since expanded them by adding other sectors and regions. The BRI also involves problems in its implementation, such as so-called “debt traps” and corruption in recipient countries.

To speak broadly, the BRI can be understood as China’s comprehensive strategic initiative encompassing culture, communications technology, and other sectors and is not confined to infrastructure development cooperation that was its starting point.²

¹ Oliver Stuenkel, *Post-Western World: How Emerging Powers Are Remaking Global Order* (Polity, 2016).

² Alice Ekman, ed., *China’s Belt & Road and the World: Competing Forms of Globalization* (Institut Français des Relations Internationales, April 2019).

In terms of the Chinese political situation, some view that actors, including provincial governments and the State Oceanic Administration, take actions to appeal themselves while following the trends of the leadership.³ Although it may be difficult to identify the BRI as a single consistent strategy, it is, indeed, touted by the Xi Jinping leadership, mobilizing considerable Chinese power in various sectors, and driving countries worldwide to take actions. This could shape the future of international order.

From this awareness of issues, NIDS organized this symposium and invited scholars of various disciplines from different countries to exchange diverse opinions and expertise regarding the BRI. Session 1 discussed how the BRI, which can have various meanings, is perceived from countries' strategic viewpoint. Su Changhe (China, Chapter 1) presented China's logic that connectivity created by the BRI goes beyond realist international relations, which are mostly based on confrontation, and tries to forge new international relations based on cooperation and respect. Victoria Panova (Russia, Chapter 2) valued the significance of cooperation under the BRI and BRICS for making the developed country-built international order fairer, mentioning the outcomes and problems of Russia-China cooperation. Kristine Lee (United States, Chapter 3) stated that much of the BRI project is fraught with problems, such as not being financially sustainable, failing to promote local interests, and interfering with the sovereignty of nations, and that it was necessary to improve the situation and shift to international cooperation that is beneficial to the parties. Iida Masafumi (Japan, Chapter 4) noted that the BRI has begun to cover major strategic aspects, including strengthening Xi Jinping's political authority and advocating reform of the international order, and that this has been accompanied by a tendency to make maritime forays. Sahashi Ryo as a discussant deepened the issues related to the BRI.

In Session 2, experts examined the economic and security situation of regions and countries in detail. Jeffrey Wilson (Australia, Chapter 5) explained about infrastructure development demand in the Indo-Pacific, the cooperation programs of China, Australia, the United States, and Japan, their characteristics, and their outcomes, noting the need for more transparent cooperation. Alessia Amighini (Italy, Chapter 6) stated that the European Union (EU) attaches importance to the value of economic cooperation with China, including infrastructure cooperation, but points to problems of non-alignment with intraregional norms as well as potential conflict of member state

³ Masuo Chisako, *Chugoku no Kodogenri: Kokunai Choryu ga Kimeru Kokusai Kankei* [China's Principles of Action: Domestic Tides Determine International Relations] (Chuo Koron Shinsha, 2019).

interests. Masuda Masayuki (Japan, Chapter 7) presented on China's new international cooperation approach for supporting the BRI, namely, increasing the capabilities of the law enforcement agencies of partner countries at the Lianyungang Forum hosted by the Ministry of Public Security. You Ji (Macau, Chapter 8) noted that, while the People's Liberation Army calls for protecting sea lanes to support the BRI, there is a gap between the maritime capabilities required for that purpose and those its navy has been actually building for operations in the western Pacific. A discussion by Akimoto Shigeki followed these presentations.

Session 3 consisted of an overall discussion. The discussions spanned a broad array of topics, including discourse on norms of international order, safety of digital technology, coordination mechanisms of economic cooperation, varied interests in the Arctic Ocean, and reform of the international financial system.

The world has changed dramatically since this symposium was held. In particular, in 2020, the coronavirus disease (COVID-19) pandemic fundamentally changed people's travel patterns and economic and social life globally. Nonetheless, the activities of countries have not stopped. We regularly see incidents scale up and become more serious, deteriorating Sino-U.S. relations, including Chinese maritime activities. China continues aggressive diplomacy amid the COVID-19 pandemic, and has invited negative reactions from some countries.

We hope readers will utilize this publication to understand not only the circumstances in December 2019 but also the evolving BRI and its implications, and to examine multiple possibilities for realizing an even better international order.

SHOJI Junichiro
Vice President for Academic Affairs
NIDS

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Part I

How the Belt and Road Initiative Can Be Perceived

Chapter 1

Global Connectivity, Transformation of the World, and Chinese Foreign Relations of BRI

Su Changhe

Abstract

Global connectivity is creating new opportunities for nearly every country in the current world. Nobody can escape from it, though some students and politicians are trying to take de-connectivity policy to bring the world back to an isolated situation. In the cross road of current international relations, there is no alternative for the world. This presentation will argue that the common benefits of connectivity for the world, and advances that connectivity strategy as a choice, would be better than integration strategy, in promoting regional and trans-regional cooperation. It will also test and criticize about different theories and policies, majorly based on the colonial, hegemonical, or utopia liberalism theories, which are likely to mislead the evolution of international relations. The presentation will also discuss about the implications of connectivity theory for understanding Chinese foreign relations, including BRI, since the newly century.

The presentation will be then focused on Chinese foreign relations of BRI. After we have gone beyond the existing misleading theories and ideas listed above, we could be more clear and clever on understanding of this topic. It doesn't mean that I want to defense for China's BRI, however, if BRI is the second best initiative, even if it maybe not the best, for the world development, why the world should sing a different tune for it? The fact is that more and more countries response it positively.

As an ancient Chinese saying, the foolish people try to seek difference, the smart people attempt to seek uniformity, the wisdom people rush to seek connectivity. One of the reasons to restrain the world development is from non-connectivity, and therefore improving connectivity should be the priority of international development agenda. China correctly catches the focus and then advances the timely BRI, a common development project for the countries who want to develop while keeping its independence. This is the major incentive of China for it. The BRI is inclusive and open launch for all countries, any initiative launched by other country, if it would really benefit for improving development condition for the developing countries, should be as cooperative partner rather than competitive partner with BRI. China welcome America,

Japan, or EU's any project which could really facilitate world development.

Walk is better than talk! The presentation will evaluate some critical points on BRI. Debt crisis, geopolitics expansion, transparency, environmental issue, China model, and other possible and potential strange point would be emerged in the future. All of these points memorized the world about something occurred frequently in developing countries what some countries did in their foreign relations history. In the face of these critics points on BRI, one of African country leaders have to say that your coming bring conflict for us, while China's coming bring common development for us. As a socialist, Eastern, learning, and civilization country, China will respect any reasonable constructive suggestion from all over the world, and humbly transformed them into our policies. Correct the mistake as soon as you know it, while going your own way and let the other talk. And the most important thing is that BRI in practice does face some difficulties, but seeking innovative measures to address them is precisely what China and BRI countries are and will focus.

Two Views of the World

Global connectivity is creating new opportunities for nearly every country in the current world. Nobody can escape from it, though some students and politicians are trying to take de-connectivity policy to bring the world back to an isolated situation. In the cross road of current international relations, there is no alternative but connectivity for the world.

Two views of the world, however, is emerging in current world. One view is prefer to shifting the world to a situation of protectionism, unilateralism, absolute security, and clashes of civilizations. Other one sticks to drive the world around open-ism, multilateralism, common security, and dialogue of civilizations. The world transformation looks more like between two powers, forward and backward, than the rising and declining, as some realist scholars frequently talked in the framework of power transition or traps theory.

In the traditional philosophy of Chinese view of the world, the world is composed of two characters, Yin (阴) and Yang (阳), just like the modern computer science in which everything could be illustrated by the composition of one (1) and zero (0). It means furthermore that the world is not just divided into two different or isolated parts, but is composed of two compatible parts. Therefore, Yin and Yang are not compatible, but could be contacted and then reach to a harmony order.

The major contents of most international relations theories, esp. developed from Anglo-Saxon tradition, are widely accepted and assume that the world could be divided into two parts, one represents good or friend, while the other one represents bad or enemy. According to this logic, the good side has the right to define the definition of the good, and then has responsibility to transform the bad one into good. And therefore, the form of world order in this philosophy will be a typical conflict of extremes order. In my research view, whatever realist, liberalism, constructivism theory, de-link or de-connectivity, strategy, or English School, even all of them looks like different schools, but the basic logic is more or less the same. In the rhetoric of liberal international order, which assumes the world is composed of liberal, decent, and illiberal states, and argues furthermore the liberal state has the right to interfere the politics of illiberal states. That is John Rawls international philosophy. The recent delink strategy by some politicians tries to divide the world into two systems, which activate the terrible memory of economic Cold War. It is easily imagined the world would be trapped quickly in the situation of conflict of extremes if one extreme take intervention and aggressive policy against the other side. That is the model of the Cold War, or the tragedy of world order and great power politics over the international history.

One of Chinese international relations theory, developed majorly from Shanghai international studies scholars, provides an alternative way to surpass the conflict of extremes order model. We live in a world of differences, and the making of order doesn't mean we must eliminate differences and make everything uniformity. So we need to go beyond the conflict of extremes order, and make effort to reach to the contact of extremes order. Dialogue and contact among differences matters. Three ways are used in history to address differences, one is to isolate each other, the second is to transform the differences into uniformity, and the last one is to live and let live. The great innovation for current world politics is not to eliminate differences, but to compose differences into a compatible order. Therefore, the logic of contact of extremes order prompt us to take connectivity and dialogue policy to each other, while if more and more people prefer to the logic of conflict of extremes order, the current world would be likely evolved into the tragedy of confrontational situation, like the Cold War. Nobody wants to back to the era of the Cold War.

China and the world benefits from pushing the progress of the contact of extremes order. There is no reasons for China to retreat from this track. In the other words, stagnation and depression are often coincided with the conflict of extremes order, double lose would be occurred and nobody could gain from it. This is a key logical point for us

to understand the relations between China and the world. As a systematic stability actor and one of the most contribution actors to the world economy, it is hard to imagine what it would bring about for the world if China take retreat and reverse policy to the world.

In terms of facilitating the progress of the contact of extremes order, many measures have been taken by international society. It gives us the bright view of the world. As one of the actors, some measures have been advanced by China over the last decade. In the rhetoric and practice of Chinese foreign relations, people are familiar with the following things, such as global partner network, maintenance of multilateralism and global strategic stability, people to people dialogue, and the BRI is undoubtedly the prominent one among these policies.

BRI's Theoretical Base: Connectivity Theory or Integration Theory?

Most people are inclined to rely on international relations theories with western characteristics to explain and predict the world. To some extent, these theories maybe useful for us to understand the changing world, or maybe correct for us to understand the evolution of internal international relations among western countries over the history. But the speed and space of international relations has been upgraded to the global stage, the existing theories couldn't provide enough thinking and wisdom for us to know the changing world. Since China launches the BRI in 2013, policy-makers and scholars around the world prefer to use integration theory to explain the newly trans-regional cooperation initiation. My presentation, on the contrary, tries to put forward connectivity theory to understand the logic of BRI by China.

As an ancient Chinese saying, the foolish people try to seek difference, the smart people attempt to seek uniformity, the wisdom people rush to seek connectivity. One of the reasons to restrain the world development is from non-connectivity, and therefore improving connectivity should be the priority of international development agenda. China correctly catches the focus and then advances the timely BRI, a common development project for the countries who want to develop while keeping its independence. This is the major incentive of China for it. The BRI is inclusive and open launch for all countries, any initiative launched by other country, if it would really benefit for improving development condition for the developing countries, should be as cooperative partner rather than competitive partner with BRI. China welcome America, Japan, or EU's any project which could really facilitate world development.

The apparent thing between connectivity and integration is that the former just

want to facilitate the flowability and mobility of international relations, while the latter's ultimate end is to try to create a super-state in regional area. Flowability and mobility are key factors for enlarging the speed and space of international relations. And reversely, the international relations would be shrunk and withered with the reduction of flowability and mobility. At least three differences could be summarized when comparing the two regional cooperation theories. (1) sovereignty: integration theory is assumed to transfer member state sovereignty to a high level institution in the end step of cooperation, while connectivity theory just emphasizes the prerequisite role of sovereignty. (2) threshold: integration theory supposes that cooperation should be limited among countries who satisfies the standard and threshold of cooperative steps, while connectivity theory aims to create possible and all aspects flowability and mobility among partners. (3) ex(in)clusive: integration is often limited to a small group of countries, while there is no boundary for connectivity cooperation, it looks more open and inclusive than integration.

I don't agree to the point that China is providing *public goods* for the BRI countries. Many Chinese scholars, or even governmental officials, who are influenced more or less by integration theory and hegemonical stability theory, enjoy the using of public goods concept to describe China's BRI. Actually, if we evaluate the major projects what China has done with the BRI countries, we can easily find that the goods what China is making is not public goods, it is *connectivity goods*! Connectivity goods, such as infrastructure and p 2 p dialogue, supplied jointly by relative countries, are welcomed by BRI countries. What I want to stress is that the great demand for international relations is connectivity goods, which will be of great benefit for connecting the world.

In the end, we may come to a point is that connectivity, rather than integration, is more practical for most regional and trans-regional cooperation. In the case of regional cooperation among CJK and ASEAN, scholars used to prospect the development of ASEAN plus CJK with the theory of integration, and then point out that there will be integrative community of Asia in the future. However, this is an utopia view of East Asia international relations, because nobody wants to lose and transfer its sovereignty. For East Asian scholars, therefore, maybe we need to transcend the West European regional cooperation experience and rethink the regional cooperation within the framework of connectivity theory. Furthermore, as an alternative theory, connectivity strategy would be more suitable than integration strategy, in promoting regional and trans-regional cooperation in Euro-Asia, Africa or Latin-America continent.

BRI: Critics and Reflections

Any great initiative will be accompanied by challenge and skeptics. BRI is no except case. After we have gone beyond the existing misleading theories and ideas listed above, we could be more clear and clever on understanding of this topic. It doesn't mean that I want to defend China's BRI, however, if BRI is the second best initiative, even if it maybe not the best, for the world development, why the world should sing a different tune for it? The fact is that more and more countries response it positively. Up to now, China has signed more than 130 MOUs with the rest of the world.

The important thing is that we need to clarify the detail challenges, critics, and skeptics. What's really wrong with China? And what's wrong with the critics? Both of us need to evaluate them in a rational way. There is an idiom in China which is one feels very happy to be talked by others about his shortcoming (闻过则喜).

The first is from ideological angle, which assumes that communist party-led and socialism-oriented China will definitely generate potential challenge to the US dominated hegemoical order unless China has been politically transformed to be as *democracy* like the U.S. According to this logic, BRI represents an export of values and governance model of China to the world. Presupposition is an obstacle for us to approach the reality and truth. In the issue of ideology, we need to go beyond the conflict of extremes, and reach to a coexistence system (共生) through contact of extremes. If each country in international relations accepts that the opposition side of truth is false, then there will be consistently conflict between the truth and false. On the contrary, one must realize that the opposition side of truth may also be the truth, then dialogue and cooperation could be created. And furthermore, there is no evidence shows that peace will be achieved when all countries accepted the same ideology and political system, as what democratic peace theory illustrates. And lastly, BRI is essentially a development-oriented project for the world. Actually, BRI wants to establish dialogue partner with all existing and possible development projects in international relations. The relationship between BRI and the existing development project is not replacement, but complementary.

The second debating point is focused on the role of Chinese state-owned enterprises (SOEs), since most BRI projects are operated and implemented by Chinese SOEs. The prevailing view is that SOEs will affect the operation of the market, and because SOEs is owned by Chinese government, therefore, they will represent the willing of Chinese government. Regarding of SOEs in international relations, people are familiar with two points, one is privatization, which supported by the Washington consensus, and the other is competitive neutrality, posed recently by European economics. I want

to provide a newly theoretical framework for us to understand the role of SOEs in modern political economy. In modern state, each country has its own pillar and strategic enterprises, who plays the role of stabilizing national economy, whatever they are state owned or private owned enterprise (POEs). Both of SOEs and POEs are activating in international political economy, could it be said that POEs must be better players than SOEs? There are two sharp distinctions between Chinese SOEs and other POEs is that SOEs in China also play the role of social enterprise for the social order, it means that SOEs in China are often required to take responsibility for the public interests. In other words, the logic of SOEs is not interests maximization oriented. The other distinction is that SOEs often take long view of projects. That would also explain the reasons why the major BRI infrastructure projects are operated by SOEs rather than POEs, since the latter often couldn't afford long-range investment for the burden of its balance sheet. In terms of connecting the world, international society need to provide more and more connectivity goods, like infrastructure projects. This does not mean we should take either this or that view about SOEs and POEs, basically, any Connectivity friendly or social friendly enterprises should be encouraged in current world.

Walk is better than talk! There are other critical points on BRI, for example debt crisis, geopolitics expansion, transparency, environmental issue, China model export, and other possible and potential point would be emerged in the future. All of these points memorized the world about something occurred frequently in developing countries what some countries did in their foreign relations history. In the face of these critics points on BRI, one of African country leaders have to say that your coming bring conflict for us, while China's coming bring common development for us. As a socialist, Eastern, learning, and civilization country, China will respect any reasonable constructive suggestion from all over the world, and humbly transformed them into our policies. Correct the mistake as soon as you know it, while going your own way and let the other talk. And the most important thing is that BRI in practice does face some difficulties, but seeking innovative measures to address them is precisely what China and BRI countries are and will focus on.

Chapter 2

Implications of the Belt and Road Initiative for Russia and Greater Eurasia

Victoria V. Panova

Abstract

Since the idea of Belt and Road came into general debate in 2013 the world has witnessed increased geopolitical tensions and attempts to reformulate and regroup forces from all sides involved into new rebalancing scheme. The ongoing trade conflict by now encompassing technological, ideological and other political areas between the two biggest economies of the world is just one forceful, but still only part of the general turbulent picture, encompassing all areas of human interaction: politics and security, economy and finance, science and technology, people to people contacts and cultural exchange et al. While the world is seeing still another of the Western countries, primarily the USA to retain the status quo as much as possible, other emerging countries see the world as the one that needs to be reshaped to promote equitable, fair and sustainable future for all. BRICS is in fact promoting such a gradual reform for the global order. While at the same time we see some of the strongest from the emerging world, namely China, promoting together with their partners, but also individually the so called community of shared future for mankind and BRI being one of the elements of the comprehensive ideology for change. We do see this concept as remaining quite contested by the epistemic community worldwide and thus it requires another look into the motivations – real and perceived – of China when promoting One Belt One Road, review the realities of the projects already implemented or in progress to assess their influence over the countries involved, look into how this initiative fits into regional and global approaches of other countries and institutions, including those of which China makes vital part of, like SCO and BRICS.

Introduction

The global system of international relations is still trying to recover from the turmoil of the late 20th century: there is yet no new architecture of interstate relations, and the system keeps getting more complex, volatile and unpredictable. There are often not enough instruments for assessing properly prevailing trends or the political and economic

thought, and there is also a lack of imagination on the part of researchers who offer non-standard views that go beyond such trends and concepts.

The dynamic nature of the current changes require both a fundamental analysis of almost simultaneous globalization processes and regionalization and fragmentation of the world order, and an empirical assessment of “building materials” and constantly changing “conditions of work” on the global construction site. The modern world is so multifaceted and multi-layered that it would be impossible to reduce the study of the region at issue to its purely geographic aspects.

Some authors have lately observed a slowdown in the previously expected rapid development of “emerging nations,” the most dynamic of which are located in Asia, particularly China, but it would be wrong to say that the Asia-Pacific region and its key players are losing their positions as the main driver in the development of the global economy (O’Neil, 2018). Regional features require special methods and rules for building local cooperative systems (Acharya, 2016). It would not be possible to mechanically apply the European experience to these processes due to regional specifics. Today another international monster has joined into the game – the pandemics of COVID-19. Earlier hopes of common hardship to unify people and states all over the world (in fact recalling again the Chinese idea of the humanity of common fate that appeared along with the BRI) have shown futile. Instead pandemics have brought a new round of confrontation, flaring and latent conflicts have exacerbated and stakes have risen high.

One important issue that remains and gained if not new blood, but required new approaches at the time of pandemics – is the ability of Belt and Road to successfully integrate (not absorb) on mutually beneficial conditions with other international connectivity projects led by China’s partners, like that of the Russia’s promoted Eurasian economic union integration process. Pandemics have raised a new question of the prospects of the Greater Eurasia Project in this context.

The Framework and Variables of Modern Chaos

The key process in the modern world is the continuing rebalancing of the center of world politics which is shifting from the “senior” developed countries, which for a long time were the core of development and exploited the periphery, and acted as the trend-setter for the entire international political and economic system. The European subsystem is actually falling out of the world political mainstream, and its role in global economic processes is declining. Today only three European countries—Germany, Great Britain,

and France—rank among the world’s top ten economies in terms of purchasing power parity. PricewaterhouseCoopers (RIA Novosti, 2017) expects the situation to keep changing, with the share of the G7 countries in the global GDP shrinking to 20% by the middle of the current century (the U.S. is likely to fall behind not only China but also India in terms of purchasing power parity, and the share of EU countries will drop below 10%). So, one can speak with certainty about the transition from the “centuries of Europe” to the “age of Asia” (Bordachev, 2018).

Evolution of the BRI

Although China’s economic development has somewhat slowed down since the previous decade, it is still showing one of the highest growth rates in the world, achieving 6.9% in 2017 (of all the G7 countries the highest growth rate of 3% has been reported only in Canada, which is half of China’s indicator). If we count in the pandemic influence, here again, while we saw all the countries suffering from the lock down and other relevant economic consequences, often compared to 2008 – 2009 crisis and surpassing its graveness, China comes out as one of the few that are still expected to remain in the positive spectrum of GDP growth (1.2% according to IMF estimates, neighboring only with India with its 1.9% figure). Otherwise we see the forecast of the most serious turndown of the past 100 years: USA expected to fall by 5.9%, Japan – 5.2%, Germany – 7.0%, Russia – 5.5% to name but a few from the list.

China, which for a long time preferred to keep a low profile and effectively used the “leading from behind” formula, gradually changed the region’s configuration as its own possibilities increased. Unlike the United States’ much touted “pivot to Asia” and its own version of the Silk Route for Central Asia, China consistently used multilateral initiatives and formats to consolidate its own positions in relations with its neighbors and partners in other regions. At the 18th Congress of its Communist Party in 2012, China set the task of developing diplomatic theory and innovative practices for promoting the so-called “Chinese dream.” Two years later, in 2014, China publicly dropped Deng Xiaoping’s concept in favor of foreign policy activism. Since then the country has made great headway not only in developing its own theory of international relations and global governance, but also in leading “the reform of the global governance system with the concepts of fairness and justice” (Rudd, 2018). China’s call for building a community of common destiny, made at the memorable 19th party congress, is also quite interesting. Some researchers believe that there is a link between the improved economic position of

China and its more active diplomatic efforts, which, in turn, strengthen the country's national identity (Liu, 2018).

For the sake of justice it should be said that China has not clearly opted for the role of global hegemon, and there is a certain lack of coordination in its intellectual and political establishment (see Pu, 2017 for details). On the one hand, this is a tactical trick used by the Chinese leadership to test both external and internal reactions before taking real steps to realize the so-called “Chinese dream.” On the other hand, such debates among Chinese and foreign researchers and practitioners expose a deep shift in their vision for the future of the world. Whether it is “triumphalistic” statements by Hu Angang, the director of Center for China Studies at the Tsinghua University, that China has already outdone the United States as the world's number one economic and technological power, or his opponents' strong reaction to these statements, who even urged the university to dismiss him (Huang, 2018); or it is “national revival” meaning efforts to regain the international status China once held during the Tang dynasty, gradually catch up with the current leader, the U.S., and achieve a bipolar equilibrium (Yan, 2014; Yan, 2016); or it is the absence of any plans to seize global leadership (Shambaugh, 2013)—all these views reflect both certainty about the most beneficial “positioning” for the future of China and speculation as to whether there will be a hierarchical world order with a new leader (or a return of the bipolar system) or a milder system without clearly defined centers or certain strong states' hegemonic aspirations (Kupchan, 2012). But in assessing the current situation we will be focusing not so much on the Chinese leaders' executive statements and debates among leading Chinese researchers about the future of the country as on practical foreign policy steps China has taken over the past several years.

China is the only BRICS country to have started using the national currency for payments with both other BRICS partners and a couple dozen other countries. While supporting the discussion on the modification of the existing international currency system, China is making its own moves in that direction as it gains stronger positions and no longer needs collective support. In 2016 this helped not only increase (albeit unevenly) the share of developing economies in the IMF quota and come close to having collective veto power, but also include the yuan in the IMF's SDR basket. This redistribution was supposed to continue last year to favor economic development leaders, but the process stalled and it was decided at the IMFC 40th Meeting last October to consider quota review in December 2023 instead.

China's growing confidence was clearly underscored by President Xi Jinping's initiative announced publicly in Astana, Kazakhstan, in September 2013. It revealed

Beijing's global ambitions to create the Silk Road Economic Belt, which was later complemented with its maritime component (Maritime Silk Road of the 21st century), and the two made up the One Belt, One Road project, as well as with the supporting financial institutions—the Asian Infrastructure Investment Bank and the Silk Road Fund launched in October 2014. Despite the declared “Eurasian” context of the project, it largely transcends its boundaries to include other continents as well, thus leaving no doubt about China's leadership aspirations. Attempts to bring under control all the building blocks needed for both asserting China's status as a land power and advancing its ambitions to become a major maritime power essentially mean its claim to the next level of global development “from within,” in contrast to the American geopolitical leadership “from the outside.” Eventually, this may put the “aging hegemon” in the subordinated position, which is largely the real reason (not Trump's personality) for the current structural conflict between the two super powers.

New Realities: Challenge or Opportunity

Nevertheless let's see here what are the debates ongoing in Russia and perception of “Belt and Road” initiative. One of the features is seeing it through geopolitical lens – understanding that vagueness of BRI as a concept as opposed to narrowly logistical infrastructure move leads to evaluation of the Chinese foreign policy as a whole within the framework of Belt and Road. It takes to analyze Chinese initiative not only through economic lens, but also political and military control of the area, social, humanitarian and cultural aspects of its influence. As suggested by a number of experts “a new geopolitical reality which requires an optimal reaction from Russia as a great power.”

Prevailing view would be of B&R being a response to the western behavior and ability to use Russian and Chinese relations to counterbalance the U.S. aggressive behavior. But clearly B&R alone cannot perform its function in Russia's view – common stance and merging of both countries' existing integration plans in a mutually beneficially manner. That is why it is seen as important to use previously established mechanisms, like SCO and Eurasian Economic Union to enhance this idea and bringing in “integration of integrations” and ultimate Greater Eurasia Initiative. In fact, a comprehensive overview of different opinions is presented in the study of established Russian sinologists A. Gabuev and I. Zuenko (Gabuev and Zuenko, 2018).

Among reasons to see mutual interest in Belt and Road and Greater Eurasia Concept experts often name that while China presents the strongest economic core within this

architecture, Russia has the role to play as security provider in the B&R area as well as offering its own experiences in such areas as security of consumption, health and life, yet not being the strong sides of Chinese development model. Although interestingly the current pandemics has rather revealed further the comprehensive nature of the BRI, including in the area of health governance, as opposed to commonly viewed approaches. We can refer back to 2017, at that time rather little noticed international event organized by China and supported by the World Health Organization (WHO) of the Silk Road of Health. It is back then that we saw all-encompassing intentions to act as a leader and main health governance provider globally – area quite not directly connected to hard construction of infrastructure or economic turnover. Another limitation to this concept could be ever growing own Chinese military potential to grant this role solely to the Russian partner.

Integration of integrations idea came later, however at the start of this Chinese initiative, and especially after signature 2014, when Russia faced western pressure as a result of Crimea, there were more hopes on enhanced economic profits from bilateral cooperation within the framework of Belt and Road. Nevertheless, mode of such investments as seen from the experience of the other countries, offers serious limitations and are not immediately beneficial within the equal partnership. Among such reasons one would name the tied loans offered by the Chinese government within the BRI or obligation to use Chinese managing company that would be in control of all the construction activities. Such conditions are not seen as beneficial for the recipient economy to become unquestionably involved in such projects.

By now we have total of 138 countries and 30 international organizations signing agreements with China on the Belt and Road Initiative, but at the same time, while the pandemics in a way, as acknowledged by observers, have brought some extra opportunities to further development of this initiative, reservations or rethinking of modes of involvements became the feature of BRI process. Just a few examples to mention of the fate and national governments' further approaches in Sri Lanka and Greece. The so called “debt trap” has already led to last year's decision of Malaysia to withdraw from a number of already signed deals; Romania eventually refused construction of two atomic reactors unsure of ways to pay back; Montenegro's external debt reaches 80% of GDP with loans taken – those examples could continue.

If we look at successful cases of launched cooperation under the umbrella of BRI and EEU coupling, we'd name energy projects of Yamal – LNG and cooperation in the Arctic. But overall investment is not significant and incomparable to the level of political engagement of both countries. According to Director of the Institute of Far Eastern

Studies A. Maslov, the volume of accumulated investments to Russia are equal to annual flows of Chinese investments to Europe.

Three main areas, where Russia saw initial interest in finding cooperative schemes with Chinese BRI were concentrated around new logistical infrastructure links between Europe and dynamic Asia. But to look into the earlier proclaimed as flagship project of the BRI and EEU coupling – the Moscow – Kazan highway – it is still under consideration due to different approaches to the realization and other relevant details.

Second part could be attributed to attracting new investments into new digital technologies development – vital part for any country to be among frontrunners of the 4th Industrial Revolution. Although this particular much talked about technological cooperation area is gradually gaining more ground in the bilateral cooperation scheme, probably not as much because of the initial BRI and EEU coupling, but rather due to new limitations placed by American sanctions on Huawei global activities.

And last but not the least, engaging China into Russia's remote territories development, mainly talking about the Russian Far East and also Russian Arctic.

While expectations continue to remain high of the coupling of those two projects and this remains the cornerstone of the Russia's foreign policy, with the symptomatic speech of the Russian President Putin at the 2nd International "One Belt, One Road" Forum in Beijing last April, one would see a certain gap between political intentions and claims of both leaders and practical engagement on a horizontal level.

Also, a range of experts also remain in the realm of discussing BRI as a potential threat to Russia's interests. Those range from general fears of bypassing Russia with higher intensity of projects in neighboring countries to low efficiency or uneven investment policies further contributing to different speed of Russian regions development, e.g. lower interest in the Far East with just 6.5 million people and constricted market volume as opposed to already rich and flourishing Moscow cluster.

Thus, those different sides of the medal and yet the roadmap of coupling in the making lead to delays in agreed projects or further search of the common ground to strike this balance between Russia's quest for generous Chinese investments into high-tech and maximum localization of launched production, on the one hand, and Chinese needs to employ its excess production capacity and workforce.

The problem is that practically all projects involving China appear to be unbeneficial due to both imaginary and real risks. So despite the political background and existing agreements, Russia's participation in the "Belt and Road" initiative has so far produced quite modest economic results.

Multilateral Approach to the BRI

While BRICS is not directly supporting this particular B&R initiative, partly due to the fact that the two countries are less directly involved in the immediate activities, but also India, making part of Eurasia, remains rather cautious about all integration initiatives led by China, thus we recently saw New Delhi opting out of the RCEP. Although it could be said that some of the projects clearly feed into B&R and even Greater Eurasia. Those are the NDB activities with almost 16 billion USD of already approved projects in all the five countries, not to count in COVID19 emergency fund offered by NDB to all those from the BRICS, asking for such boost, but also proliferation of the Bank to all 5 regional offices in 2020. Other initiative would include discussion of SWIFT alternatives, ongoing talk of using national currencies within the BRICS, the modernized BRICS Economic Partnership strategy for 2020 – 2025 to cover areas of trade and investment, sustainable development, and specifically digital economy. In fact, the huge economic and social block of the BRICS discussions offer member countries, (primarily India, but remembering Bolsonaro initial stance, one wouldn't limit those fears to just one country) cautious of falling into direct dependence of the giant Chinese economy and not willing to be associated with Chinese led initiatives like BRI, to nevertheless reap the benefits of such cooperation using all the instruments and options offered by BRI and further deepened by much needed real coupling of BRI and EEU.

Conclusion

Thus we see that the initial Belt and Road concept, probably underestimated at its initial stages have by now moved into the centerstage of political and economic discussions. Attitudes range from outright rejection, like with the USA or India, and Washington enhancing its initial “Pivot to Asia” policy to outright confrontational policies across all areas to contain China - to growing caution on potential impacts on national sovereign choices, like in some European countries, not only those traditionally attributed to the Western Europe, despite the 17+1 process, or some Southeast European countries - further to attempts to equilibrate close trustworthy political partnership with economic equally beneficial and long-term collaboration, as is the case for Russia - to further smaller countries finding themselves in between the big game play of the great powers of today and trying to enjoy benefits from as many sides as possible when possible.

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Chapter 3

Grading China's Belt and Road

Kristine Lee

This paper reflects findings and analysis from two years of research that CNAS has conducted on China's Belt and Road, as well as on China's growing role in international organizations.¹

China's Belt and Road Strategy

Originally announced by President Xi Jinping in 2013, "One Belt, One Road" has been promoted by the Chinese government as the "project of the century."² It seeks to connect large parts of the globe through rail lines, pipelines, highways, ports, digital technology, and other infrastructure.

The Belt and Road has the potential to address real infrastructure needs.³ At the same time, it is a serious strategic endeavor with support from the highest level of China's Communist Party (CCP). The party has repeatedly referred to the Belt and Road as essential to its regional and global ambitions. A series of high-level party documents and addresses by senior leaders make clear that the Belt and Road is a core part of China's efforts to achieve "national rejuvenation" and to create what the party calls a "community

¹ See for example, Kristine Lee and Alexander Sullivan, "People's Republic of the United Nations: China's Emerging Revisionism in International Organizations," Center for a New American Security (May 14, 2019), <https://www.cnas.org/publications/reports/peoples-republic-of-the-united-nations>; and Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper, "Grading China's Belt and Road," Center for a New American Security (April 8, 2019), <https://www.cnas.org/publications/reports/beltandroad>. CNAS is a national security research and policy institution committed to the highest standards of organizational, intellectual and personal integrity. The Center retains sole editorial control over its ideas, projects, and products, and the content of its publications reflects only the views of their authors.

² Charles Clover, Sherry Fei Ju, and Lucy Hornby, "China's Xi hails Belt and Road as 'project of the century,'" *FinancialTimes*, May 14, 2017, <https://www.ft.com/content/88d584a2-385e-11e7-821a-6027b8a20f23>.

³ For example, the Asian Development Bank estimates that "Developing Asia" alone will need to invest \$1.7 trillion per year through 2030 "if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change (climate-adjusted estimate)." "Meeting Asia's Infrastructure Needs" (Asian Development Bank, February 2017), <https://www.adb.org/publications/asia-infrastructure-needs>.

of common destiny” across the Indo-Pacific and beyond.⁴

Estimates for the Belt and Road’s size vary dramatically even as the project now approaches its six-year anniversary. Some put its total cost at roughly \$1 trillion;⁵ others say that many of these commitments have not or will not be honored and that actual investments are closer to one-third that amount.⁶ Although more than 100 countries are nominally involved in the Belt and Road, the overwhelming share of China’s efforts remains concentrated in the Indo-Pacific.⁷

A significant number of Belt and Road projects have explicit geopolitical applications. These projects can be understood as a form of “economic power projection,” one that allows Beijing to reshape the world’s strategic and digital geography and to place China at its center through targeted investments. Indeed, the People’s Liberation Army (PLA) has described the dual-use potential of certain port and rail projects;⁸ Beijing has taken control of some projects, including the Hambantota Port, and reportedly pushed for military access; and many of the digital components of the Belt and Road could give Beijing access to critical infrastructure and information that might not otherwise be easily accessible.

⁴ Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era” (19th National Congress of the Communist Party of China, Beijing, October 18, 2017), http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf; “Xi Jinping: Promoting Belt and Road Cooperation to Deeply Benefit the People [习近平：推动共建‘一带一路’走深走实造福人民],” Xinhua [新华网], August 27, 2018, http://www.xinhuanet.com/politics/2018-08/27/c_1123336562.htm; Xi Jinping, “Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road” (The Belt and Road Forum for International Cooperation, Beijing, May 14, 2017), http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm; and <https://warontherocks.com/2019/01/the-party-congress-test-a-minimum-standard-for-analyzing-beijings-intentions/>.

⁵ Jane Perlez and Yufan Huang, “Behind China’s \$1 Trillion Plan to Shake Up the Economic Order,” *The New York Times*, May 13, 2017, <https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html>.

⁶ Cecilia Joy-Pérez and Derek Scissors, “Be Wary of Spending on the Belt and Road” (American Enterprise Institute, November 2018), <http://www.aei.org/wp-content/uploads/2018/11/Updated-BRI-Report.pdf>.

⁷ “Progress and next steps for China’s Belt and Road Initiative,” The Economist Intelligence Unit, May 18, 2017, <http://country.eiu.com/article.aspx?articleid=1765436560&Country=Uganda&topic=Politics>.

⁸ James Kynge et al., “How China rules the waves,” *Financial Times*, January 12, 2017, <https://ig.ft.com/sites/china-ports/>.

Seven Challenges Emanating from Belt and Road Projects

When the Belt and Road was first announced, the program generated a positive response from many countries seeking additional sources of investment in needed infrastructure. With China a relatively new provider of infrastructure, expectations of the Belt and Road were generally high, despite lingering skepticism from Japan, India, and the United States. But six years after that initially warm reception, the effort has now provoked a backlash.

The Belt and Road began as an Indo-Pacific program, and this region is unsurprisingly the domain where its challenges have become most obvious. As a direct result of these challenges, a number of states have chosen to scale back or postpone projects, with most of these same states seeking to renegotiate financial terms. For example, in 2016, Bangladesh opted to cancel cooperation with China on the country's first deep-water port and instead chose to work with Japan. Nepal canceled a costly hydroelectric dam project with China over concerns about cost overruns. Burma similarly canceled a dam project with China and dramatically scaled back a major port project. The Maldives asked to renegotiate Belt and Road projects after political supporters of closer economic cooperation with China were voted out of office. A similar political transition led Malaysia to cancel three Chinese pipeline projects and to re-evaluate a \$20 billion rail project, again over concerns about cost overruns. Even China's closest partner, Pakistan, has canceled a \$14 billion dam project as its government seeks to renegotiate the financial terms of the China-Pakistan Economic Corridor (CPEC).⁹

The Belt and Road has also provoked concerns outside of Asia. Uganda owes China \$3 billion for dam and highway projects that are being attacked by the Ugandan political opposition for a lack of competitive bidding, cost overruns, and construction defects.¹⁰ Kenya's politics were roiled by concerns of corruption in Chinese infrastructure projects as well as leaked letters from the country's auditor general suggesting overly generous terms offered for Chinese loans. These terms reportedly included Kenya offering the

⁹ Rush Doshi, "The Superpower Learning Curve: Challenges to Chinese Economic Statecraft" February 7, 2019, testimony before the U.S.-China Economic and Security Review Commission, https://www.uscc.gov/sites/default/files/Doshi_USCC%20Testimony_FINAL.pdf; Christopher Balding, "Why Democracies Are Turning Against Belt and Road," *Foreign Affairs* (October 24, 2018), <https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road>; and Andrew Small, "The Backlash to Belt and Road," *Foreign Affairs* (February 16, 2018), <https://www.foreignaffairs.com/articles/china/2018-02-16/backlash-belt-and-road>.

¹⁰ Elias Biryabarema, "Chinese-built expressway divides Uganda as debts mount," Reuters, January 31, 2018, <https://www.reuters.com/article/us-uganda-road/chinese-built-expressway-divides-uganda-as-debts-mount-idUSKBN1FK0V1>.

assets of the Kenya Ports Authority – which include the largest port in East Africa – as collateral for China’s loans.¹¹ Concerns over the difficulty Zambia faces in paying back Chinese loans have prompted a domestic debate over whether the country will lose operational control over its critical infrastructure.¹²

Even as the Belt and Road faces growing challenges, many states find themselves unable to pull away from China, both for fiscal reasons as well as domestic political ones – with Beijing frequently exercising lingering influence. For example, although Sri Lanka voted out President Mahinda Rajapaksa in part because of his willingness to indebt Sri Lanka to China, his pro-Indian successor, Maithripala Sirisena, nonetheless had no choice but to give China a 99-year lease on the Hambantota Port after proving unable to meet \$1.4 billion in payments. He later moved closer to China, went back to Beijing for another \$1 billion for highway construction, and even plunged the country into a major political crisis when he fired his prime minister and closed Parliament – appointing pro-China Rajapaksa as a replacement.¹³ Beijing was quick to congratulate Rajapaksa, who resigned only after the Supreme Court intervened.¹⁴ A less dramatic transition occurred in Nepal, where a government that had canceled a dam project with China over cost concerns was later replaced by a more pro-China government that restored the project and subsequently expanded additional projects, demonstrating the impermanence of the Belt and Road backlash.¹⁵ Even when political coalitions remain skeptical of China, Beijing has proved adaptable. For example, China has renegotiated

¹¹ Josh Rudolph, “Chinese Loan to Kenya Stokes BRI Concerns,” *ChinaDigitalTimes.net*, January 16, 2019, <https://chinadigitaltimes.net/2019/01/chinese-loan-exposes-kenya-to-risks-stokes-bri-concerns/>.

¹² Lynsey Chutel, “No, China is not taking over Zambia’s national electricity supplier. Not yet, anyway,” *Quartz Africa*, September 18, 2018, <https://qz.com/africa/1391111/zambia-china-debt-crisis-tests-china-in-africa-relationship/>.

¹³ “Sri Lanka seeks \$1 billion loan from China amid debt woes,” *The Associated Press*, February 2, 2019, <https://www.apnews.com/302560e5679a4ae0b4a2e3bb137a5f5b>.

¹⁴ Vasudevan Sridharan, “What Rajapaksa’s return means for China-India tug of war over Sri Lanka,” *South China Morning Post*, October 29, 2018, <https://www.scmp.com/week-asia/politics/article/2170621/what-rajapaksas-return-means-china-india-tug-war-over-sri-lanka>.

¹⁵ Gopal Sharma, “Nepal says to scrap hydropower deal with Chinese firm,” *Reuters*, May 29, 2018, <https://www.reuters.com/article/china-nepal-hydropower/nepal-says-to-scrap-hydropower-deal-with-chinese-firm-idUSL3N1T04IQ>; Gopal Sharma, “Nepal restores \$2.5 billion hydropower plant contract to Chinese firm,” *Reuters*, September 23, 2018, <https://www.reuters.com/article/us-china-nepal-hydropower/nepal-restores-2-5-billion-hydropower-plant-contract-to-chinese-firm-idUSKCN1M30CZ>; and Gopal Sharma, “Nepal says China to allow access to ports, ending Indian monopoly on transit,” *Reuters*, September 7, 2018.

projects with Malaysia and is likely do so with Pakistan as well.¹⁶ With the Belt and Road part of the CCP's Constitution, Beijing is likely to remain committed to the initiative even as difficulties persist. Xi's apparent push to reorient Belt and Road toward high-quality projects with clear local benefits is more theoretical than practical and warrants some skepticism.¹⁷ Beijing appears to realize that even if it fails to reform Belt and Road, it can afford to play the long game and expect that governments skeptical of China will eventually leave office or find themselves receptive to economic inducements.

The setbacks Belt and Road confronts are rooted in growing political, economic, and security concerns in recipient countries that fall into roughly seven categories. Countries have become increasingly vocal about whether projects are (1) sovereignty-eroding; (2) nontransparent; (3) financially unsustainable; (4) locally disengaged; (5) geopolitically risky; (6) environmentally unsustainable; (7) and corrupting of domestic institutions. These categories are discussed in further detail below:

1. Sovereignty-Eroding. A number of Belt and Road projects are operated by China's state-owned enterprises, either by contract or because of inadequate local capacity. For example, Chinese companies operate a number of ports, including Sri Lanka's Hambantota Port as well as Greece's Piraeus Port, and contracts for Chinese operation of additional ports have been signed in Israel, among other countries.¹⁸ China's operation of infrastructure – especially critical infrastructure such as hydroelectric dams – complicates negotiations over financial terms and can create enduring political influence and dependence. In some cases, China's operation or control of Belt and Road projects is long term, with the 99-year lease of the Hambantota Port the most extreme example.

2. Nontransparent. In many cases, Belt and Road projects feature opaque bidding processes and terms that are not made public to stakeholders in recipient countries. Concerns over a lack of transparency and a subsequent inability to hold political leaders accountable have grown in over a dozen countries, including Malaysia in Southeast Asia;

¹⁶ Adnan Aamir, "Pakistan can squeeze a better BRI deal out of China," *Nikkei Asian Review* (October 31, 2018), <https://asia.nikkei.com/Opinion/Pakistan-can-squeeze-a-better-BRI-deal-out-of-China>.

¹⁷ "Xi Jinping: Promoting Belt and Road Cooperation to Deeply Benefit the People [习近平: 推动共建 '一带一路' 走深走实造福人民]."

¹⁸ Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *The New York Times*, June 25, 2018, <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>; and Liz Alderman, "Under Chinese, a Greek Port Thrives," *The New York Times*, October 10, 2012, <https://www.nytimes.com/2012/10/11/business/global/chinese-company-sets-new-rhythm-in-port-of-piraeus.html>.

Sri Lanka, Nepal, Bangladesh, and the Maldives in South Asia; Kenya, Uganda, and Zambia in Africa; and Venezuela and Ecuador in Latin America, among many others.¹⁹ Even Pakistan has raised concerns over no-bid contracts and opaque terms, pushing for renegotiation.²⁰

3. Financially Unsustainable. The Center for Global Development released a report last year showing that eight countries involved in the Belt and Road – Djibouti, Kyrgyzstan, Laos, the Maldives, Mongolia, Montenegro, Pakistan, and Tajikistan – are facing serious challenges in repaying their loans to China.²¹ Beijing is the largest foreign creditor for most of these states, with some owing it more than half their foreign debt. A number of countries, including Thailand, Malaysia, Sri Lanka, Nepal, Pakistan, Burma, and Bangladesh, have canceled or scaled back costly projects for financial reasons. Of those projects that were completed, many have been unable to generate enough revenue to justify the initial investment, arguably leaving the recipient country in worse financial shape than before. For example, when Sri Lanka was unable to service its loans, it had little choice but to give China a 99-year lease on the country’s Hambantota Port. In some cases, such as Venezuela and Ecuador, China’s investments are secured with commodities from the recipient country, a model of lending that most developed countries abandoned because of its colonial overtones.²²

4. Locally Disengaged. Recipient countries are increasingly criticizing Chinese investments as disengaged from local economic development. In many cases, Beijing’s

¹⁹ Doshi, testimony before the U.S.-China Economic and Security Review Commission; and Amanda Erickson, “Malaysia cancels two big Chinese projects, fearing they will bankrupt the country,” *The Washington Post*, August 21, 2018, https://www.washingtonpost.com/world/asia_pacific/malaysia-cancels-two-massive-chinese-projects-fearing-they-will-bankrupt-the-country/2018/08/21/2bd150e0-a515-11e8-b76b-d513a40042f6_story.html?noredirect=on&utm_term=.39603e4369e2.

²⁰ Adnan Aamir, “Pakistan dam in spotlight as contract goes to former China critic,” *Nikkei Asian Review* (January 11, 2019), <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-dam-in-spotlight-as-contract-goes-to-former-China-critic>.

²¹ John Hurley, Scott Morris, and Gailyn Portelance, “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,” CGD Policy Paper 121 (Center for Global Development, March 2018), <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>.

²² Corina Pons, “Venezuela faces heavy bill as grace period lapses on China loans - sources,” Reuters, April 27, 2018, <https://www.reuters.com/article/us-venezuela-china/exclusive-venezuela-faces-heavy-bill-as-grace-period-lapses-on-china-loans-sources-idUSKBN1HY2K0>; and Nicholas Casey and Clifford Krauss, “It Doesn’t Matter if Ecuador Can Afford This Dam. China Still Gets Paid,” *The New York Times*, December 24, 2018, <https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html>.

investments mandate the use of Chinese firms and labor for construction projects, require the acquisition of land from locals, and sometimes even call for Chinese state-owned enterprises to operate the resultant infrastructure, thereby inhibiting the transfer of skills to local workers. These requirements fit a broader pattern of China's overseas business. For example, a 2017 McKinsey study found that Chinese enterprises in Africa hire Chinese citizens for the majority of their administrative positions, while state-owned enterprises are even less likely to hire locals than private companies.²³ Concerns about imported labor have appeared even in countries with strong political ties to China, including Pakistan and Laos.²⁴ With respect to profit-sharing arrangements for infrastructure projects, many agreements are inequitable, especially if recipient governments prove unable to make debt payments to Beijing. Finally, many Chinese infrastructure projects, especially in Africa, appear built primarily to facilitate the extraction of commodities that are then exported to China.

5. Geopolitically Risky. There are growing concerns that infrastructure projects financed, built, or operated by China can compromise the recipient country's security or place the country in the crosshairs of strategic competition pitting Beijing against other great powers. For example, Sri Lanka's decision to agree to a debt-for-equity deal with China has given Beijing a 99-year lease on a strategically positioned port, generating anxiety in New Delhi, Tokyo, and Washington. The Maldives' growing indebtedness to Beijing and Bangladesh's initial interest in Chinese construction of the country's first deep-water port raised concerns in India that these countries might eventually host Chinese military facilities close to Indian shores.²⁵ Even in nondemocratic countries, concerns over the geopolitical risk of projects have produced domestic unrest. For example, Vietnam's decision to allow three 99-year special economic zones for Chinese

²³ Kartik Jayaram et al., "The closest look yet at Chinese economic engagement in Africa," McKinsey.com, July 2017, <https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa>.

²⁴ Go Yamada and Stefania Palma, "Is China's Belt and Road working? A progress report from eight countries," *Nikkei Asian Review* (March 28, 2018), <https://asia.nikkei.com/Spotlight/Cover-Story/Is-China-s-Belt-and-Road-working-A-progress-report-from-eight-countries>.

²⁵ Sanjeev Miglani and Shihar Aneez, "Asian giants China and India flex muscles over tiny Maldives," Reuters, March 7, 2018, <https://www.reuters.com/article/us-maldives-politics/asian-giants-china-and-india-flex-muscles-over-tiny-maldives-idUSKCN1GJ12X>; and Kiran Stacey, "Chinese investment in Bangladesh rings India alarm bells," *Financial Times*, August 6, 2018, <https://www.ft.com/content/1ab2ebe6-85c3-11e8-96dd-fa565ec55929>.

companies in strategically important regions resulted in widespread popular protests.²⁶

6. Environmentally Unsustainable. Belt and Road projects have increasingly generated environmental concerns. In some cases, these projects have proceeded without adequate environmental impact assessments or have involved targeted bribes to circumvent them. For example, Burma suspended China's investment in the Myitson Dam project in part over insufficient attention to environmental concerns, and dam and rail projects in Indonesia were criticized for not having undergone adequate environmental assessments.²⁷ Some projects that nonetheless advanced have caused seemingly irreversible environmental damage. China's investment in a Sri Lankan development project damaged 175 miles of coastline and impacted 80,000 households that rely on the sea to make a living, problems earlier environmental assessments said would not manifest.²⁸ Beijing has infrequently been willing to punish companies for environmental lapses, and Chinese firms do not appear to be significantly concerned with the environmental impact of their investments – especially if recipient countries lack adequate regulations around environmental standards. In some cases, even projects that were thought to be environmentally sustainable have subsequently proved to be more damaging than expected.

7. Corruption-Prone. In countries that already have a high level of kleptocracy, Belt and Road projects have often involved payoffs to politicians and bureaucrats. Projects that are financially or environmentally unsound are sometimes approved as a direct result. The Belt and Road's initial statement of principles²⁹ makes no mention of corruption, and companies are not punished for corrupt practices overseas. Indeed, over the last few years, evidence of bribery has been uncovered across a wide range of projects. Bangladesh blacklisted a major Chinese state-owned enterprise, China Harbour Engineering Co.,

²⁶ Khanh Vu et al., "China warns citizens in Vietnam after protests over economic zones," Reuters, June 11, 2018, <https://www.reuters.com/article/us-vietnam-protests/china-warns-citizens-in-vietnam-after-protests-over-economic-zones-idUSKBN1J70NS>.

²⁷ Basten Gokkon, "Environmentalists are raising concerns over China's Belt and Road Initiative," *Pacific Standard* (July 18, 2018), <https://psmag.com/environment/environmental-concerns-over-chinese-infrastructure-projects>.

²⁸ Sheridan Prasso et al., "A Chinese Company Reshaping the World Leaves a Troubled Trail," *Bloomberg Businessweek* (September 18, 2018), <https://www.bloomberg.com/news/features/2018-09-19/a-chinese-company-reshaping-the-world-leaves-a-troubled-trail>.

²⁹ Will Doig, "The Belt and Road Initiative Is a Corruption Bonanza," *Foreign Policy* (January 15, 2019), <https://foreignpolicy.com/2019/01/15/the-belt-and-road-initiative-is-a-corruption-bonanza/>.

for trying to bribe a senior government official.³⁰ China Communications Construction Co., one of the Belt and Road's main builders, has been credibly accused of bribery in the Philippines, Malaysia, Equatorial Guinea, and Sri Lanka.³¹ More specifically, projects in Malaysia appear to have been contracted at inflated prices so that some of the surplus funds could be used to cover up embezzlement by top political leaders. In Sri Lanka, Chinese companies appear to have funneled bribes directly to the family of Rajapaksa, the prime minister. In Equatorial Guinea, Chinese companies made multimillion-dollar payments to the president's son and the country's vice president, Teodorin Nguema Obiang.³² In Ecuador, the country's former vice president is under investigation on allegations of accepting bribes from China over a dam project.³³ Even Pakistan has halted Belt and Road projects over concerns related to corruption.³⁴ As these examples suggest, China's willingness to pay politicians to facilitate these projects not only corrodes democratic institutions but also results in policies that are directly against the public interest of the countries in question. When new governments take power, they often unearth evidence of corruption from their predecessors, embarrassing Chinese companies in the process.

These seven challenges, though common across Belt and Road projects, are not inherent to infrastructure investments involving external powers. Indeed, projects in recipient states that lack capacity and negotiating power can avoid these challenges entirely if appropriately scoped.

³⁰ AFP, "Bangladesh blacklists Chinese construction firm, cancels highway deal after bribe claim," *South China Morning Post*, January 18, 2018, <https://www.scmp.com/news/asia/south-asia/article/2129493/bangladesh-blacklists-chinese-construction-firm-cancels-highway>.

³¹ Prasso et al., "A Chinese Company Reshaping the World Leaves a Troubled Trail"; and Abi-Habib, "How China Got Sri Lanka to Cough Up a Port."

³² Doig, "The Belt and Road Initiative Is a Corruption Bonanza"; Abi-Habib, "How China Got Sri Lanka to Cough Up a Port"; and Prasso et al., "A Chinese Company Reshaping the World Leaves a Troubled Trail."

³³ Casey and Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid."

³⁴ Syed Irfan Raza, "Three CPEC projects hit snags as China mulls new financing rules," Dawn.com, December 5, 2017, <https://www.dawn.com/news/1374532>; and Shakeel Qarar, "Murad Saeed alleges corruption in Multan-Sukkur motorway project," Dawn.com, February 8, 2019, <https://www.dawn.com/news/1462597>.

Criteria for Assessing Belt and Road Projects³⁵

CHALLENGE	EVALUATIVE CRITERIA
1. Sovereignty-Eroding	Does China have long-term equity in the project? Does China have a long-term lease? Will a Chinese company operate the infrastructure over the long term?
2. Nontransparent	How clear are the companies involved, the status of negotiations on the project, the terms of the deal (including financial arrangements), the organizational structure of the project, and the progress of development?
3. Financially Unsustainable	Has Chinese financing for the project increased the chance of a financial crisis or created repayment difficulties? Is the project subject to major cost overruns or profitability concerns?
4. Locally Disengaged	Are the profit-sharing arrangements related to the infrastructure equitable? Can locals access or benefit from the infrastructure? Does the project involve local firms or mostly Chinese companies? Does the project transfer skills to local workers? Is local labor involved or are Chinese workers imported?
5. Geopolitically Risky	Will the project compromise a country's telecommunications infrastructure security? Will the project constrain a country's ability to partner with other states, including the United States? Will the project create the potential for future Chinese military access, placing a country at the center of strategic competition between Beijing and other great powers?
6. Environmentally Unsustainable	Were environmental impact studies conducted? Have local environmental concerns been taken into account in the planning/review process? Will the project create long-lasting ecological damage?
7. Corruption-Prone	Does the country receiving Chinese investment already have a high level of kleptocracy (scoring either "high" or "very high" on the TRACE Bribery Risk Matrix)? Does the main Chinese company involved have past issues with corruption overseas? ³⁶ Are there instances of confirmed or alleged corruption relating to the project?

The Belt and Road's Future: Adaptation, Evolution, and the Digital Silk Road

The Belt and Road is facing a significant backlash that is most pronounced in the Indo-Pacific but is also readily apparent in a diverse array of regions. The resistance appears to be most robust in democracies, with several politicians elected in part because of growing public concern over Chinese investments in countries such as Sri Lanka, the Maldives, and Malaysia. Once in office, these politicians often uncover the corrupt practices their predecessors may have engaged in with China's state-owned enterprises and are forced to cope with the financial or environmental implications of projects that were not necessarily in the public interest.

If the Belt and Road is in part a propaganda effort to project the inevitability of

³⁵ In some cases, there is insufficient information to make a definitive judgment, leading to the designation "insufficient information." Where evidence suggests that a Belt and Road project is likely to manifest a particular challenge in the future – though it has yet to emerge – we highlight this evidence but do not classify the project as featuring the challenge at present.

³⁶ "TRACE Bribery Risk Matrix 2018," TRACE International Inc., <https://www.traceinternational.org/trace-matrix>.

China's global ascent, the growing international concern over certain high-profile projects seriously risks undermining Beijing's intended narrative. These obstacles raise an important question: Will China be able to adapt its economic statecraft, or are there major limits to the Belt and Road's ability to evolve?

With Xi's personal status deeply intertwined with the Belt and Road's prospects, and with the effort now embedded in the CCP's Constitution, abandonment is not politically viable. Instead, on the fifth anniversary of the Belt and Road last year, Xi announced a "new phase" of the program even as he seemed to acknowledge some of its limitations.³⁷ The Belt and Road would remain central to China's economic statecraft, but Xi encouraged focusing more on "high-quality" investments that are smaller-scale, arguing that the "broad brushstrokes" had been made in the first phase and the second phase would require "fine brushwork" instead. Smaller projects would ostensibly have fewer issues with financial sustainability, local detachment, environmental sustainability, and corruption. In addition, Xi has reiterated that Chinese state-owned enterprises are brand ambassadors for Beijing, and he has called for greater party oversight of the Belt and Road and launched new state institutions – such as the China International Development Cooperation Agency (CIDCA) – that might provide supervision to mitigate the risks of embarrassing scandals related to corruption or environmental impact.

Despite Xi's suggestion of more limited ambitions, China continues to advance the Belt and Road as a project of global scale. It remains heavily involved in major infrastructure initiatives of all categories – ranging from rail lines that will connect Chinese cities all the way to Singapore to an ambitious project to build a massive Shenzhen-like port city in Tanzania's town of Bagamoyo. It is possible that Beijing will reduce the volume of projects that it launches in the future, but the sheer size of the existing ones strongly suggests it will be difficult for China to nimbly refocus on smaller and less controversial efforts.

Even if Beijing were to succeed in reorienting the Belt and Road, it is important to note that limited projects can have outsized political, economic, and strategic influence, especially when they involve telecommunications infrastructure. This area is a major focus of Belt and Road's next phase, and China has exported much of the infrastructure for not only communications but also surveillance and censorship.

Indeed, Chinese telecommunications companies are active in a majority of African markets. Under the auspices of the Belt and Road, many of these companies are laying

³⁷ Doshi, testimony before the U.S.-China Economic and Security Review Commission.

the foundations for internet connectivity and cellular infrastructure. Chinese firms helped construct the African Union's headquarters and may have relayed data from those offices back to Beijing for five years undetected. Despite these concerns, a wide variety of countries are continuing to pursue telecommunications cooperation with China, especially in Africa. Huawei helped build Kenya's communication network and has assisted Kenyan police in installing video surveillance in Nairobi. Zambia is spending \$1 billion on Chinese telecommunications, broadcasting, and surveillance technology – including a data center that will house all of Zambia's government data. When asked whether allowing China to build such a facility might compromise vast amounts of sensitive and personal information, the center's Zambia general manager responded that “once someone's built you a home, you change the locks,” a viewpoint that dramatically discounts the ease with which the country's data can be secured.³⁸ With respect to censorship, some reports suggest technology provided by Chinese firms has been used by Zambia to block access to certain websites and to monitor online activity.³⁹ Zimbabwe, for its part, is importing China's facial recognition system and will likely apply it in ways that will reduce the cost of authoritarianism.

Outside of Africa, Beijing is involved in much of the world's digital infrastructure. With companies such as Huawei and ZTE as its standard-bearers, China is building or operating telecommunications infrastructure in countries as varied as Burma, Kyrgyzstan, Nepal, Bangladesh, Mexico, and Kenya, along with dozens of others.⁴⁰ Other Chinese hardware providers, such as Hikvision, are assisting recipient countries with setting up networks of cameras to monitor public spaces in cities.

China's Belt and Road investments have also been accompanied by efforts to externalize the standards that support its domestic model of digital surveillance. In his 19th Party Congress address, Xi called attention to China as an alternative governance model, and China's surveillance apparatus is integral to those efforts. According to Freedom House, China held trainings with representatives from more than 30 countries on new media and information management.⁴¹ Tanzania and Uganda passed restrictive laws on online media, and Zambia is considering adopting certain China-influenced standards on censorship that would seek to limit some forms of freedom of expression

³⁸ Prasso et al., “China's Digital Silk Road Is Looking More Like an Iron Curtain.”

³⁹ Prasso et al., “China's Digital Silk Road Is Looking More Like an Iron Curtain.”

⁴⁰ Adrian Shahbaz, “Freedom on the Net 2018 - The Rise of Digital Authoritarianism” (Freedom House, 2018).

⁴¹ Shahbaz, “Freedom on the Net 2018 - The Rise of Digital Authoritarianism.”

to achieve greater social stability.⁴² Similarly, Kenya passed the Computer Misuse and Cybercrimes Act, which creates a variety of vague categories for which free speech could be punished that range from creating social “chaos” to publishing false information.⁴³

China's digital infrastructure compromises the information security of recipient countries. When these are combined with surveillance and censorship capabilities and the standards and laws to implement them, they can provide a full suite of capabilities that can weaken democracies and strengthen autocracies.

Conclusion: Evaluating Future Belt and Road Projects

The first five years of the Belt and Road demonstrate the challenges for recipient states caught up in China's economic statecraft. To avoid a repetition of the past, it is essential for governments, companies, journalists, and civil society groups in developed and developing countries to have a common framework for evaluating the upside and downside of future infrastructure projects involving China. The framework advanced below is the inverse of the seven challenges outlined earlier in this report. It articulates what countries should expect from China – a type of high-quality and mutually beneficial interaction that deviates significantly from Beijing's behavior to date. Chinese projects that fulfill all seven of the positive criteria in this framework deserve serious consideration, while projects that fall short warrant close scrutiny.

⁴² Shahbaz, “Freedom on the Net 2018 - The Rise of Digital Authoritarianism”; and Praso et al., “China's Digital Silk Road Is Looking More Like an Iron Curtain.”

⁴³ Melanie Hart and Blaine Johnson, “Mapping China's Global Governance Ambitions” (Center for American Progress, February 2019), <https://www.americanprogress.org/issues/security/reports/2019/02/28/466768/mapping-chinas-global-governance-ambitions/>.

A Checklist for Chinese Infrastructure Projects

POSITIVE CRITERIA	EVALUATIVE QUESTIONS
1. Sovereignty-Upholding	Will the recipient country have long-term equity in the project? Will its companies ultimately operate the infrastructure over the long term?
2. Transparent	Will the project agreement clearly stipulate the companies involved and clarify the organizational structure? Will the terms of the deal and progress of development be made public?
3. Financially Sustainable	Will the project impose a manageable repayment burden on the recipient country? Will the project ultimately generate sufficient revenue to cover the costs?
4. Locally Engaged	Will the project significantly involve local companies and labor and transfer skills? Will the infrastructure directly benefit the local economy? Are profit-sharing arrangements equitable?
5. Geopolitically Prudent	Will the project have a neutral or positive impact on the recipient country's telecommunications security? Is the project unlikely to generate dual civilian-military use concerns? Will the project have a neutral or positive impact on the country's relationships with other external powers?
6. Environmentally Sustainable	Will the project include an environmental impact study? Will it take into account domestic environmental concerns and have a neutral or positive impact on the local ecosystem?
7. Corruption-Resistant	Is the project structured to minimize bribery risk and opportunities for corruption? Are the companies involved highly ranked on measures of transparency?

Chapter 4

Xi Jinping Regime's Aim in the Belt and Road Initiative

IIDA Masafumi

Proposal of the Belt and Road Initiative

In September 2013, during a visit to Kazakhstan in Central Asia, President Xi Jinping delivered an address at Nazarbayev University, in which he proposed the construction of the Silk Road Economic Belt as a new cooperative framework furthering the economic coordination and the development of Eurasia, including China and Central Asia. Specifically, Xi Jinping proposed the setup of a “network of transportation that connects Eastern, Western, and Southern Asia” by improving transport-related infrastructure, along with promoting regional economic development through trade liberalization and the facilitation of investment, as well as enhancing their immunity to financial crises by promoting the settlement of trade accounts in local currencies.¹

Furthermore, during his visit to Indonesia the following month, President Xi Jinping delivered an address to that country's lawmakers in which he stressed the policy of reinforcing cooperative relations with the members of the Association of Southeast Asian Nations (ASEAN). Politically, he expressed his hope that the Treaty for Good Neighborliness, Friendship and Cooperation would be signed with ASEAN, and economically, he spoke out on the policy of elevating the level of the China-ASEAN free-trade agreement. In addition, Xi Jinping proposed the establishment of the Asian Infrastructure Investment Bank (AIIB), expressing his desire to cooperate in boosting the infrastructure connectivity between ASEAN countries as well as with other developing countries in the region. He also proposed the joint construction of a 21st Century Maritime Silk Road and the establishment of a maritime cooperative partnership with the ASEAN countries.²

Most likely, the aim of the proposal by the Xi Jinping administration of the BRI—in particular, its emphasis on building cooperative relations with countries on its periphery—was to parlay its own burgeoning economic power into the establishment of better relations with its neighbors by providing economic benefits to them, thereby both stabilizing its periphery and boosting China's economic, political, and security-related influence with its neighbors. At the Seminar on the Work of Neighborhood Diplomacy held in October 2013, General Secretary Xi Jinping delineated the “strategic goal” of its

diplomacy with neighboring countries, explaining that “it must consolidate its relations with neighboring nations,” to be accomplished by “protecting sovereignty, security, and development interests, further consolidating friendly relations with neighbor countries, making them economically more closely tied, and deepening security cooperation.” The conference confirmed China’s policy of becoming more actively involved in regional economic cooperation through the promotion of the BRI in its neighboring countries, along with the establishment of the AIIB and expansion of free-trade zones. In addition, on the security front, China aimed at advancing security cooperation with its neighboring countries by taking a leading role in that involvement, based on a “new outlook on security, featuring mutual trust, reciprocity, equality, and coordination.” Furthermore, it set the target of ensuring that a “community of shared destiny” would take root among China’s neighbors by widely proclaiming the new policy abroad.³

China continued negotiations with relevant countries toward the establishment of the AIIB, having signed a consensus document in Beijing for the bank’s establishment along with 21 other countries in October 2014. Later, such countries as the United Kingdom, France, and South Korea also signed up, expanding the list of founding members to 57 when the agreement for AIIB’s establishment was finally inked in Beijing in June 2015. AIIB represents the first international financial institution in which China exerts powerful ascendancy, having proposed the bank’s establishment, serving as the bank’s top investor nation, and placing the bank’s headquarters in Beijing, among other things. AIIB’s establishment can fairly be described as a landmark event demonstrating the rise of China’s economic influence in Asia.

A New Diplomatic Strategy to Revamp the International Order

China has gradually broadened the scope of its diplomacy—which had originally targeted the expansion of influence on its periphery and the revamping of its regional economic and security-related order—to include the whole world. By expanding its influence, not just on its periphery but also worldwide, the country aims to seize the initiative in reorganizing the existing international order.

In November 2014, the Central Conference on Foreign Affairs was held within the Communist Party of China (CPC), at which General Secretary Xi Jinping declared that China needed to promote reforms in the international order, with the recognition that it was in the midst of a major transitional stage. He said that the twin trends of the multipolarization of the world and the globalization of the economy would continue

into the future, and that “the international system and international order are going through deep adjustment,” leading to the “need to take a full view of the long-term nature of the conflict over the international order.” He also underlined the “importance of pursuing win-win cooperation and promoting a new type of international relations featuring win-win cooperation,” doing so by “promoting reforms in the international system and global governance, and increasing the representation and voice of our country and a broad swath of developing countries.” Simultaneously, Xi Jinping said that it was “necessary for China to develop a distinctive diplomatic approach,” pointing out that “we should conduct diplomacy with saliently Chinese characteristics and a Chinese vision,” proposing the creation of a “major-country diplomacy with Chinese characteristics,” the pillars of which would be the construction of a “new type of international relations” and the protection of “core interests.”⁴

Underlying the Xi Jinping administration's reinforced moves to restructure the international order—advancing the creation of a “new type of international relations”—is the perception of an emerging international power balance increasingly favorable to China, with the relative decline in the power of Western advanced countries along with the rapid rise of the emerging economies, including China. At the group study session on global governance by the Politburo of the CPC Central Committee held in October 2015, General Secretary Xi Jinping remarked, “the rise of emerging markets and developing countries has brought revolutionary changes to the world order, along with the uninterrupted strengthening of their international influence, causing a revolutionary shift in the international power balance that has existed in the modern era.” He also asserted that “emerging markets and developing countries must strengthen their representation and voice” to “promote reform in their unjust and improper arrangements position in the global governance system” and “strive for a more balanced reflection of the majority's hopes and profits in the global governance system.”⁵

Expansion of the Belt and Road Initiative and Xi Jinping's Leadership

With the major goal of China's diplomacy having expanded from the establishment of a desirable regional order in its neighborhood to a revamping of the global order, the BRI has also undergone major changes. The original focus of that initiative was the reinforcement of connectivity in Eurasia, linking East Asia to Europe. Later, China went on to expand the regions targeted by the BRI to also encompass Africa, Latin America, and more.

In May 2017, China sponsored the Belt and Road Forum for International Cooperation in Beijing, with 29 national leaders attending, who came largely from Eurasia, but also included the leaders of Ethiopia and Kenya in Africa and Argentina and Chile in South America. In an interview given after the forum drew to a close, Xi Jinping gave high marks to the meeting, saying, “the countries sent a positive signal that they would cooperate in promoting the BRI, joining their hands together in the creation of a community of a shared future for mankind.”⁶ In Chinese diplomacy today, the BRI is positioned as an “important exercise in the construction of a ‘community of a shared future for mankind.’”⁷ It is absolutely necessary for China, which is aiming to restructure the international order, to get the cooperation of as many developing countries as possible. Most likely, it has enlarged the scope of its BRI to include Africa and Latin America because those continents both contain many developing countries, and that initiative has become, through the provision of economic opportunity, the means by which China can get support from such countries for the new international order that it advocates.

In October 2017, Xi Jinping was reelected general secretary at the 19th National Congress of the CPC. Having consolidated his political authority within the party, he declared the policy of further promoting “major-country diplomacy with Chinese characteristics” with himself as the advocator. As far as the BRI was concerned, moreover, the CPC Constitution, revised at the 19th National Congress of the CPC, also clearly stipulated the “pursuit of the BRI.”⁸ Judging from those circumstances, an important element of Xi Jinping’s political authority has been “major-country diplomacy with Chinese characteristics,” which aims to restructure the international order, and the banner policy for Xi Jinping’s diplomacy has been the BRI, which represents the concrete means for its realization. At a meeting of the Central Conference on Foreign Affairs held in June 2018, Xi Jinping reconfirmed the importance of constructing and promoting the BRI, along with “reforming the global governance system,” building the “community of a shared future for mankind,” “protecting core interests,” and so forth. Yang Jiechi, director of the Office of the Foreign Affairs Commission of the CPC Central Committee, pointed out that “the most important outcome of this conference is that it established the guiding position of Xi Jinping thought on diplomacy.”⁹

Issues of the Belt and Road Initiative

Although China has been pursuing diplomacy on a grand scale in that way under the

aegis of President Xi Jinping, aiming at the restructuring of the international order, and with the construction of a “new type of international relations” and a “community of a shared future for mankind” as its pillars, the outlook for that policy is hardly rosy. The pursuit of “major-country diplomacy with Chinese characteristics,” which has the BRI as its pillar, has brought several issues into relief.

The first issue is the fact that it has triggered warning bells and a backlash on the part of the advanced democratic countries, particularly the United States. China criticizes the existing international order, with the advanced countries at its helm, as being “unjust and improper,” and has argued for the creation of a “new type of international relations” that would empower the voice of developing countries. From the standpoint of the advanced democratic countries, however, which have striven hard to maintain and reinforce a free and open international order as a global commons, such a remark by China comes off as provocative. Above all, the United States has become increasingly wary of China's actions concerning the international order, given that it has been confronted by specific Chinese moves to change the status quo by coercion, such as the upgrading of its A2/AD capabilities vis-à-vis the United States in East Asian waters. The US National Security Strategy released in December 2017 explicitly painted China as a force seeking to change the status quo of the existing international order by coercion, harshly criticizing it as “seek[ing] to displace the United States in the Indo-Pacific region.”¹⁰ That heightened strategic sense of caution toward China on the part of the United States has probably served as a backdrop for the harsh position adopted by the Donald Trump administration in trade issues with that country. There is also concern in Western Europe that China's growing influence on the countries of Central and Eastern Europe (CEE) may detract from the EU's centripetal force. At the China-CEE 16+1 Summit held in Bulgaria in July 2018, Chinese Premier Li Keqiang, while promoting the construction of the BRI in the region, also tried to alleviate Western Europe's concerns about China by stressing that the project would benefit the whole continent, helping the “balanced development in the region and the European integration process,” and said that the 16+1 cooperation would help shrink the developmental gap among individual European countries.¹¹

The second issue is the growing suspicion on the part of developing countries concerning China's promotion of the construction of the BRI. Although China has been pursuing the project smoothly in many parts of the world, there has also been an increasing incidence of trouble, the most notable of which was the construction of Hambantota Port in Sri Lanka. The port facilities in that project have been developed thanks to heavy financing by China, but as the project lacked economic rationality, among

other reasons, Sri Lanka found it difficult to repay the loans, so Chinese companies ended up taking out a 99-year lease on the port. That has led to the criticism of such projects as “debt traps,” a situation in which developing countries are lent an excessive amount of debt to undertake unsustainable economic projects, and then are forced to hand back those projects to China on account of their inability to pay the money back.¹² Moreover, another reason for the growing distrust toward China is its pursuit of the BRI in a way that overlooks the democratic processes in its partner countries, thus lacking in transparency. Several instances have occurred already in which projects in the BRI have come under critical scrutiny as new leaders take the reins of government. When a new president was elected in Sri Lanka in 2015, he heaped heated criticism on the projects within the BRI that were promoted by the previous administration. After the Malaysian election of 2018, also, the new Mahathir bin Mohamad administration said it would reconsider projects that the previous administration had agreed upon with China, such as the construction of a railway, pronouncing the debt burden too large. China’s tendency to rely on its relations with authority figures to promote its BRI causes it to pay scant regard to democratic decision processes and accountability to citizens, so is starting to serve as a hindrance.

The third issue is uncertainty surrounding the sustainability of the BRI. While the initiative aims to enhance connectivity by improving transport-related infrastructure, materializing a project spanning multiple countries requires significant cost and time. It will likely take a considerable length of time until all related projects are completed and connectivity is manifested. Furthermore, there are BRI projects that have problems with economic rationality and loan safety. If project failures or debt defaults pile up, China may no longer be able to financially support the BRI. In addition, the current BRI is promoted under the strong leadership of President Xi Jinping and his political leadership ability will inevitably sway the future momentum of the BRI.

- ¹ “弘扬人民友谊、共同建设‘丝绸之路经济带’ [Enhance People's Friendship, Jointly Build the 'Silk Road Economic Belt'],” 人民日报 [People's Daily], September 8, 2013.
- ² “携手建设中国—东盟命运共同体 [Building Together the China-ASEAN Community of Shared Future],” 人民日报 [People's Daily], October 4, 2013.
- ³ “为我国发展争取良好周边环境推动我国发展更多惠及周边国家 [Attain a Favorable Surrounding Environment for China's Development and Promote China's Development to Bring More Benefits to Neighboring Countries],” 人民日报 [People's Daily], October 26, 2013.
- ⁴ “中央外事工作会议在京举行、习近平发表重要讲话 [Central Conference on Foreign Affairs Held in Beijing, Xi Jinping Delivers Key Statement],” 人民日报 [People's Daily], November 30, 2014.
- ⁵ “推动全球治理体制更加公正更加合理为我国发展和世界和平创造有利条件 [Promoting a Fairer and More Reasonable System of Global Governance to Create Favorable Conditions for China's Development and World Peace],” 人民日报 [People's Daily], October 14, 2015.
- ⁶ “在‘一带一路’国际合作高峰论坛圆桌峰会上的闭幕辞 [Closing Remarks at the Leaders Roundtable of the Belt and Road Forum for International Cooperation],” 人民日报 [People's Daily], May 16, 2017.
- ⁷ “王毅在十二届全国人大五次会议举行的记者会上就中国外交政策和对外关系答中外记者问 [Wang Yi Answers Questions of Chinese and Foreign Reporters on China's Foreign Policy and External Relations at a Press Conference of the Fifth Session of the 12th NPC],” 人民日报 [People's Daily], March 9, 2017.
- ⁸ “中国共产党章程（中国共产党第十九次全国代表大会部分修改、2017年10月24日通过） [Constitution of the Communist Party of China (Partially Amended by the 19th National Congress of the Communist Party of China, Adopted on October 24, 2017)],” 人民日报 [People's Daily], October 29, 2017.
- ⁹ “习近平在中央外事工作会议上强调坚持以新时代中国特色社会主义思想为指导努力开创中国特色大国外交新局面 [At the Central Conference on Work Related to Foreign Affairs, Xi Jinping Stresses Continuing to Follow the Guidance of the Thought on Socialist Diplomacy with Chinese Characteristics for a New Era and Striving to Usher in a New Phase for Major Power Diplomacy with Chinese Characteristics],” 人民日报 [People's Daily], June 24, 2018.
- ¹⁰ “National Security Strategy of the United States of America,” December 18, 2017, p. 25.
- ¹¹ “在第八届中国—中东欧国家经贸论坛上的致辞 [Address at the Eighth China-CEE Economic and Trade Forum],” 人民日报 [People's Daily], July 8, 2018.
- ¹² Devin Thorne and Ben Spevack, “Harbored Ambitions: How China's Port Investments Are Strategically Reshaping the Indo-Pacific,” C4ADS, April 17, 2017.

Part II

Changes in Economy and Security with the Advent of the Belt and Road Initiative

Chapter 5

Australian Infrastructure Diplomacy in the Indo-Pacific

Jeffrey Wilson

Infrastructure and connectivity (I&C) has emerged as a new domain of strategic competition in the Indo-Pacific. Hitherto a minor issue on the regional agenda, it quickly rose to prominence following the launch of China's landmark Belt and Road Initiative (BRI) in 2013. In subsequent years, many other governments have launched their own I&C programs, several of which compete with the BRI. These ostensibly aim to close the range of 'infrastructure gaps' which presently inhibit both the development of regional economies and the economic integration between them. However, they also reflect competing geoeconomic visions for how the regional economic architecture should develop. Hundreds of billions of dollars of financing are now being shovelled into transport, energy and telecommunication projects across the Indo-Pacific.

Infrastructure competition has posed a vexing dilemma for Australian foreign policy. On one hand, these programs promise to channel much-needed capital and technical expertise for connectivity-enhancing infrastructure in Australia's key economic partners. On the other, there are also significant concerns regarding China's BRI, particularly in terms of governance transparency and the security implications of certain critical infrastructure projects. Splits have emerged within the policy and business communities regarding the appropriate way to engage with the BRI. The Australian government has formally backed a competing US infrastructure strategy launched in 2018, but after five years is yet to articulate a clear policy on the BRI. Present settings pose risks of policy incoherence, and the potential that Australia's stance may be interpreted as 'choosing sides' between the region's great powers.

Yet the contemporary marketplace for Indo-Pacific infrastructure extends beyond Chinese and US offerings. Many governments and regional organisations have launched I&C programs in recent years. Each offers a distinctive 'blueprint' for connectivity, with different goals, governance arrangements and institutional mechanisms. These offer many channels for fruitful Australian infrastructural diplomacy, particularly with emerging economic partners in Southeast Asia. Unfortunately, the Australian policy debate has yet to move beyond a perceived choice between Chinese and US alternatives, foreclosing considered engagement with other regional mechanisms. To escape its infrastructure dilemma, Australia should develop strategies that diversify its contributions to the

regional I&C agenda across this broader set of programs.

Australia's infrastructure dilemma

Infrastructure diplomacy is a recent addition to Australia's foreign policy toolkit. While Australia has a long history of supporting infrastructure projects in neighbours (such as the Mỹ Thuận Bridge built in Vietnam in the late 1990s), these activities were traditionally considered a sub-component of its aid program. But as the deleterious economic consequences of the region's infrastructure gaps has attracted greater attention, Australia was one of many Indo-Pacific governments to launch a formal infrastructure program. In 2015, it launched the *Strategy for Australia's Aid Investments in Economic Infrastructure*, the first consolidated statement of approach on supporting infrastructure projects in the region (DFAT 2015a). The strategy recognised that as Australia's fiscal contribution to infrastructure-building (estimated at only 0.3 percent of regional needs in 2013-14) was modest, it would need to target 'transformational' projects that would benefit from Australia's unique contributions. Its priorities therefore emphasised mobilised private sector finance for projects (to multiply the impact of public expenditure), incorporating human development and gender dimensions into planning, and target infrastructure types which could increase trade flows and inter-regional connectivity.

Australia's adoption of a formal infrastructure strategy was a clear response to China's Belt and Road Initiative (BRI). Launched in 2013, the BRI aims to improve economic connectivity between China and its Eurasian and Pacific neighbours. It functions as a mobilising initiative, under which Chinese agencies (principally state-owned industrial enterprises and banks) provide loans and technical assistance for infrastructure projects in regional partners. Projects are usually negotiated on a bilateral basis between China and the host government. The BRI features both economic and strategic motives. Economically, it aims to develop China's western provinces, encourage greater trade integration with contiguous partners, employ China's massive foreign currency reserves, and provide an outlet for surplus industrial capacity. Strategically, the BRI is designed to strengthen China's political influence abroad, secure China's energy supply, improve the country's diplomatic image, and increase its economic leverage over its neighbours (Cai 2017; DFAT 2015b).

While often welcomed by developing country governments with major infrastructure needs, the BRI has elicited mixed views in Australia. Its perceived positives include the channelling of significant volumes of capital – estimated potentially as high as

\$1 trillion (Hillman 2018a) – to developmentally-important projects; and the opening of new trade and investment opportunities by improving transport and telecommunications links to key Australian economic partners (Wilson 2018). However, several concerns have been raised regarding the strategic implications of the BRI, including;

- The limited transparency and minimal governance arrangements of SOE-managed projects, which may undermined ‘good governance’ development financing (Hillman 2018b)
- The prospect of ‘debt traps’, in which small economies are unable to fiscally-sustain repayments on large infrastructure loans (Hurley *et al.* 2018)
- Security concerns surrounding several China-backed port projects with mixed civilian and military uses, such as Hambantota in Sri Lanka and Gwadar in Pakistan (Brewster 2017)
- Risks that infrastructure spending will be used to compete for geopolitical influence over small economies (AFR 2018).

The Australian government has struggled to balance these competing concerns and develop a coherent position on the BRI, and how it will interact with Australia’s own infrastructure efforts. At times messaging has been positive, including the establishment of the Australia-China One Belt One Road Initiative (a business engagement NGO) in 2016 (DFAT 2016), and official statements that Australia sees “*much merit*” and “*opportunities for collaboration*” in the BRI (ABC News 2017a). But Chinese approaches to formally establish G-to-G mechanisms for infrastructure cooperation have been consistently rebuffed for strategic reasons. These include proposals to ‘link’ the BRI with the Northern Australia Infrastructure Fund, or to sign a memorandum of understanding (MoU) on BRI cooperation with the Chinese government (*The Australian* 2017). Attitudes appears to have hardened in 2018, when then-Foreign Minister Julie Bishop publicly expressed concern that BRI investments in the Pacific Islands would be “*detrimental to [these countries’] long-term sovereignty*” (SMH 2018).

The Pacific Islands has since emerged as a particular domain of concern regarding Chinese infrastructure diplomacy. In 2016, the Australian government announced the so-called “Pacific Step-Up”, a program of upgraded diplomatic engagement with the Pacific Islands government (DFAT 2019). Infrastructure diplomacy has featured prominently. In 2019 it launched the Australian Infrastructure Financing Facility for the Pacific, an AUD 2 billion fund to support infrastructure in the region (AIFFP 2019).

While officially framed as a development initiative, many observers have argued it is in part motivated by concerns that increasing Chinese infrastructure spending in the Pacific will allow China to gain geopolitical leverage over these small economies (Bergin 2019; McGregor and Pryke 2018). Another is the risk that Chinese infrastructure may compromise the security of regional technology connections. The Coral Sea Cable – a high-speed internet cable being built between Sydney, Port Moresby and Honiara – was funded by the Australian government to ensure that Chinese telecommunications supplier Huawei did not participate in the project (SMH 2019).

By contrast to its anxieties over China's BRI, Australia has been enthusiastic about collaborating with competing US infrastructure initiatives. At the July 2018 AusMIN meeting, the Australian and US governments declared an intention to “*advance a shared infrastructure agenda*” in the Indo-Pacific (DFAT 2018a). This was the first time bilateral infrastructure cooperation appeared on the AusMIN agenda. A trilateral infrastructure cooperation MoU between Australia, the US and Japan was announced later in the month (MFA 2018). These agreements leverage recent reforms to the US development assistance program, which establish a new International Development Finance Corporation (IDFC) with an investment portfolio cap double (\$60 billion) that of its predecessor (Akhtar and Tarnoff 2018). While US-Australia statements do not explicitly reference either China or the BRI, their public framing – which emphasised transparency, sustainability, private-sector involvement, and avoiding debt-burdens – were widely understood as offering an alternative I&C model to compete with the BRI (Pryke and McGregor 2018).

This Australian position – of endorsing a *potential* and *poorly-funded* US initiative, while indirectly competing against *established* and *considerably larger* Chinese one – has proven controversial. At a political level, it is easily interpretable as Australia ‘choosing’ the US over China as an infrastructure partner, with attendant consequences for the Chinese bilateral relationship. At the economic level, it is not without risk either. A significant number of major businesses are in favour of engaging with the BRI, lest Australia is excluded from the new market opportunities in the region it is creating (de Jonge 2017; PwC 2018). In October 2018, the Victorian Government took the bold step of negotiating its own BRI MoU with China, which led to a public rebuke by the Prime Minister for not consulting with the Commonwealth prior (*The Guardian* 2018). There have also been reports of an intra-governmental split at the federal level, with the trade and economic groups supportive but the security community opposed (*ABC News* 2017b). Thus, while BRI engagement is demonstrably a strategic risk for Australia, non-engagement is an equally significant economic one.

The Indo-Pacific infrastructure and connectivity landscape

The focus on Chinese and US initiatives in debates over Australian infrastructure diplomacy is perplexing, as there is actually a much broader set of programs. In the last few years, many governments and regional organisations have established new, or reinvigorated existing, I&C programs. Table 1 lists the eight most prominent in the Indo-Pacific today. The majority were launched since 2013, and the collective budget for those that allocate investment capital is approximately \$1.5 trillion. They can be classified into three types:

1. *National programs*, where a donor state commits financial and technical assistance to support infrastructure projects in recipients bilaterally via aid programs. China, Japan and the US have launched such initiatives. China's BRI largely uses state-owned enterprises, the US IFDC aims to leverage private capital, while Japan's PQI seeks to promote 'quality' infrastructure through its official development assistance (ODA) program.
2. *Multilateral development banks* (MDBs), which offer loans and technical assistance to projects that meet specified funding criteria. The Asian Development Bank is the region's principal MDB, presently dedicates 59 percent its loan-book to infrastructure projects¹. The Asian Infrastructure Investment Bank is a recent China-initiated addition, which is the world's first MDB specifically dedicated to infrastructure financing.
3. *Regulatory dialogues*, which do not offer capital but instead focus on inter-governmental cooperation to reduce regulatory barriers to infrastructure projects. This is particularly important to cross-border projects, which require regulatory harmonisation to be 'investment-ready'. These dialogues operate within ASEAN, APEC, and the Greater Mekong Subregion.

¹ Of ADB loans issued in the decade to 2017. Author's calculations, from ADB (various years).

Table 1: Comparison of I&C programs in the Indo-Pacific

	Initiative	Year established	Members	Budget	Activities	Description
National programs	Belt and Road Initiative (BRI)	2013	China	No official budget, est. \$1 trillion	FDI, ODA, loans, technical assistance	State agencies support firms to invest in I&C abroad
	Partnership for Quality Infrastructure (PQI)	2015	Japan	\$200 billion	FDI, ODA, loans, technical assistance	Promote 'quality' infrastructure through the ODA program
	International Development Finance Corporation (IFDC)	2018	United States	\$60 billion	FDI, ODA, loans, technical assistance	Leverage private sector investment into I&C projects
Multilateral development banks	Asian Development Bank (ADB)	1966	67 members	\$147 billion (subscribed capital)	Loans, grants, technical assistance	Longstanding regional MDB; major I&C focus in recent years
	Asian Infrastructure Investment Bank (AIIB)	2015	68 members	\$100 billion (subscribed capital)	Loans (commercial only)	New regional MDB, with functional specialisation in I&C projects
Regulatory dialogues	Master Plan on ASEAN Connectivity (MPAC)	2010, 2016	10 ASEAN members	None	Policy reform and capacity building	Nonbinding intergovernmental planning for priority I&C projects
	Greater Mekong Subregion (GMS)	1992	Cambodia, China, Laos, Myanmar, Thailand, Vietnam	None	Policy reform and capacity building	Dialogue process to foster I&C-enabling regulatory reforms
	APEC Framework on Connectivity (AFC)	2013	21 APEC members	None	Policy reform and capacity building	Promote best-practice methods for implementation of I&C projects

Source: Wilson (2019)

A noteworthy feature of the I&C landscape is the diversity of governance models on offer. In terms of modalities, some support infrastructure by offering financial and technical support, while others instead target regulatory harmonisation. Architecturally, the national programs employ a bilateral model where projects are negotiated between donor and recipient, while the MDBs and regulatory dialogues use multilateralism to support cross-border infrastructure. On the question of public versus private entities, some largely rely on state financing (China's BRI and the MDBs), others place a high priority on leveraging private capital (US IDFC, AFC) and others mix the two models (PQI, MPAC). While all aim to close infrastructure gaps, they offer a variety of mechanisms and resources to do so. Governments in the Indo-Pacific now enjoy a

diverse, and indeed somewhat crowded, marketplace for infrastructure cooperation.

The corollary is that these programs do not pose a stark either/or choice. The diversity of governance models means none are perfect substitutes for one another. Indeed, there is scope for a mutually-beneficial division of labour, which combines their various mechanisms into complete infrastructure development packages. Clear synergies exist between those with large pools of capital (BRI, PQI, IDFC and AIIB), those with in-house technical capacity and expertise (ADB, AFC), and those which provide dialogue mechanisms to facilitate inter-governmental cooperation (GMS, MPAC). The infrastructure choice is therefore one of efficient resource allocation, not picking winners. As I&C projects require both financial and political capital to succeed, they will be best achieved through approaches that combine institutional solutions.

Diversifying Australia's infrastructure diplomacy

The rich landscape of Indo-Pacific I&C programs suggests the Australian policy calculus should be considerably wider than a choice between Chinese and US offerings. The alternatives offer attractive opportunities for infrastructure diplomacy. Some align well with Australia's agenda to support a rules-based order in the Indo-Pacific, particularly given the multilateral architecture of the MDBs and regulatory dialogues. Multilateral programs are also less geopolitically-charged than the bilateral Chinese and US initiatives, and offer a way to operate in the infrastructure space without perceptions of 'choosing' between the region's great powers. That these programs have not been a focus of recent Australian foreign policy – none but the AIIB and BRI are explicitly named in the 2017 *Foreign Policy White Paper*² – is a missed opportunity. There are several steps Australia can take now to diversify its infrastructure diplomacy.

First, Australia should leverage its founding membership of the newly-established AIIB. Australia played a key role during institutional negotiations in 2015 to ensure the bank embodied international best practices for development financing (SELC 2015). As a result, the AIIB has a well-developed set of loan policies that embody international best practices for development financing, and it closely cooperates with other MDBs through information-sharing and joint-venture arrangements (Wilson 2018). Australia should make the most of these governance efforts, and its \$3.7 billion capital subscription, to use

² Its only reference reads: "There are several regional infrastructure and economic engagement initiatives, including ones advanced by China, India and Japan." (Commonwealth of Australia 2017: 45).

the AIIB as an institutional vehicle for its infrastructure diplomacy. These efforts should focus on countries with which Australia has important economic ties, such as Indonesia, Vietnam and India. Working through the AIIB also has the benefit of engaging with a China-led infrastructure initiative whose multilateral architecture avoids some of the geopolitical issues surrounding the BRI.

Second, Australia should make infrastructure a priority area for bilateral cooperation with Japan. Though launched in May 2015, Japan's PQI had gone practically unnoticed in Australia until an MoU was signed with the Nippon Export and Investment Insurance (a state-owned insurance corporation) in November 2018 (NEXI 2018). This agreement, which enables information sharing to identify projects in the region on which Australian and Japanese companies can partner, provides an initial framework for bilateral infrastructure cooperation. However, there is scope for a broader cooperation beyond investment underwriting. Particularly opportunities exist in aid collaboration, which could be developed between AusAID and the Japan International Cooperation Agency. Given the \$200 billion of capital allocated to the PQI, and its 'good governance' alignment with Australian priorities, it offers major opportunities to scale up infrastructure diplomacy with a partner that shares Australian objectives and values.

Finally, Australia can creatively support I&C platforms via technical rather than capital contributions. While Australia's fiscal capacity to invest in infrastructure projects is limited, relevant capacity in design, construction and management means Australian service and technology companies are well-placed to contribute in non-financing roles. Economic diplomacy that promotes Australian businesses' entry into infrastructure projects – via outbound investment and services trade – would complement existing capacity building work within the aid program (DFAT 2018b). Moreover, this could fruitfully be calibrated to connect to the regulatory dialogue processes. The MPAC program offers substantial opportunities given ASEAN's importance as an Australian trade partners, and could leverage connectivity work already underway within the ASEAN-Australia Development Cooperation Program (Australian Aid 2018). Such efforts would also broaden infrastructure diplomacy into the 'business-to-business' domain, and ensure that Australia is an active participant across the full-range of I&C initiatives in the Indo-Pacific today.

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Chapter 6

The Impact of the BRI on European Trade

Alessia Amighini

Since its announcement in 2013, the BRI has become the core of China's economic diplomacy and has since then exerted a deep influence on most of the rest of the world's diplomatic activities as well. Although the Chinese government officially prefers to call it an Initiative, inspired by a spirit of broad inclusiveness of many other countries all over the world, it should also in fact be regarded as the country's new opening-up strategy, developed in response to changing domestic and international circumstances.

The Initiative aims at integrating China into the global economy along much deeper avenues – far beyond trade and investment flows – than ever before. Along with the flourishing of bilateral agreements signed by the Chinese government with individual partner countries since the 1990s (now up to 202 international investment agreements and 14 free trade agreements), aimed at reducing institutional barriers to trade and investment flows, the BRI intends to build a great Eurasian continent along lines that are very different from any other traditional paradigm of regional integration. While the world has so far experienced rule-based regional integration arrangements, the Chinese way to regional integration tends to be less rule-based and more coalition-based along country-specific interests. As such, the BRI will have profound implications on international economic and political relations for the rest of the world and more specifically for the EU, as the latter is the ultimate destination of the vast network of land routes and sea-lanes starting from various Chinese provinces.

Europe is the end-point of the New Silk Roads, both by land and by sea. It is the ultimate geographic destination and political partner in the BRI. The BRI aims at improving connectivity among a number of previously separated regions – Europe, post-Soviet space, Central, Eastern and Southern Asia, the Middle East – which are supposed to be integrated into a “Greater Eurasia”, part of a long-term global strategy to build a centre of geopolitical stability and development. Therefore, the major opportunity for the EU is to become connected to the largest world future emerging area. The initiative also aims at easing economic and political relations between two major economic powers, at a time when geopolitical tensions in various parts of Asia and policy uncertainties among major world powers, namely the United States, pose a serious risk to multilateral cooperation. However, the major risk is to get stacked in between two big rivals (US

and China), in case their relations get more and more confrontational. Even before the emergence of the BRI, the EU and China already held regular dialogues on railway, maritime, aviation, customs facilitation, as well as other issues related to connectivity, through the EU-China 2020 strategic Agenda for Cooperation signed in 2013. But not all European countries are equally important to the BRI. Within Europe, BRI projects are in fact concentrated in two particular regions: Central and Eastern Europe and the European Mediterranean countries. This creates internal competition to get the most out of the BRI, namely with Germany (together with the Netherlands and Denmark) being concerned about the Chinese 'preference' for Southern-EU countries.

The BRI will likely contribute to economic development and regional stability in Eurasia from which both China and the EU could benefit in terms of new markets and energy security. Therefore, Europe should consider the Initiative as a much broader vision than the simple improvement of physical and digital connectivity. To this aim, the following policy recommendations could be drawn for the EU:

- The broad scope of the BRI deserves a much higher political level dialogue between the EU and China, which is now absent in Europe. The EU-China Connectivity Platform is the main institutional arrangement where dialogues currently occur between the EU and China about how to coordinate large and long-term infrastructure projects, so that the Trans-European Transport Network (TEN-T) develops in a way consistent with the aims of the BRI to reach Europe from Asia. Since the early 1990s, TEN-T has been the infrastructure policy at the Community level meant to support the functioning of the internal market through continuous and efficient networks in the fields of transport, energy and telecommunications. While China is very active in organizing summits and fora among the countries along the Belt and Road, the risk for Europe is to lose part of the decision-making power about its own internal goals and about its relations with neighbouring countries. Moreover, paving the way to improved connectivity between the EU and China without progress on institutional barriers to trade that still exist between the two parties could exacerbate the currently large differences in bilateral market access.
- The EU has an historical responsibility to open a high-level dialogue on current competing initiatives for regional integration in Easter Europe and Central Asia. In fact, the BRI is a regional integration effort alternative to the Eurasian Economic Union (EEU) and an important absence in the BRI is the lack of relationships

between the EEU and the EU. The BRI could open new opportunities for the EU to pursue its geostrategic ambitions in Central Asia by deepening the EU-China strategic partnership through cooperation in security fields, possibly paving the way to EU-Russia reconciliation. At the same time China, Russia, Ukraine and the EU have some common economic and security interests in Eurasia that they could follow together in spite of different approaches. Under these conditions, it is better for European countries to try to find a common language with former Soviet republics and China than to passively observe how the existing order is being replaced by something unfamiliar to European values and interests.

- Similarly, the EU should address the issue of the (former 16) now 17+1 mechanism as a source of possible inconsistencies for the European integration process. The “16+1” mechanism is a platform created in April 2012 by the Chinese leadership that seeks a stronger connection between China and the 16 CEE (Central and Eastern European) countries, namely Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic and Slovenia. Nowadays, many previously agreed-upon joint 16+1 projects were given the OBOR label, which may pave the way for diverging perceptions towards EU internal integration policies. CEE countries have shown that they are able to adopt an active policy of cooperation with China and an issue has been raised about the status of Central Europe within the region and in the EU. There are evident discrepancies between EU and non-EU members, especially in terms of rules and procedures related to investments and infrastructural projects. This poses serious challenges to the extent that EU and non-EU member countries develop common interests under the China-led 16+1 mechanism but perceive the divergent rules and regulations in EU vs. non-EU members as a source of bottlenecks in their development process.
- The EU should seriously consider the consequences of the lack of a common framework for bilateral investment with China. In fact, the BRI will further accelerate Chinese investment activity in various infrastructure projects in European countries. Before the BRI was announced, China’s infrastructure investment in Europe targeted individual EU countries and many non-EU members in Central and Eastern Europe, mainly in the manufacturing and services sectors. Recently, Chinese firms have started to invest in large infrastructure projects backed by their inclusion in the BRI project list. Coalition building around individual projects now tends to prevail over the legal rules and procedures

that are at the heart of the EU competition policy, as the core principles around which the internal market has been developed.

Although the BRI should be appreciated and not disregarded, Europe's historical responsibility is to make multilateralism prevail against closed and competing initiatives towards regionalism. Only along those common avenues will Europe and China be able to build long-lasting cooperation, bridging thousands-of-kilometers-long gaps for mutual benefits.

As regards the circumstances that led Italy sign a BRI MoU with China, it is worth remembering the following events. Officially announced by Chinese media on Monday 18 March, Chinese President Xi Jinping's visit to Europe takes place from 21 to 26 March: it began in Italy, will stop in the Principality of Monaco and end in France. Six days ahead of opportunities for the evolution of the Chinese Belt and Road Initiative (BRI) in Europe. Despite the reluctance of several European governments, Italy is planning to officially join the BRI partner list by signing a Memorandum of Understanding (MoU) between the two countries. The text of this document has already circulated, in an unofficial draft, in the Italian press. In a context of growing concern about Chinese penetration in strategic sectors of the European economy, and the consequent attempts by the EU to put in place screening tools to assess the implications of Chinese investments for the national security of the member countries, the Rome's choice would mark the entry of a G7 country and founder of the EU for the first time in the framework of the Chinese infrastructure, economic and political expansion project. What is the status of Italy-China relations in 2019? In which areas do they unfold and what agreements are supported? How can the BRI redesign the state of Rome's political and economic relations?

President Xi Jinping's visit takes place at a time when the EU is trying to balance Beijing's influence and the growing need for foreign investment from its member states. In view of the EU-China Summit in Brussels on April 9th, the Chinese leadership underlined the desire to increase collaboration between China, the United States and Europe in the BRI in an attempt to stem the growing criticism deriving from the strategic value of the project: a tool, for many, which has the potential to increase Chinese influence in host countries.

Although Xi Jinping's visit is scheduled to end in France, Paris's attitude tends to be more cautious than the Italian one. President Emmanuel Macron has repeatedly expressed his support for multilateral coordination between EU members and China,

claiming his support for the “spirit of equality, reciprocity”, where the spirit of equality implies “respect for sovereignty national”. However, the French government has shown a marked interest in increasing Chinese investments, imports and joint ventures, as well as improving the access of French goods to the Chinese market.

Unexpected was the announcement of President Xi Jinping’s visit to the Principality of Monaco, whose port character, enclosed between the ports of Marseille and Genoa, is of particular interest for an increase in Chinese trade flows in the Mediterranean. Xi Jinping was in fact be the first Chinese President to visit the Principality of Monaco and to meet Prince Albert II, a historic meeting between the two countries which further emphasizes the potential for future bilateral cooperation.

The strategic partnership between Italy and China is not limited to the economic, commercial and financial sectors, but extends to cultural, scientific-technological, environmental and tourist collaboration. These sectors, headed by tourism and education, are a cornerstone of the Action Plan for strengthening economic, commercial, cultural and scientific-technological cooperation between Italy and China 2017-2020 signed by Chinese Premier Li Keqiang and the then Prime Minister Paolo Gentiloni in May 2015.

The new Italian relations with China also include people to people exchanges, cultural exchanges and tourism. 2018 was the year of tourism between the EU and China: this initiative, launched in Venice at the beginning of 2018, was aimed at promoting sustainable tourism, stimulating investments, improving connectivity and aviation safety and reducing the requirements for obtaining entry visas between China and EU member states.

In 2018, Italy was the third country in Europe visited by Chinese tourists. China has in fact represented the eleventh country of origin of tourists in Italy with an annual average of five million visitors. The total annual expenditure of Chinese tourists in Italy is around 480 million euros, while the average daily expenditure is 900 euros and includes, to a large extent, luxury goods or services. Although the spending of global Chinese shoppers worldwide has decreased by 4% since 2017, China has contributed 29% of total duty-free spending across Europe.

As regards the education sector, in the 2017-2018 academic year Chinese students represented 9% of the total number of foreign students in Italy, thanks in particular to the exchange programs Marco Polo and Turandot. The faculties that received the largest number of Chinese students were industrial engineering, architecture and construction engineering, design, linguistic mediation, economics and business management. Chinese students have preferred academic institutions in northwestern Italy, particularly

Lombardy and Piedmont. While China ranks third among the nationalities of foreign students in Italian universities after Albania and Romania, it remains the first Asian country of origin of students in Italy, followed by Iran and India.

The BRI has in Italy the historic and geographically natural landing place of its maritime route. For this reason, an absolute centrality assumes the logistics sector and, in particular, ports, as tools to allow a rapid spread of Chinese goods throughout continental Europe. Beijing has secured a direct presence in the Ligurian logistics sector since 2016, through a 49.9% stake in the container terminal at Vado Ligure (40% through COSCO Shipping and 9.9% at the Port of Qingdao), where it is building a new platform that will be operational by the end of 2019. Further interest was demonstrated for the port infrastructures of Genoa and Savona, with the recent visit of members of the Port of Qingdao and with the possible signing in March of an agreement of cooperation with the Chinese Communications Construction Company (CCCC).

On the Adriatic side, there has long been an intense cooperation with Beijing. Trieste is part of the Trihub project, as part of a framework agreement between the EU and China to promote reciprocal infrastructure investments. The China Merchants Group could make new investments in the Trieste port, while the giant CCCC intends to commit itself with a huge financial exposure (amounting to around 1.3 billion euros) in the construction of a high seabed quay in the port of Venice. Also in the Adriatic, in 2018 the China Merchant Group invested 10 million euros in the port of Ravenna with the aim of making the Byzantine city the European hub of naval engineering.

The presence of Beijing within the economic business environment of Italy - the second European manufacture - has steadily strengthened over the last decade, with the entry into the shareholding structure of strategic companies in the country such as Fca, Telecom Italia, Enel, Generali, Ansaldo Energia and Cdp Reti. The most important transaction dates back to 2015, when Pirelli was acquired by China National Chemical. Italy is the third destination of FDI in the EU, with 15.3 billion euros in the period 2000-2018.

The turning point in relations between China and Italy can be traced to the entry of Rome into the Asian Infrastructure Investment Bank (AIIB) in 2015 (together with Germany and France) with a 2.66% share. This partnership is strengthened by an agreement on a previous Memorandum of Understanding for cooperation in third countries negotiated by Undersecretary Michele Geraci in September 2018 which was recently followed by a similar provision in the draft agreement of the current MoU.

Opportunities and challenges are posed for Rome: on the one hand, new Chinese

investments would ensure a push to get out of the stagnation of the national economy and a possible preferential access to the Chinese market, thanks to the strengthening of the infrastructure corridor and a possible increase in exports. Furthermore, the new strategic agreement could foster greater cooperation in different areas with mutual benefits for both parties. For example, a more intense relationship could create the conditions to increase the flow of Chinese tourism in Italy.

On the other hand, the critical points are numerous: China is still not considered a market economy due to the dumping activity practiced on the sale of some products abroad; Beijing often operates in a system of non-reciprocity in the commercial field and in the framework of investments, using different standards from the Western framework and practicing forms of discrimination when entering foreign operators in its market.

However, it should be remembered that on March 15, Beijing approved a new law on foreign direct investment - operational since January 2020 - to try to guarantee a level playing field, to open the country more to foreign capital and to provide greater security for international investors. First, the new law will eliminate the obligation to transfer technology in order to access the Chinese market, with greater penalties for patent infringements and with an extension of the validity of the same from 10 to 15 years. Second, the law provides that foreign investors enjoy equal treatment and access to the market compared to their Chinese competitors, with the exception of those sectors that are blacklisted. The latter, updated in December 2018, details the fields subject to total limitations or prohibitions.

For the moment the risks that Rome runs are different. First of all, the sharing of sensitive elements of its industrial and technological heritage with an actor who seems unable to guarantee adequate conditions of reciprocity. Secondly, given the current public finance conditions, Italy must make a careful analysis of the definition, implementation and management of any projects on the national territory, as well as the financing methods.

Therefore, in the new course of Rome's geo-economic relations, close coordination with European authorities and partners remains central, as it seems to be guaranteed for now by the draft of the MoU. The national interest in a diversification of its economic relations must therefore be pursued in compliance with European standards and regulations, as well as in compliance with the values shared within the framework of historical western alliances.

Overall, the circumstances that made Italy sign a MoU on BRI with China are very peculiar. Certainly, there was a combination of factors that convinced the government

at that time that such a move would be a way forward in bilateral relations, given the strong interest by China for a largest Italian role in both the maritime and the overland trade routes within BRI. The idea was that trade relations could be significantly improved as a result of the MoU, and also that such a decision would put Italy in a position to become a favourite partner within the EU. The various criticisms that were raised at that time (also by myself) insisted on the fact that China aimed at expanding 'total bilateral trade' (with a preference to expand Chinese exports more than Chinese imports), and that an MoU would be no guarantee that things could develop differently. Those concerns were soon confirmed by the lack of any substantial progress in Italian exports and by an increasing tendency by China to pursue different strategies with individual countries in Europe, namely pragmatic cooperation with the 17 (+1) countries, industrial and strategic cooperation with Germany and France, agricultural and cultural cooperation with Italy and other Mediterranean countries.

As regards the changes that BRI will bring to international trade, one has to consider that the BRI aims at giving a comprehensive framework to many of the policy goals that the Chinese authorities have been pursuing over the last few years with the aim to address the various challenges the country faces both domestically and internationally

Among the economic aims of the BRI is reducing trade costs. As the world's biggest trading nation, China's main interest is to reduce the transport costs of shipping its goods abroad, an important part of which is accounted for by time-to-destination. Therefore, not less importantly than other motivations presented above, the BRI aims at reducing transportation time and costs, considering that the EU is China's main trade partner. More specifically, the EU was China's main import partner. in 2015, accounting for 12.5% of total Chinese imports, and the second largest export partner after the United States, as the destination for 15.6% of Chinese exports. The vast majority of these exports (92.3% of the total value) currently travel by sea, leaving very little to air, rail and road transport. Similarly, China is the EU's main import partner, providing 17.6% of total EU imports, and the second largest export partner after the United States, accounting for 9.3% of total EU exports. Almost all EU exports to China (96.4% of total value) travel by sea. Currently, the average shipping time from China to European partners is 730 hours, 20% more than China's average shipping time (about 610 hours, much longer than the world average of 406 hours). Switching to railway transport has great potential for saving transport time: according to data provided by GEFCO, infrastructure construction would reduce railroad travel time from China to Europe to 16-21 days (depending on departure and arrival location), compared to 37-45 days for sea freight, port-to-port.

As China currently faces higher-than-average shipping times and trimming them is an important goal of the projects funded within the BRI, documentation for projects aiming to be approved under the umbrella of the BRI must include statistics on the reduction in travel time and cost expected from project completion. Because such upgrading will affect all cargo plying these transport routes, the BRI is also of interest to countries beyond the designated Silk Road routes.

As one of the main goals of the BRI is to build new transport infrastructures, such as railways, highways, seaports, airports, etc., to connect China with Europe, the transport costs between China and Europe will be significantly reduced. Insofar as missing transport infrastructure acts as a major barrier to trade flows, especially for those countries where infrastructure facilities are more underdeveloped, the BRI's most evident and direct impact will be on the *size* of trade among the countries covered by the initiative. The implementation of the BRI should increase the flow of goods between China and Europe through the reduction of transport costs. This will apply to all bilateral trade in principle, that is, to both Chinese exports to Europe and European exports to China. Assuming the structure of trade follows the historical pattern, both imports and exports will increase. The consequences in terms of net effects on the size of the trade balance between Europe and China, currently showing a trade deficit for Europe, is uncertain. On the one hand, the increase in China's exports of goods to Europe might have a negative impact on Europe's net exports. However, this depends on whether there is still unexploited potential for Chinese goods on European markets. Considering that Chinese goods mostly compete on price and not on quality, the net effect could be an increase in demand for Chinese goods in Europe. On the other hand, recent research shows that Chinese demand is more and more oriented towards foreign goods than domestic goods, and this will likely increase Chinese imports from Europe. Therefore, it is very important that European countries pursue reciprocity in market access with China together with the development of the BRI, so that bilateral trade relations do not grow biased to the detriment of European trade balance.

A further impact of the BRI will be on the routes of international trade. Currently, 60% of China's trade (in value, and a much higher share in volume) travels by sea, due to the lower transport costs associated with international shipments compared to railway transport and to the lack of infrastructure for land transport across Central Asia. To the extent that infrastructure improvement will change the relative cost of seaborne trade compared to shipment by railroad (i.e. it will make it cheaper to ply overland routes than use the current sea-lanes through the Malacca Straits), an additional impact of the BRI

will be on the *routes* and *transport modes* of China's foreign trade.

The countries relying mainly on the export of raw commodities to China (which in turn is their most important trade partner) will not be satisfied with just increasing such business ties, especially given the recent drop in commodity prices. China has tried to allay these concerns by linking construction of Silk Road projects to investments in industries that potentially could export more to China, thus diversifying the host economies.

The dynamics of this relationship, however, are far from a win-win situation. Many countries along the Silk Road (most notably in Central Asia) run a trade deficit with China, and should be concerned that denser and better transportation links with China will result in an even more unbalanced trade balance. Trade between China and the five Central Asian states – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – has already grown dramatically since 2000. In particular, imports from China have grown much more rapidly than exports (mainly natural resources) from these countries, so that now the region has a growing trade deficit with China. Through the BRI, China now wants to build the roads and pipelines needed to ensure smooth access to the resources it imports from the region.

Although there is still no precise information about the cross-border infrastructure projects to be financed under the initiative, from the announcements made so far it is quite evident that most of them aim to increase the prospects for land connectivity between China and Europe. Transportation costs for bilateral China-Europe trade are significantly higher than the world's average. This explains why in some high-tech sectors such as electronics international freight forwarding agencies started early on switching to railroad, e.g. HP started planning to rely solely on railway transport already in 2017 for shipping its made-in-China PCs to Europe. This runs counter to recent trends and near-future expectations, and has prompted shipping agencies and major port authorities to redesign sea-lanes to reduce shipping times and improve the interconnectedness between the ports and the inland railway network.

On the other hand, China's average cost of shipping by sea to European countries is only US\$922 for a 40-foot container, about half as much as China's average shipping cost, while railway transport is three times as expensive as maritime transport. Therefore, switching to railway transportation entails a trade-off between time and cost. Given that it can lead to a large decrease in transit times and the fact that technology now allows for a reduction in railroad costs, the BRI has the potential to become a game changer in international trade by moving large volumes of commerce from sea to land lanes.

Formulating scenarios is not easy, however. While economics acknowledges the importance of efficient and peaceful trade relations in global growth, the understanding of geographic patterns of international trade remains sketchy. The literature has extensively analysed the determinants of individual countries' access to international markets and bilateral trade flows, and has found support for the hypothesis that trade and infrastructure costs are important, but not the choice of transport modes, let alone the efficiency of the global network of trade routes. Furthermore, it is widely acknowledged that in choosing among alternative modes, firms consider predictability in transport costs a valuable feature. Therefore, a further element that can affect the trade-off between cost and time in different transport modes is the high volatility of sea freight rates compared to rail tariffs. This is because sea freight rates depend on the overall trade volumes much more than rail tariffs, which is why sea freight rate volatility has increased dramatically since the beginning of the world trade slowdown associated with the recent economic crisis since 2009.

Investment in infrastructure under the Belt and Road Initiative will increase maritime connectivity and lead to major trade-creating effects. Moreover, international cooperation and partnerships with the financing institutions related to the BRI will make it possible for countries to afford the financial outlays required by infrastructure investment, something that they are unable to do individually. International cooperation is also required to create incentives for shipping companies to serve destinations that are currently not profitable. Besides building infrastructure to improve land routes, the BRI also aims at intensifying trade along existing sea-lanes as well as improving access to the sea for land-locked countries.

Maritime connectivity is particularly important because maritime transport is at the core of international trade in merchandise. According to UNCTAD, around 80% of the volume of goods traded in the world travels by sea.

Maritime transport has become the dominant mode of transport in international trade following what has been called "the effects of the container revolution on world trade", i.e. an exponential intensification of containerised transport services. Containerisation allows exporters and importers from far away countries to trade with each other, even when individual trade transactions are not large enough to justify bearing the cost of individual shipments. Today, global container shipping services allow all countries to be connected to each other, either directly or indirectly, through transshipment services, facilities and hubs. Containerisation has been the single most important revolution in world trade over the last 20 years, with cumulative effects on trade creation that are much

larger than GATT membership; with regard to North-North trade, containerisation increased trade by 790%, more than twice the effect of GATT membership (285%).

With the exception of China, developing countries are still far below their potential in terms of connectivity, particularly maritime connectivity, with only half of the average number of direct maritime connections (i.e. without transshipments) of developed countries. This situation persists, despite their growing share in seaborne trade, which rose from 18% to 56% of the world total between 1970 and 2010, according to UNCTAD. Recent literature has emphasised the importance of maritime transport connectivity and logistics performance (most notably, ports efficiency) as very important determinants of bilateral trade costs¹³. Together they are a more important source of variation in trade costs than geographical distance, particularly for trade relations involving developing countries. Some UNCTAD research has recently found that the existence of a direct maritime connection (and not simply of maritime connectivity per se) plays an important role in determining trade costs. The absence of a direct connection is associated with a drop in exports value of 55% and any additional transshipment is associated with a drop in exports value of 25%.

Trade creation along the Belt and Road will occur through two major channels: on the one hand, through the expansion of trade ties between pairs of countries that are already important trade partners, facilitated by the decrease of transport costs and trade barriers; on the other hand, through new trade routes that will unlock potential trade ties among hitherto mutually isolated trading partners.

The main trade creation effect of the BRI will work through the reduction in transportation costs (especially railway and maritime), which should boost trade both between China and Europe and among Belt and Road transit countries, especially the landlocked ones. As there is no comprehensive information available on the improvements to infrastructure or the construction of new infrastructure, it is difficult to estimate how much transportation costs will be reduced. One recent study by Garcia-Herrero and Xu used information on the few finalised projects, such as the Yuxinou Railway (from Chongqing to Duisberg), which allows a 50% reduction in transportation time. In the case of maritime transport, the cost savings stem from increased port efficiency, of which only a few examples already exist, such as the Qingdao port, where transportation costs are expected to decrease by about 5%. Accordingly, the authors apply a 50% reduction in railway transport costs and 5% reduction in sea transportation costs over the whole area covered by the project and estimate that a 10% reduction in transportation costs throughout the BRI countries will foster an increase in trade by 1.3%. While the exercise

is interesting, these estimates are severely biased in at least two important aspects. First, it is very arbitrary to generalise that there will be a similar reduction in transport costs for all bilateral trade relations throughout the countries involved, even more so when such a wide gap exists between the improvements across land and sea-lanes. Second, building new road and railway infrastructure could divert some trade from sea-lanes to land routes.

Whatever the precise figure might be, Italy holds a strategic position in the overall BRI as a terminal point in southern Europe. Several major port authorities in China have been actively looking for partnerships with Italian counterparts. For example, the Shanghai-Basel shipping time would be reduced by an estimated time of seven days (out of an average shipping time of 40 days), by travelling through either the Adriatic or the Tyrrhenian sea to the north of Italy, instead of travelling to Rotterdam through Gibraltar, and this could significantly alter the relative convenience between rail and sea trade. In this regard, an improvement in Italian port efficiency and interconnectedness between the ports and the inland railway network would significantly increase the chances that seaborne trade maintains some attractiveness compared to railway transport in the trade-off between time and cost.

A further trade-creation effect is likely to take place through new trade routes that will unlock potential trade ties with new trading partners. The most unexploited potential trade seems to be between Central Asian countries and their largest neighbouring economies, i.e. China and Europe. Central Asia is a fast-growing emerging region, with promising demographic (with a projected 4.45% of world population by 2030) and economic prospects (4% average GDP growth projected through 2017) (World Bank Global Economic Prospects). Poor connectivity and expensive logistics rank high in the list of factors that act as obstacles to growth, because all of the countries (except Pakistan) are land-locked. Pakistan has in fact the highest potential, and its economy is projected to become 16% larger than Italy's by 2050 according to PwC. At the other extreme, Uzbekistan is one of the only two countries in the world that are "double landlocked", i.e. surrounded entirely by one or more landlocked countries and requiring the crossing of at least two national borders to reach a coastline.

As already indicated, improving infrastructure across Central Asia would increase connectivity and will allow the region to exploit further trade potential with both China and the EU, its main trading partners. Currently, the EU shows much higher import and export values than China's trade with the region, but the STANs' imports from China have been growing very rapidly since 2010, so the region's trade balance with China

has progressively deteriorated. Better infrastructure will intensify trade with China, with the STANs selling fairly similar goods and therefore expected to face even stronger competition with one another in the region in the future. This is partly a source of concern for the STANs as a group, as it could lead to an excessive dependence on China for consumption and capital goods.

Some Central Asian countries – most notably Kazakhstan – are part of other regional initiatives, such as the Eurasian Economic Union, an economic union of five states in northern Eurasia (Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan), which might become a competitor in the global economic space. However, the trade complementarity of these countries vis-à-vis one another is rather low (according to UNCTAD) (i.e. their export profiles do not match the import profiles of any others within the group), which means that a preferential trade agreement would not lead to any significant trade expansion or creation, and at the same time would not divert any of the trade of these Central Asian countries with other major trade partners.

BRI is likely to have long-lasting and deep implications for international economic and political relations, by becoming a true game changer. The BRI might change the major routes of international trade, which currently travels mainly by sea, in favour of overland routes. The changing network of international trade routes will have profound implications on the geopolitical relations between China and Europe, between China, Central Asia and Russia, and also within the whole Pacific region, to the extent that the major corridors of current seaborne trade of goods, mineral oils and gas will probably shift westwards away from the South China Sea towards the Middle Eastern lanes.

Chapter 7

China's Search for Convergence of Economic and Security Outcomes: Functional Security Cooperation in Eurasia

MASUDA Masayuki

Introduction

The Belt and Road Initiative (BRI) has been geared towards encouraging greater economic connectivity between China and neighboring regions. China's trade relations with Southeast Asian countries, especially Indonesia and Vietnam, have deepened rapidly in recent years. In 2017, the growth rate of trade between Central Asian countries and China increased by 19.8 percent year on year.¹ Underpinning this surge was the commissioning of the oil and natural gas pipelines from Central Asia to China and its rising energy trade with Kazakhstan and Turkmenistan. The development of highways and railways and the expansion of distribution networks also contributed to increasing commodity trade between China and the region.

With this improving connectivity, China has come to perceive protecting critical infrastructure as a major security issue, namely, infrastructure of the energy, transport and logistics, and communication sectors which are the bedrock of connectivity improvement. Chinese President Xi Jinping has referred to “key issues,” such as risk management and safety relating to the BRI project, emphasizing that “high attention must be paid to forestalling risks overseas,” not only those in China, and that “every effort must be made to comprehensively improve capacity to respond to overseas safety and risks.”²

However, China cannot tackle overseas risks alone. Risks cannot be addressed

¹ 程晓波 [Chen Xiaobo], ed., “一带一路”贸易合作大数据报告2018 [*Big Data Report on Trade Cooperation under the Belt and Road Initiative 2018*] (国家信息中心“一带一路”大数据 [Belt and Road Big Data Center of the State Information Center] and 大连瀚闻资讯有限公司 [Sinoimex], May 2018), p. 68.

² 赵超 [Zhao Chao] and 安蓓 [An Bei], “坚持对话协商共建共享合作共赢交流互鉴 推动共建‘一带一路’走深走实造福人民 [Efforts to Uphold Dialogue and Consultation, Joint Contribution, Shared Benefits, Win-win Cooperation, Exchanges and Mutual Learning, and to Promote the ‘Belt and Road’ Bringing More Happiness to the People],” 人民日报 [*People's Daily*], August 28, 2018.

without coordination and cooperation with other countries and regions. At the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) held in Shanghai in May 2014, Xi Jinping called for efforts to “foster sound interactions and synchronized progress of regional economic cooperation and security cooperation,” noting that, “China is ready to discuss with regional countries the creation of an Asian forum for security cooperation in law enforcement and an Asian security emergency response center.”³

Security cooperation in this context may be considered functional cooperation. Functional cooperation is established as necessary among actors sharing interests in order to tackle common security issues and is characterized by highly practical cooperation in the security field. Moreover, it can be construed that China, which had viewed security cooperation as an “alliance cooperation versus regional cooperation” or “bilateral versus multilateral” dichotomy, is pursuing functional cooperation in this sector as a new approach to international security.

This chapter sheds light on the situation of China’s new initiatives for security cooperation from the perspective of functional cooperation. In doing so, it aims to obtain hints regarding the future outlook of Chinese security cooperation.

Can Military Muscle Serve as an Effective Means?

China’s increasing “overseas interests” accompanying the expansion of the BRI project has been emphasized domestically, and the Chinese government was required to engage in new initiatives. As Premier Li Keqiang noted, the Chinese government would “move faster to strengthen our capacity for safeguarding China’s overseas interests.”⁴ As was noted at the beginning, Xi Jinping, too, referred to “key issues” such as risk management and safety relating to the BRI project, noting that “high attention must be paid to forestalling risks overseas” and that “every effort must be made to comprehensively improve capacity

³ 习近平 [Xi Jinping], “坚持合作创新法治共赢 携手开展全球安全治理 [Adhering to Cooperation, Innovation, the Rule of Law and Win-win Results and Promoting Global Security Governance]” (September 26, 2017), 习近平 [Xi Jinping], 论坚持推动构建人类命运共同体 [On Building a Human Community with a Shared Future] (Beijing: 中央文献出版社 [Central Party Literature Press], 2018), p. 488.

⁴ 李克强 [Li Keqiang], “政府工作报告 [Report on the Work of the Government]” (March 5, 2016), 中共中央党史和文献研究院 [Party History and Documents Research Office of the CPC Central Committee], ed., 十八大以来重要文献选编 (下) [Selected Important Documents Since the 18th Party Congress, Vol. III] (Beijing: 中央文献出版社 [Central Party Literature Press], 2018), p. 283.

to respond to overseas safety and risks.”⁵

In the international community, China's expanding military presence is often discussed as one of its response measures. For example, in the *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018* released by the U.S. Department of Defense, the BRI is mentioned together with the following observation. “The growth of China's global economic footprint makes its interests increasingly vulnerable to international and regional turmoil, terrorism, piracy, serious natural disasters and epidemics.” The result of this vulnerability is the need for the People's Liberation Army (PLA) to respond to such threats, and there is a possibility that China could access infrastructure that would “allow it to project and sustain military power at greater distances.”⁶

However, many experts in China understand that the role of the military will remain limited in regard to responding to security risks relating to safeguarding overseas interests — the BRI project in particular. They give the following reasons: (1) the PLA's power projection capability is limited and it lacks overseas outposts (in addition, it is difficult to resolve this issue quickly); (2) military power and the military are not necessarily suitable means for safeguarding overseas interests; and (3) the international community has suspicions over the PLA's overseas deployment. Furthermore, it is difficult to unilaterally deploy the military if most of the critical infrastructure exist on land and are not located in China.

Law Enforcement Cooperation: The Case of the Lianyungang Forum

Risk response has urgency, leading China to strengthen its initiatives for functional cooperation. Something that is gaining particular attention is China's moves to engage in functional cooperation in the field of law enforcement on the Eurasian continent. In September 2015, representatives of law enforcement agencies of 12 countries, including China, together with representatives of the Regional Anti-Terrorist Structure (RATS) of the Shanghai Cooperation Organization (SCO) and the International Criminal Police Organization (INTERPOL), met in the port city of Lianyungang in China's Jiangsu Province to hold the “International Law Enforcement Cooperation

⁵ Zhao and An, “Efforts to Uphold Dialogue and Consultation.”

⁶ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018* (Washington D.C.: U.S. Department of Defense, 2018), pp. 111-112.

Forum on Secure Corridor of the New Eurasian Land Bridge” (Lianyungang Forum). The participating countries and organizations confirmed their shared goals as being to move to institutionalize the forum, responding to cross-border crime and terrorism, and reasserted a common vision to seek to construct a practical cooperation mechanism and improve response capacity.

Thereafter the Lianyungang Forum moved quickly towards being institutionalized. The annual meeting became a regular event and when the second annual meeting was held in September 2016 it was attended by 31 countries and three international organizations, with the level of participation also being raised to the vice-ministerial level. The third annual meeting in December 2017 was attended by 33 countries and three international organizations and the September 2018 fourth meeting saw representatives of 30 countries and four international organizations gather in Lianyungang.

From the third meeting onwards the forum members started to discuss the modalities for cooperation on more specific issues. During the third meeting, eight countries — China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, and Myanmar — held the First International Cooperation Conference on Transnational Oil and Gas Pipelines Security and issued a joint statement. The statement confirmed that the participants had reached consensus on: (1) establishing an international cooperation platform for transnational oil and gas pipeline security as a mechanism of the Lianyungang Forum and holding annual meetings; (2) building mechanisms for regular consultations, information exchanges, risk assessment and emergency response, and mechanisms to facilitate cooperation between law enforcement agencies and companies; (3) conducting bilateral and multilateral joint enforcement actions as well as joint exercises as appropriate and establishing offices to enable cooperation between police forces and companies in critical areas for pipeline flow; and (4) strengthening the security capacity building and cooperation for transnational oil and gas pipeline protection.

China expressed its willingness to provide assistance for capacity building.⁷ At the fourth meeting in 2018 a Ministerial-level Round-table on Building Law Enforcement Capacity towards the Future was held, resulting in the formation of consensus at a high level. At the fourth meeting a sub-forum at the director-general-level on international

⁷ “连云港论坛：暨首届跨国油气管道国际安保合作会议共同声明 [Lianyungang Forum: Joint Statement of the First International Cooperation Conference on Transnational Oil and Gas Pipelines Security],” December 11, 2017.

cooperation among law enforcement agencies was held, which agreed to establish a director-general-level liaison mechanism relating to international cooperation.⁸ It was also agreed to establish a governing board and executive committee for the forum, thus further advancing its institutionalization. An exhibition was also held in tandem with the forum, which provided an opportunity for business talks on police equipment, including for use in counter-terrorism activities, as well as safety equipment.⁹

In May 2017 the Chinese police authority provided training under the Lianyungang Forum to police officers from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Belarus.¹⁰ From the end of June to July 2018 specialized training on safety for pipelines was conducted at the Lianyungang City Police Training School for specialists from Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, and China.¹¹ Up until September 2018 more than 30 training courses for overseas police officers had been conducted, with a total of more than 400 participants.¹²

Implication of China's Functional Security Cooperation ***Security Cooperation Regulated by Economic Relations***

At the Fourth Summit of CICA held in Shanghai in May 2014, President Xi Jinping called for efforts to “foster sound interactions and synchronized progress of regional

⁸ 陶莎 [Tao Sha] and 莲宫轩 [Lian Gongxuan], “第四届连云港论坛昨闭幕 [The Fourth Lianyungang Forum Closes Yesterday],” 连云港日报 [*Lianyungang Daily*], September 14, 2018.

⁹ 莲宫轩 [Lian Gongxuan], “连云港论坛：践行弘扬‘上海精神’分享‘平安中国’经验 [Lianyungang Forum: Practicing and Advancing the ‘Shanghai Spirit’ and Sharing the Experience of ‘Peaceful China’],” 江苏法制报 [*Jiangsu Legal Daily*], June 20, 2018; “第四届‘连云港论坛’ 警用装备和公共安全产品博览会 [The Fourth Lianyungang Forum Police Equipment and Public Security Products Expo],” 中国安全防范技术与应用 [*China Security Protection Technology and Application*], No. 3 (2018), p. 4.

¹⁰ 谭晓平 [Tan Xiaoping] and 张弛 [Zhang Chi], “五国外警相聚港城‘连云港论坛’ 再谱新篇 [Police Officers from Five Countries Gather Together in a Port City, ‘Lianyungang Forum’ Writes a New Chapter],” 大陆桥视野 [*New Silk Road Horizon*], No. 5 (2017), pp. 22-24.

¹¹ 赵恩泽 [Zhao Enze], “2018新亚欧大陆桥安全走廊跨国油气管道安保研修班在连开班 [2018 Secure Corridor of the New Eurasian Land Bridge Transnational Oil and Gas Pipelines Security Training Held in Lianyungang],” 人民网 [*People's Daily Online*], June 28, 2018; 石杨 [Shi Yang] and 赵家新 [Zhao Jiaxin], “驿路祥云：深耕国际执法合作‘朋友圈’ [Cloud of Fortune over the Post Road: Circle of Friends Deepens through International Law Enforcement Cooperation],” 人民公安报 [*China Police Daily*], September 12, 2018.

¹² 张敏娇 [Zhang Minjiao], “30国齐聚连云港论坛：加强国际执法安全合作 共同提升执法能力 [30 Countries Gather at the Lianyungang Forum: Strengthening International Law Enforcement Cooperation and Jointly Improving Law Enforcement Capacity],” 现代世界警察 [*Modern World Police*], No. 10 (2018), p. 12.

economic cooperation and security cooperation,” noting that, “China is ready to discuss with regional countries the creation of an Asian forum for security cooperation in law enforcement and an Asian security emergency response center.”¹³ Quick to respond to these comments was the Lianyungang Municipal Public Security Bureau, from a city that serves as a logistics hub for the BRI. The Lianyungang Municipal Public Security Bureau proposed the establishment of an international forum to higher authorities, given what it perceived as the increasing security-related pressures brought on by advances in the construction of the BRI.¹⁴ This proposal was approved by the Ministry of Public Security and other central authorities, leading to the establishment of the Lianyungang Forum.

The major countries to which China has provided law enforcement cooperation through the Lianyungang Forum to date have been predominantly the countries of Central Asia that are directly linked by oil and natural gas pipelines. Wang Yongsheng, then Deputy Mayor of Lianyungang and Chief of the Lianyungang Municipal Public Security, has stated that in the future in addition to pipeline safety, practical cooperation will be expanded to also include rail logistics and port security as priority areas.¹⁵ If that is the case, there is a high possibility that the countries and regions that receive law enforcement cooperation under the auspices of the Lianyungang Forum will expand in the future as connectivity improves in the areas for cooperation.

China's Perspective on Security Cooperation

Most functional cooperation in the security field have been led by powers with capabilities to respond to the respective issues. For example, in the areas of humanitarian assistance and disaster relief (HADR), the United States has restructured the Cobra Gold military exercise conducted with Thailand into functional cooperation since 2005. The United States has also expanded counter-terrorism dialogues and trainings with partner countries. Japan, too, has promoted functional cooperation in the areas of disaster relief and disaster risk reduction as well as counter-piracy measures. While such functional

¹³ 习近平 [Xi Jinping], “积极树立亚洲安全观、共创安全合作新局面 [Proactively Build Asian Security Concept and Work Together for a New State of Security Cooperation]” (May 21, 2014), 习近平 [Xi Jinping], *On Building a Human Community with a Shared Future*, p. 114, 116.

¹⁴ “连云港论坛从创意构想到创新实践 [Lianyungang Forum: From Creative Ideas to Innovative Practices],” 连网 [*Lianyungang News*], December 7, 2017, <http://www.lyg01.net/dpt/jj/2017/1207/96858.shtml> (accessed March 12, 2019).

¹⁵ “连云港市副市长王永生谈连云港论坛 [Lianyungang Deputy Mayor Wang Yongsheng Talks about the Lianyungang Forum],” 人民网 [*People's Daily Online*], October 30, 2018.

security cooperation is not necessarily carried out through alliances, many experts and strategists in China have viewed functional cooperation with a critical eye, noting that it no more than expands alliance cooperation or offers limited benefits to the international community.

In recent years, however, Chinese scholars have begun to present the view that functional security cooperation promoted by the United States and Japan is a “flexible and effective method of external cooperation” for providing (some) public goods and expanding influence.¹⁶ A Chinese official has stated as follows. Wang Xiaohong, Vice Minister of Public Security, sought an overall enhancement of practical cooperation in each field through international law enforcement cooperation, noting that China will strengthen provision of trainings for overseas police and “perpetually increase the international influence of Chinese public security operations.”¹⁷ Functional cooperation is practical cooperation tailored to an issue or function and is not an exclusive arrangement. China's commencement of functional cooperation in the security front signifies China's superiority in this field and may infer China's understanding of and development of linkages with functional cooperation led by other powers. In this context, we should give attention to China's functional cooperation in the security field.

¹⁶ See, 贺平 [He Ping], 区域性公共产品与日本的东亚功能性合作 [*Regional Public goods and Japan's Functional Cooperation in East Asia*] (Shanghai: 上海人民出版社 [Shanghai Renmin Chubanshe], 2019).

¹⁷ 田海军 [Tian Haijun] and 石杨 [Shi Yang], “深入学习贯彻习近平外交思想 全面提升新时代公安国际合作工作能力水平 [In-depth Study and Implementation of Xi Jinping Thoughts on Diplomacy: Comprehensively Elevate Capabilities in International Public Security Cooperation in the New Era],” 人民公安报 [*China Police Daily*], March 3, 2019.

Annual Meetings of the Lianyungang Forum: 2015-2018

	First	Second	Third	Fourth
Month & Year	Sep.2015	Sep.2016	Dec.2017	Sep.2018
	12 countries, 2 international organizations	31 countries, 3 international organizations	33 countries, 3 international organizations	30 countries, 4 international organizations
Participating Countries	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Angola, Austria, Bulgaria, Belgium, Bosnia and Herzegovina, Germany, France, Fiji, Ghana, Czech Republic, Georgia, Kenya, Estonia, Latvia, Lithuania, Romania, South Africa, Nigeria, Serbia, Slovakia	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Angola, Bosnia and Herzegovina, Germany, Fiji, Latvia, Nigeria, Serbia, Argentina, Pakistan, Ecuador, France, Cambodia, Madagascar, Mongolia, Bangladesh, Myanmar, Portugal, Japan, Saudi Arabia, Sri Lanka, Spain, Iran, Indonesia	(Not announced)
Participating International Organizations	Shanghai Cooperation Organization Regional Anti-Terrorist Structure (SCO-RATS) International Criminal Police Organization (INTERPOL)	SCO-RATS INTRPOL European Police Office (EUROPOL)	SCO-RATS INTERPOL Lanchang-Mekong Integrated Law Enforcement and Security Cooperation Center (LMLECC)	SCO-RATS INTERPOL EUROPOL LMLECC
Composition of Annual Meeting (Major components)	(1) Plenary meeting (2) Police Equipment and Public Security Facility Exhibition (3) Observation of Anti-terrorism Emergency Drill	(1) Plenary meeting (2) Police Equipment and Public Security Facility Exhibition	(1) Plenary meeting (2) First International Cooperation Conference on Transnational Oil and Gas Pipelines Security (3) Police Academy Presidents Sub-Forum (4) Think Tank Sub-Forum (5) Police Equipment and Safety Facility Exhibition	(1) Plenary meeting (2) Round-table on Building Law Enforcement Capacity towards the Future (ministerial level) (3) Sub-forum at the director-general-level on international cooperation among law enforcement agencies (4) "Cooperation for Security, Security for Prosperity" Sub-Forum (5) Police Equipment and Safety Facility Exhibition
Major Outcomes	Five-point Joint Vision	Five-Point Action Plan	(1) Joint Statement of the Lianyungang Forum (2) Joint Statement of the First International Cooperation Conference on Transnational Oil and Gas Pipelines Security (eight countries)	
Notes		Raised to vice-ministerial level		Participation of ministerial-level delegates

Source: Masuda Masayuki, "China's Eurasian Diplomacy: Regionalism, Balancing, and Pragmatism," *NIDS China Security Report 2020: China Goes to Eurasia* (Tokyo: National Institute for Defense Studies, 2019), p. 24.

Chapter 8

The Military Drivers of the Belt-and-Road Endeavor: Expanding the Global Reach from Land Mass to the Maritime Domains

You Ji

The Belt-and-Road-initiative (BRI) literature in the West largely concentrates on its geostrategic implications, especially the BRI effect of reshaping the geo-political order in the Euro-Asian-African continents. So far few papers have been written from the angle of its military driver.¹ This article will explore the BRI's military connotation in the context of global geostrategic rivalry. In fact, the whole idea of westward expansion now underlining the BRI originated from the People's Liberation Army's wary about China's vulnerable geo-strategic environment along its eastern flank in the 1990s: another Korean war triggered by the nuclear crisis in the Peninsula or a Taiwan war due to declared independence would see the country's costal line completely concealed if the U.S. gets involved militarily. Search of an alternative strategic path in the west geographic direction became a hot topic of security debate among PLA generals, e.g., on how to cope with the two island chains in the West Pacific.² Their concern later deepened as they learned that America's AirSea Battle war planning specifically identified sea blockade as a cost-effective option in subduing China once a major Sino-U.S. armed conflict took place.³

¹ On the western BRI literature on its geostrategic aspects, see for instance, Nordin, Astrid, and Weissmann, Mikael, "Will Trump make China great again? The belt and road initiative and international order", *International Affairs*, Vol. 94, No. 2 (2018). Serafettin Yilmaz & Liu Changming. "China's BRI Strategy in Eurasia and Euro-Atlanticism", *Europe-Asia Studies*, Vol. 70, No. 2 (2018). On military analysis of the BRI, see for instance, Lyle Goldstein, "China's 'One-Belt One Road' is a Big Deal. So What is the Role for Beijing's Military?", *National Interests*, February 2017; Andrew Scobell and Nathan Beauchamp-Mustafaga, "The Flag Lags but Follows: the PLA and China's Great Leap Outward", in Phillip Saunders, et al, (eds.), *Chairman Xi Remakes the PLA: Assessing China's Military Reform*, National Defense University Press, 2019.

² Senor Colonel Li, Jie and Liu, Weixing, "The strategic status of the islands chains and their impact", *Journal of the PLA National Defence University*, no. 12 (2000).

³ Jeffery Kline, "Between Peace and the Air-Sea Battle: A War at Sea Strategy", *The Naval War College Review*, Vol. 65, No. 2, 2003, p. 36.

Conceptualizing the BRI's Geostrategic and Defense Context

The international debate about the nature of the BRI has created an interesting dichotomy in the BRI study: the Chinese scholars enshrine the economic benefits of the initiative while their counterparts outside China mostly talk about the BRI's revisionist implications. This paper sets its main thrust of argument along the lines of the BRI's military connotations, since security/defense dynamics are highly relevant to the BRI studies. The logic is simple: most large countries evaluate the BRI from the geo-strategic and security lenses (e.g., the political cost of participation) prior to their economic calculus.⁴ It is the geostrategic tug-of-war between the supportive and opposing camps that will determine the extent to which the BRI achieves its desired outcome. Presently the war of words concerning the BRI is thus more geo-political than economic.

The BRI's inherent military effects

Over time, the BRI's military dimension would gain greater currency in this geostrategic conundrum. The Sino-U.S. contention has moved into an upward spiral with Washington's strategic depiction of China as a peer rivalry. Their seesaw battle over the BRI will deepen with a military agenda, currently hidden.⁵ Therefore, the BRI's geostrategic/military impact on the major power relations will become increasingly heavier. For instance, its encounter with the Indo-Pacific Strategy (IPS) may effectively alter the basic security structure in the Indo-Pacific, which would in turn galvanize natural backlash from great powers. Under pressure, Beijing cannot achieve its BRI objectives without a decent level of geo-political support from the stakeholder countries. In addition, China will formulate ways and means to offset the disruptive acts from the other camp, including employing the military power to protect its global economic reach. Then the PLA's BRI involvement becomes inevitable, either from the behind-the-scene BRI policy-making or in front in the BRI implementation.

Beijing's promotion of the BRI is replete with contradictory signals. It has officially depicted the BRI as an *initiative*, not a grand strategy, nor a state foreign economic policy. It is hopeful that a low-key depiction would help lessen international doubt about the

⁴ Speech by Dr. Giorgio Cuscito, Editorial board member of Italian Review of Geopolitics, to *The Italian Geopolitical Annual Conference*, Genova, 8-9 March 2019.

⁵ The U.S. strategic depiction of China as its peer and strategic adversary in its National Security Report and its National Defense Report in 2017 heralds such a tendency and the two reports proposed strong countermeasures against the BRI. *U.S. National Security Strategy and National Defense Strategy*, Washington D.C., November 2017.

BRI intent. Yet Beijing has also taken a high profile in propagandizing the BRI. The two world BRI summits hosted by Xi personally in 2017 and 2019 have expressed Beijing's defiance against external oppositions led by Washington. This may have deepened the reservation towards the BRI by some countries, such as India.⁶ Domestically the way the government apparatus mobilized to carry out the initiative resembles the practice of pre-reform days when the top-down imposition of a leader's will was relentlessly inflicted upon the population. Xi may see vigorous BRI mobilization a necessity to tackle China's bureaucratic immobility but the outcome of mobilization may be problematic, indicated by the rising internal doubt about the BRI. Refraining from evaluating the elusive BRI intentions, this paper holds that it is plausible to assess the likely BRI effects with the instruments of international relations theories, such as geopolitics and geo-economics. For instance, the BRI's unfolding induces tangible changes in the balance of power in the Eurasian regions. This order-reshaping outcome exposes its divisive power, as seen, for instance, by the EU disunity over a consensual response. The international suspicion is natural for both the BRI adversaries and the recipients of BRI investments. The former concentrates on Beijing's strategic intention in promoting the BRI vis-a-vis the West's dominant positions in the world. The latter is wary about their interaction with China in asymmetry.

The geopolitical and military nexus

The BRI is rooted in geography of critical regions of many flashing points that are enmeshed with geostrategic rivalry of major powers. The military dynamics are thus genuine affecting BRI evolution. This has provided a good case for us to study the nexus of physical geography and military geography, which is essential to our understanding of state behavior, armed conflicts and militarization as both geographically constituted and geographically expressed.⁷ The BRI confronts the militarily-related matters one way or another in its entire course of development.

At the present, the BRI's military component may be more hypothetical than tangible, as it is not evident in Beijing's open statements, nor visibly shown by the on-going BRI projects. A few known cases, such as the China-Pakistan Economic Corridor (CPEC)

⁶ Amitendu Palit, "India's Economic and Strategic Perception of China's Maritime Silk Road", *Geopolitics*, Vol. 22, No. 2 (2017), p. 292.

⁷ Matthew Rech, et al, "Geography, Military Geography, and Critical Military Studies", *Critical Military Studies*, Vol. 1, No. 1 (2015), p. 47.

and its Gwadar Port construction, have military implications. Yet it is dubious to define them as BRI endeavors. First, their launch was far predated the BRI. For instance, Li Keqiang officially announced the CPEC in May 2013 during his visit to Pakistan, five months earlier than that of the BRI, and no mention was made in connecting the CPEC and the BRI. The construction of the Gwadar Port started in 2002 and the Hambantota Port in 2007. The Chinese or non-Chinese interlocutors later put them into the BRI basket for different reasons. To the former it is a statement of political correctness. Yet the CPEC inclusion in the BRI has unnecessarily turned the controversies of the generic project affecting Sino-Indian relations to be BRI controversies that galvanize a military interpretation of the BRI, especially if the project acquires features of troop presence in the future.

Objectively the BRI's military relevance lies in the civil-military dual use in some BRI projects. For instance, China's railway project to link Kathmandu with its BRI rail networks in the Himalayas will greatly quicken the PLA's troop transportation to the zone of battles along the Sino-Indian borders. The same can be inferred to the upgrade of the Sino-Pakistan Karakoram Highway in the second stage of the CPEC construction, which will link the Gwadar Port to the Gwadar-Dalbandin railway, another BRI project.⁸ Once completed, it will also raise transport efficiency of both countries with a potent effect on Sino-Indian defense posture. Yet as of today, the BRI's military significance may have been over-stretched. Most of the dual use projects now under world scrutiny are still at an early stage of construction. It is therefore unclear whether they would indeed acquire military functions later and how they are used militarily. Sir Lanka openly denied that its ports under BRI construction would be put into military use in the future. At a geostrategic level, however, the BRI's relevance to military geography is inherent, as seen below.

The first is the precarious security environment in which the BRI is unfolding. In the post-Cold-War era, a deadly triangle has deepened along the route of today's BRI and poses grave risks to BRI undertakings.⁹ 1) Vigorous economic growth in Eurasia places increasingly greater stress on the supply of resources and safe transportation. 2) Various maritime territorial disputes threaten the sea-lanes of communications (SLOCs) throughout China's 21st Century Maritime Silk Road (MSR), a key part of the BRI.

⁸ Qian Feng, "India is the largest obstacle in the BRI's southward expansion", *Guogang Zhiku*, 26 March 2019.

⁹ Kent Calder, *Asia's Deadly Triangle-How Arms, Energy and Growth Threaten to Destabilise Asia Pacific*, London: Nicholas Brealey Publishing, 1996.

And 3) the combination of the first two has generated action/reaction dynamics of arms building-up in the Indo-Pacific. Military conflicts loom large if the territorial strife and SLOC disruption occur. In addition, other forms of non-traditional security challenges have become entrenched, such as piracy and maritime terrorism.

The second linkage is the PLA's responses to the allied intervention in Indo-Pacific geopolitics. Beijing has to factor in potential military challenges in planning the long-term BRI expansion. For instance, the BRI could be affected by Sino-U.S. militarized interaction over the freedom of navigation operations (FONOPs) in the South China Sea (SCS), one of the chocking-points for the MSR.¹⁰ Furthermore, the Indian Ocean has become the crux for the MSR's success in the context of India's negative attitudes towards the BRI.¹¹ China's SLOC safety is a key geostrategic determinant for the MSR and is of great geo-military significance in foreseen circumstances.

The BRI's Military Connotations

The above-mentioned military risks underscore the PLA's BRI commitment, although empirically hard evidence is scant to show it. The PLA has struck a meticulous balance between keeping a low key in BRI rhetoric to match Beijing's diplomatic depiction of the BRI as an economic pursuit and lauding a voice to back Xi's initiative and leadership. Overall, embedding BRI protection in the PLA's international agenda has been inseparable part of PLA contribution to the BRI.¹²

Conceptualizing the BRI's military relevance

Conceptually the PLA has emphasized the Clausewitz notion that "war is consisted of two distinctive forms of activities – preparation for war and conduct of war".¹³ This conceptually establishes the PLA's relevance in regard of the hostile scenarios along the BRI routes. Practically the PLA's BRI participation can be viewed to be two-layered, although for the time it is indirect or as part of a larger military modernization drive.

¹⁰ You Ji, "Sino-US "Cat-and-Mouse" Game Concerning Freedom of Navigation and Overflight", *Journal of Strategic Studies*, Vol. 39, No. 5-6, 2016.

¹¹ You Ji, "Indian Ocean: A Grand Sino-Indian Game of 'Go'", in David Brewster (ed.), *India and China at Sea: Competition for Naval Dominance in the Indian Ocean*, Oxford University Press (2018).

¹² Major General Pi Mingyong, "The Significance of the BRI entering Africa and China-Africa Security Cooperation", *China Military Science*, No. 4, 2018, pp. 84-88.

¹³ Michael Howard and Peter Paret (eds.), *On War*, Princeton University Press (1989), p. 179.

The first layer is reaction-oriented: to offset potential military disruption of China's global geo-economic reach-out in general and its BRI expansion in the troubled regions in particular. The PLA has engaged in low-intensity combat in these areas in terms of anti-terrorist operations and humanitarian relief, e.g., its naval operations in the Gulf of Aden. The second layer is the PLA's accelerated transformation to fight the future wars, which incorporates the generic strategy of long range power projection based on required capabilities. A global military would thus meet the demands of BRI safeguard. PLA participation in the top BRI decision-making process is seen as an essential guarantee for smooth BRI policy implementation.¹⁴

Related to this is the BRI's military relevance that can also be understood in two dimensions. The first is the PLA's expansion of its traditional and normal zones of combat activities in the context of BRI expansion. The second is about the PLA's scenario plans against possible scaled BRI disruptions, committed by state actors. These plans prescribe how combat engagement should be mounted against major powers' military hostility to the BRI. For instance, Pentagon has inclination of employing military superiority to subdue its opponents. Leveraging hard-power pressure is America's effective weapon of influence in world politics and an inherent part of the U.S. adversary strategy towards the BRI.¹⁵ Both, however, would affect the PLA's course of force transformation under a new set of geo-strategic-economic conditions.

The military precursor of the BRI

As mentioned earlier, the BRI's westward expansion underlines China's civil-military wary of SLOC vulnerability and reflects one of the original BRI ideas, more than 25 years ago. As true to any large trading nation, smooth seaborne transport is China's economic lifeline with tremendous national security consequences. Since 1949, the scenario of a Taiwan war has been on top of the PLA's list of its four future war scenarios.¹⁶ In this scenario, the U.S. blockade of China's east flank would cut off its waterways to the ocean

¹⁴ Senior Colonel Cao Yang and Lin Song, "Thought on the effective safeguard of the MSK", *Proceedings of the 6th Forum of South China Sea Studies*, Coordinated Centre for the South China Sea Research, Nanjing University, November 2018, p. 66.

¹⁵ American scholars concur such a viewpoint, see for instance, Robert Blackwill and Jennifer Harris, *War by Other means: Geo-economics and Statecraft*. The authors argue that since the military means is so effective, other means is often neglected.

¹⁶ The Strategic Research Department, *The Science of Military Strategy*, (战略学), Beijing: the PLA Academy of Military Science Press, 2013, p. 114

through which the bulk of Chinese overseas shipment sails. PLA generals have seriously contemplated alternative pathways in such a worst-case phenomenon, the pathway that is mainly set westward to circumvent the two island-chains in the Pacific.

Among various countermeasures envisaged is an early proposal by General Wang Zuxun whose insightful thesis *Strategic Pathway of Yunnan* for an advanced course in the PLA National Defense University in 1992 caught top leadership attention. He was then commander of the 14th Group Army deployed in Yuannan bordering Burma. Based on his knowledge of the India-Burma war theater of the World War II, he argued in his thesis that the alternative strategic routes from Yunnan through Burma's maritime access-points, e.g. Port of Yangon or Kyankpyu should be envisaged to circumvent America's sea blockade in East. From the Burmese ports the Chinese ships would get to the ports on the other side of the Indian Ocean, e.g., Singapore, even if this could only compensate for a percentage of the lost volume of sea borne trade. Jiang Zhemin and the top brass, i.e., Zhang Zhen praised General Wang for his strategic vision. The westward *strategic pathways to oceans* is ideationally the precursor of the MSR, which is still relevant to the original design of the BRI with a central theme to cope with a war in China's eastern flank.¹⁷

Matching military doctrine with the BRI expansion

The BRI has created new drivers for the PLA to transform. In doctrinal terms, China's revised national defense strategy put forward a concept of frontier defense. Frontier here is clearly a geostrategic concept embracing China's expanding economic and security interests beyond the national borders. Militarily it facilitates PLA transition from a traditionally defensive force for homeland defense to an offensive force capable of combat operations in other continents.

For instance, the notion of frontier means new strategic space along the BRI routes. Under such a guideline, the Navy has broadened its one-ocean strategy (the West Pacific) to a two-ocean strategy (plus the Northern Indian Ocean), the army raised an doctrine of "all-regions engagement" (全域作战) and the air force's aero-space strategy has added the

¹⁷ However, Major General Zhu Chenghu once said that the idea of the strategic pathway originated from the teaching team of the course General Wang attended. General Huang Yingxu of the PLA Academy of Military Science also expressed his contribution to the idea. It seems that senior PLA officers appreciated the westward reach-out much earlier than their civilian counterparts did and influenced top Party leaders.

scenarios of “beyond the border” combat.¹⁸ In addition, the concept of frontier defence obliges the PLA to build strategic buffer zones along the long BRI routes. Creation of a chain of overseas military presence has thus become a strategic necessity rather than a policy choice for Beijing, both for the BRI expansion and for BRI protection. In this context, the BRI sets China’s new and open-ended economic frontiers, which in turn dictates the PLA’s enlarged frontiers of national defense.¹⁹

Doctrinally, a civil-military relationship of demand and supply has emerged: the PLA’s overseas reach-out deepens with the enlarged BRI maps. For instance, the civilians’ new maritime frontier and the PLA’s new frontier of power projection converge in a reverse to the Mahanist sea power exercise. In Mahan’s times, gunboats paved the way for commercial ships to anchor in foreign ports. Now economics comes first, followed then by naval presence in or access to the regions of importance for the MSR.²⁰ At this stage of evolution, the PLA’s back up of the BRI appears more in the form of ensuring China’s economic security through safeguarding its overseas commercial interests rather than a vigorous global reach to rival its adversaries, due at least partially to its lack such resources. Chinese strategists argued that the PLAN’s activities in the Indian Ocean were meant to provide public goods for BRI participant countries and a response to Obama’s criticism of China’s free-ride on U.S. protection of global waterways.²¹ Now that the BRI strategy in full sway, the PLA is required to take SLOC protection by itself.²²

Constructing a “Go” posture

The BRI’s security demand compels the PLA to set a favourable “Go” posturing (围棋布势). In the PLA list of the overseas missions the escort of China’s freighters in times of crisis is high in priority but more strategic is its efforts to seek footholds in the BRI regions, which would serve first as the logistics supply points but, if necessary, may be turned into military bases in the future, following the model of Djibouti. The felt urgency

¹⁸ The Strategic Research Department, *The Science of Military Strategy*, (战略学), Beijing: the PLA Academy of Military Science Press.

¹⁹ Liu Huirong, “The new frontier in China’s maritime strategy and legal administration” *Asia-Pacific security and maritime affairs*, no. 4, 2018, p. 12.

²⁰ Senior Colonel Feng Liang (ret.), “Few strategic challenges in accelerating China’s oceanic development”, *Asia-Pacific security and maritime affairs*, no. 4, 2018, p. 20.

²¹ Ding Hao, *The Global Times*, 24 January 2019. “Obama’s ‘Free Rider’ comments draws Chinese criticism”, *New York Times*, 13 August 2014.

²² Lyle Goldstein, “China’s ‘One-Belt One Road’ is a Big Deal. So What is the Role for Beijing’s Military?”, *National Interests*, February 2017.

can be seen from Xi's quick endorsement of a National Defense University submission on the need of building a military base in Djibouti.²³ Although this base is still defined as a logistics node, given its high brigadier ranking and the large size of the base area, more combat functions can be added to the base with ease. Pakistan's acquisition of eight Chinese S-20 submarines and other types of warships has obliged the PLA to launch training centres in the country and help the boats' maintenance.²⁴

Today the PLA is no longer shy about constructing a "string of pearls" in the Indo-Pacific regions, as it is planning a chain of presence along the BRI routes.²⁵ Beijing's time-honoured policy of no-overseas bases has not been formally discarded but is not heard any more. The PLA is pro-active to justify why the overseas bases are essential for protecting China's vital national interests in the worsening international situation. Search of the likely sites is accelerated.²⁶ An Indian rear admiral composed a long list of the potential "pearls/nodes" that the PLA may acquire along the BRI routes: "Chittagong in Bangladesh, Myanmar's Kyakpyu port; Hambantota in Sri Lanka, Gwadar and Jiwani in Pakistan, Bagamoyo in Tanzania, Beira in Mozambique, Walvis Bay in Namibia, Kribi in Cameroon, the Doraleh Multipurpose Port, an atoll in Maldives, oil-infrastructure projects in Sudan and Angola, and others."²⁷ Clearly the majority of the mentioned would not be converted into military bases, although some dual use can be expected. A few of them will definitely be, such Gwadar, which is of practical military value with its 14-meter port to anchor aircraft carriers. A RAND report alleges that the Gwadar Port has already installed listening facilities to monitor U.S. naval activity in the Indian Ocean.²⁸ At the present 42 ports in 34 countries are either incorporated into the BRI plan or under negotiation for Chinese management.²⁹

²³ Jin Hao, "You do not know how urgent the PLA feels for obtaining overseas bases", *Phoenix Military Report*, 11 April 2016, news.ifeng.com/mil/, accessed 26 February 2017.

²⁴ *Experts' Analysis on Current Affairs*, The Macao-Asia TV, 8 April 2015.

²⁵ The term was coined by Lieut. Colonel Pehrson in 2006 to negatively connote PLA expansion. Christopher J. Pehrson, "String of Pearls: meeting the Challenge of China's Rising power across the Asian Littoral", Carlisle Barracks, Pa.: U.S. Army War College Strategic Studies Institute, 2006. In the next decade, however, no clear evidence proved this was factual until the opening of the Djibouti base.

²⁶ Major General Jin Yanan, *Why do we seek overseas bases*, Mei Han Vision, <https://www.uoutude.com/watch?v=yOysX>, accessed 12 June 2019.

²⁷ National Maritime Foundation, *Indo-Pacific Report 2019*, New Delhi: NMF, 2019, p. 146.

²⁸ Andrew Scobell, Ely Ratner and Michael Beckley, *China's Strategy toward South and Central Asia: an Empty Fortress*, RAND Report, 2014, P. 77

²⁹ *News*, 12 November 2019.

Dealing with the SLOC vulnerability

In comparison with the continental Belt, the MSR faces tougher challenges, as China's sea power has been inferior in modern times. Under the prominence of the oceanic political culture, maritime domains to major western countries are of more geostrategic importance than land corridors. They have invested huge resources for the control of sea.³⁰ Against this backdrop China's weak naval power has been the short plate for China to handle the "barrier of the sea" both due to its dominant "yellow culture" and to its lack of industrial capabilities. Today the SLOC safety constitutes the soft-underbelly in China's overall BRI endeavor. For instance, the U.S. control of all the world's major waterways has rendered the long-term MSR expansion at mercy of the state of Sino-US relations. With hostility worsening between the two countries amid the on-going trade war it is not unimaginable that they may encounter a standoff in the high seas. For instance, the routinized U.S. entry of the 12 nautical miles of China's islet holdings in the SCS has turned the SCS dispute from territorial into geostrategic/military among the top powers. Logically it has met with the PLAN's vigorous shadowing. The close distance between warships heightens their physical contacts, even chances of a ship collision. Were there an incident with casualties, an armed standoff of some sort can be anticipated.³¹ Under the circumstances, the MSR will bear the first brunt in case of the U.S. mounting quarantine operations vis-a-vis Chinese freighters along the BRI routes, something similar to the forced on-board inspection on Ship *Yinhe* in 1992.³² Apparently such a prospect of SLOC disruption conveys a strong naval dimension of the BRI evolution.

China's huge sea-borne trade has progressively imposed heavier onus on the navy to protect its SLOCs. In a way, the SLOC safety determines the MSR's eventual fate in the context of China's uneasy relations with key naval powers along the BRI routes, typically the U.S. and India. Furthermore, the challenge for Chinese commercial shipments was

³⁰ Wang Gungwu's preface to the book by Yu, Hong, *Belt & Road Initiative: The Rise of China and International Cooperation: What Does It Mean to China and the Region?* Beijing: World Affairs Press, 2017, p. 3.

³¹ On 30 September 2018, after the PLAN destroyer 170 maneuvered within 40 metres of USS and forced her to make a sharp turn, the unleashed the electronic warfare measures against the Chinese warship and partially damaged 170's communication system. This was the first combat engagement between the two militaries since the Vietnam War. Were there a real collision, loss of lives was inevitable and the consequences were sinister.

³² The U.S. blockaded the Chinese freighter *Yinhe* in the international waters in late July 1993, alleging it to carry chemical stuff to Iran. After a standoff of 24 days the US Navy inspected the ship and found nothing illegal in the cargo ship. Washington refused apology and compensation. This was the first SLOC disruption case between the two countries since the end of their rapprochement in the mid-1970s.

traditionally perceived in the last section of its navigation around the Taiwan Strait. Now the risk mounts along the entire MSR routes where each choke point could be a fatal barrier.

Currently the bulk of the Navy's combat activities is designed within the range of its land-based PLA Air Force, whose efficiency of air cover diminishes as the PLAN moves further west along the MSR. Therefore, the first prerequisite for the PLAN to project combat reach along the MSR is acquisition of aircraft carriers that will provide air protection for the surface combatants to survive the adversaries' sustained air attacks. This tactical consideration is behind the PLA carrier project, which is a major capability booster for the navy's blue-water missions, as each carrier needs to have an escort fleet of a dozen major combatants. If the PLAN inducts three major aircraft carriers, they need more than 60 modern surface combatants as escorts, a considerable enhancement for the PLAN to sustain the BRI expansion.

Despite the visible navy-centered SLOC linkage to the BRI, this paper actually sees maritime challenges to Xi's MSR basically ones of politics, not military. Cooperation with the littoral states along the MSR routes is a better way to manage the potential state-imposed MSR disruption. For instance, maintaining a good relationship with Singapore, Malaysia and Indonesia is a lot more cost-effective in overcoming the Malacca dilemma than deploying the carrier battle groups there. Cooperation with India is even more crucial in handling the choke points in the Indian Ocean. Therefore the PLAN preparation for an Indian Ocean operation is in the main a kind of hedging strategy implemented in a generally defensive manner, and from a position of weakness. China's vital maritime interests in the form of smooth MSR expansion are better served through cooperation rather than hard-power demonstration.

When the BRI Encounters the IPS

As mentioned earlier, the BRI's military dimension is currently in an intangible form, which interestingly, may become tangible in a mirror image reflecting America's rising military pressure concerning the BRI. Since 2016 many US security-related reports have singled out the BRI as an adversary object. Particularly the Indo-Pacific Strategy has a specific anti-BRI intent. The BRI and IPS are contested strategies interweaved together

by the structural conflicts of interests and mutual distrust.³³ Structural, as an American analyst commented on the *2019 IPS Report*, “the more closely countries integrate with the BRI, the less likely they are to go against their own national interests by burning bridges with China. This constitutes an uphill battle for the US to convince its regional partners in containing China”.³⁴ Geo-strategically, the IPS’ encounter with the BRI generates an action/reaction dynamics. Logically the stronger this U.S. pushback is, the heavier the BRI’s military dimension will be felt. This otherwise unlikely match seems to have taken roots with the passage of time. In January 2019 Sri Lanka government accorded transportation services to the U.S. military, providing faster and easier logistical support to its warships through the neighboring countries. A U.S.S. aircraft carrier John Stennis immediately used this service of precision supply.³⁵ Admiral Harris once named Sri Lanka as one of the eight key partner countries to assist the IPS. The enhanced bilateral defense cooperation serves as an offset against China’s potential military presence in the Indian Ocean.³⁶

The defense line vis-a-vis the BRI

Risking a level simplicity, there are two components in the IPS towards the BRI: general anti-BRI rhetoric, found frequently in various IP related reports; and the possible military response, hidden in IP related security agendas.³⁷ On the latter, although often not directly alluded to the BRI per se, the IPS is meant to reshape the regional defense landscape with a strengthened “Go” posturing against China’s economic and military reach-out. This should revise the existing ARF-based regional security architecture and the bilaterally-based alliance system that have become inadequate to cope with the adversaries’ assertiveness.³⁸ In a constructivist sense the new IP security order is envisaged to be based on a multilateral alliance network, probably in way of creating a mini-NATO

³³ Joel Wuthnow, “Contested Strategies: China, the U.S., and the Indo-Pacific Security Dilemma”, *China International Strategy Review*, Vol. 1, no. 1, 2019.

³⁴ Andrew Korybko, “The Pentagon’s Indo-Pacific Strategy Report is All about Containing China”, Centre for Research on Globalization, 3 June 2019. <https://www.globalresearch.ca/u-s-indo-pacific-strategy-report-all-about-containing-china/5679332>, accessed on 21 July 2019, pp1-12.

³⁵ Li Yibo, “America upgrades relations with Sri Lanka: causes and constraints”, *Research of International Affairs*, No. 3, 2019, pp. 56-58.

³⁶ Harris’ statement before the House Armed Services Committee, 27 April 2017.

³⁷ See for instance, the IPS Report.

³⁸ Stewart Patrick, “The New “New Multilateralism”: Minilateral Cooperation, but at What Cost?” *Global Summitry*, Volume 1, Issue 2, 2015.

in Asia.³⁹ The participants would join the “networked security architecture” less because they share a bright vision of a liberal order in the Indo-Pacific than a common perception of military threat.⁴⁰ China’s BRI endeavor may have sharpened this perception. In the dynamic BRI/IPS interaction, even if an institutionalized multinational relationship of military cooperation does not emerge any time soon, features of an informal defense bloc still stimulate coalescing through mechanisms such as the Quad, whose hidden (military) functions are more important than the loudly orchestrated values of the IPS. Under the US urge, the number of official or informal 3 plus 1, 2 plus 2, and N plus N defense arrangements has been increasingly initiated “with a purpose”, as stated in the Department of Defense’s *Indo-Pacific Strategy Report 2019*.

Like the BRI’s military origin mentioned earlier, the IP idea was similarly brewed with heavy military and geo-strategic calculus.⁴¹ It was about countering PLA activities in the “far seas” in general and the BRI westward movement in particular. Re-kindling the island chain strategy is a key component. In PLA maps the traditional first and second islands chains in the West Pacific have now been depicted as the Indo-Pacific islands chain. Centered in the Guam it extends southward and northward in a horizontal S-shape encirclement of China’s MSR, from Alaska in the east, to the outer edge of the West Pacific to join the first islands chain via the SCS before expanding to the Indian Ocean.⁴² US naval and marine redeployment, i.e., in Australia, can remarkably shorten the response time for US SCS operations.⁴³ The IPS integrates all Indo-Pacific geostrategic battle-fields covering the bulk of China’s MSR transit zones.

This new US posture vis-à-vis the PLAN is reflected in the strengthened of US force deployment along the BRI routes. In 2013 the US Pacific Command revealed a plan to enhance US forward presence in the IP region. It included reopening of the suspended military bases, such as Saipan; more regular troop visits to allies and partners to secure semi-permanent basing facilities; and quickened transfers of strategic and tactical

³⁹ General Brown, Chief of the Army, U.S. Indo-Pacific Command endorsed the use of the words Mini-NATO in his speech to the Australian Army Chief Symposium, Adelaide, 6 September 2018.

⁴⁰ Avinadan Choudhury Moorthy, “Strategic-Maritime Triangle in the Indian Ocean: An Emerging Indo-US Naval Entente”, *India Quarterly*, Vol. 74, No. 2 2018.

⁴¹ Gurpreet S. Khuran, *The Indo-Pacific Region: The Emerging Geopolitical and Security Environment*, Dicus Publishing, 2018; Rory Medcalf, *Pivoting the map: Australia’s Indo-Pacific System*, Strategic and Defence Studies Centre, Australian National University, Canberra, 2012.

⁴² Senior Colonel Li Li’s comments to *New Defense Watch*, the CCTV Military Channel (7), 31 August 2013.

⁴³ Rear Admiral Ying Zhuo’s comments in CCTV Documentary *US Wielding Sword in the Asia/Pacific first islands chain*, Deep Analysis on International Affairs, CCTV-4, 26 November 2011.

capabilities to places close to Asian hot spots. In addition to US marine deployment in Darwin, the US Air Force will send jets to Changi air base in Singapore, Korat air base in Thailand, Trivandrum in India, and possibly bases at Kubi Point and Puerto Princesa in the Philippines and airfields in Indonesia and Malaysia.⁴⁴ PLA commanders see these efforts in light of America translating the geographically convenient islands-chains into a naval containment belt against China's SLOCs.⁴⁵ This sense was reciprocated by Carlisle's allusion that "Back in the late, great days of the Cold War, we had a thing called *Checkered Flag*. We rotated every Continental US unit to Europe, we're turning to that in the Pacific."⁴⁶ Once connected and militarized, the "strings" will constitute oceanic frontiers to put Chinese SLOC safety at risk and indirectly prohibit the BRI expansion.

Allied security connectivity vis-a-vis the BRI

The IPS' essence is reflected by the word connectivity that Trump and Abe alluded to. Interestingly it coincides the BRI's central theme of connectivity. However, the difference between the two is that the former orients towards security/defense and the latter geo-economy at the current stage. The IPS seeks to construct two kinds of connectivity: 1) the state connectivity of allies/partners to respond to a common challenge collectively; and 2) the geographic connectivity of the regional hot-spot conflicts against a targeted power. The linkage between the two is the allied efforts to structure the IP regions' separate sovereignty disputes into the geo-strategic contention of the major powers. For instance, the SCS dispute is no longer just disagreement on territorial demarcation among the claimants but is subordinated to Sino-U.S. rivalry over the shape of the world order, adding more uncertainties to an important section of the MSR.

In leveraging the regional flash points, the IPS has weaved Asian maritime territorial disputes together (Senkaku/Diaoyus, the Spratlys, and Taiwan) as the means of security connectivity.⁴⁷ If there is a showdown in one of these troubled zones, allied reactions in others will be anticipated to maximize pressure on China by dragging it into a multiple strife. Japan's legal and material support to Vietnam's SCS claims has a purpose to reduce

⁴⁴ John Reed, "U.S. deploying jets around Asia to keep China surrounded", *Foreign Policy Magazine*, 29 July 2013.

⁴⁵ Senior Colonel Li Li's comments to *New Defense Watch*, the CCTV Military Channel (7), 31 August 2013.

⁴⁶ John Reed, 29 July 2013.

⁴⁷ "Taiwan is part of Indo-Pacific strategy", *South China Morning Post*, 24 July 2018. The Indo-Pacific Strategy Report has particularly stressed Taiwan's strategic position in the IP.

China's pressure in the East China Sea. Here the geography of the disputes is critical to the BRI's wellbeing. For instance, the Malacca Strait is next to the SCS strife and India's Andaman-Nicobar naval bases. The Indian military has stepped up the strengthening of the base's combat facilities and the monitoring of Chinese ships through the Malacca Strait. It has added the third run-way for the purpose.⁴⁸ If the SCS becomes a major battle-field or Sino-Indian border friction worsen, these may become military choke-points for China's MSR activities.

In addition, this emerging security connectivity also has an oceanic/continental nexus. It is adventurous for India to link the Sino-Indian land border disputes to China's MSR dependence on the SLOCs in the Indian Ocean. Moreover, how China handles the SCS disputes with the Vietnam also affects the BRI's land route from Guangxi to Vietnamese ports on way further to Europe, as mentioned earlier.

This negative external environment to the BRI can be militarized because the territorial disputes occasionally trigger sparks of fire, as seen from the Sino-Vietnam confrontation over China's oil exploration in Paracels in 2014, and more recently, Sino-Indian armed faceoff in the Doklam in 2017.⁴⁹ Both have shown that each bilateral dispute is mingled with a set of other bilateral/multilateral challenges and thus becomes more difficult to be contained when the third-party powers intervened relentlessly.⁵⁰ This chain-reaction war scenario and planning underline the nexus of the land-sea conflicts in the Indo-Pacific regions, which has further highlighted China's geostrategic vulnerability.

More geo-strategically, the "minor land warfare" in the Sino-Indian Doklam faceoff created a pattern of resistance to China's approach to sovereignty issues elsewhere.⁵¹ As proof of the IPS' "security-connectivity", India's Doklam intrusion served as a test for how collective efforts against China could be mounted. During the standoff, the QUAD members enhanced support to India through tightening the behind-door defense planning vis-a-vis China, which, as seen by Beijing, lured New Delhi to initiate the

⁴⁸ *The Indian Time*, 24 January 2019.

⁴⁹ During the 981 confrontation the PLA Army was mobilized along the Sino-Vietnam land borders in case the ship-ramming escalated to a major naval warfare. A kind of armed retaliation on the ground was planned. Oral source from a senior PLA officer in the 2014 Shangri-La Dialogue, Singapore.

⁵⁰ Prime Minister Modi visited Washington prior to the incident. Indian defense analysts told this author that New Delhi received clear support from the Quad members over the border crossing. Similarly the Vietnam leadership invited Russel, Assistant Secretary of the State to Hanoi for a closed-door consultation before deciding on a massive disruption of the Chinese oil exploration in May 2014.

⁵¹ Rory Medcalf, "Who Won?", *The Interpreter*, The Lowy Institute of International Affairs, 31 August 2017.

Doklam brinkmanship.⁵²

Conclusion

This paper postulates a number of arguing points. Primary among them is that the BRI's military-security ramifications will gradually become apparent over time, as it contributes to the restructuring of the existing geo-political and geo-economic order across the Eurasian continents. With asymmetric economic dependence between China and some BRI beneficiary countries deepening comes Beijing's call for their wider defense and security cooperation, which can also be asymmetric. *The Chinese Defense White Paper 2019* officially endorses the PLA to seek supporting points beyond the national borders. This has convincingly negated China's practice of "never stationing a single soldier overseas". This policy change has been driven partly by the rising needs to secure BRI projects in the geographic locations of turbulence. Even China's strategists no longer deny this intended or unintended geo-strategic and military effect of the BRI.

On the other hand, the geo-strategic effects are not fittingly equal to geo-strategic intention. While intention has to be proven with concrete evidence, effects are somewhat in a potent form, unless testified by an empirical case. This is particularly true to the measuring of the military dimensions of the BRI. Beijing does not talk about any military linkage in the BRI. Interestingly, *The Chinese Defense White Paper 2019* has not a single mention of the BRI. Apart from Beijing's concern about the world backlash against the BRI if it is seen linked to China's military ambition, one tactical reason is that the PLA's capability has been far lagged behind the BRI's expansion. A low key approach is thus the best in facing the purpose/capability gap. However, this does not change the Mahanist dynamics in the relations between the gunboat and geo-economic expansion, although in the BRI case the dynamic is projected in a reverse logic: the commercial ships run much faster.

A major security challenge to the BRI is the IPS' security connectivity that may point to a new pattern of coordinated military balancing against China in general and its BRI expansion in particular. In times of a major confrontation an IP advocate's maritime conflict with China in the East may be simultaneously matched by another in the West, e.g., in the Indian Ocean. Likewise a land border conflict with China in the subcontinent may trigger a chain of allied actions in the maritime domains. This

⁵² Interview with a Chinese security specialist in Beijing in July 2017.

evolution of collective moves to offset China's expanding power projection reveals how the territorial disputes can be utilized in IP geopolitics with a major impact on the BRI's well-being. The PLA will be logically tasked to protect the BRI through capability enhancement and overseas presence.

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NIDS International Symposium on Security Affairs

Belt and Road Initiative and the Future of the International Order

Tuesday, 10 December 2019 Hotel Chinzanso Tokyo

09:45-11:45 **Session 1: How the Belt and Road Initiative Can Be Perceived**

Chair: **Mr. Hyodo Shinji** (National Institute for Defense Studies)

Speakers:

Dr. Su Changhe (Fudan University)

“Global Connectivity, Transformation of the World, and Chinese Foreign Relations of BRI”

Dr. Victoria Panova (Far Eastern Federal University)

“Implications of the BRI for Greater Eurasia”

Ms. Kristine Lee (Center for a New American Security)

“Grading China’s Belt and Road”

Mr. Iida Masafumi (National Institute for Defense Studies)

“Xi Jinping Regime’s Aim in Belt and Road Initiative”

Discussant: **Dr. Sahashi Ryo** (University of Tokyo)

13:30-15:30 **Session 2: Changes in Economy and Security with the Advent of the Belt and Road Initiative**

Chair: **Dr. Shoji Tomotaka** (National Institute for Defense Studies)

Speakers:

Dr. Jeffrey Wilson (Perth USAsia Center)

“Diversifying Australia’s Indo-Pacific Infrastructure Diplomacy”

Dr. Alessia Amighini (Institute for International Political Studies)

“The Impact of the BRI on European Trade”

Mr. Masuda Masayuki (National Institute for Defense Studies)

“China’s Search for Convergence of Economic and Security Outcomes: Functional Security Cooperation in Eurasia”

Dr. You Ji (University of Macau)

“The Geo-strategic and Military Drivers of China’s Belt-and-Road Endeavor: Expanding the Global Reach from Land Mass to the Maritime Domains”

Discussant: **Mr. Akimoto Shigeki** (National Institute for Defense Studies)

15:50-17:30 **Session 3: Overall Discussion: How the Belt and Road Initiative Can Affect the Future of International Order**

Chair: **Dr. Yamazoe Hiroshi** (National Institute for Defense Studies)

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