

# The Undeclared Power Play behind Belt and Road Forum: May 2017

**Major General SB Asthana, SM, VSM (Retd)<sup>®</sup>**

## Introduction

President Xi Jinping's dream summit to "Transform the Eurasian and African infrastructure landscape as never before" and "defend and develop an open world economy against threats of trade protectionism emanating from the West"<sup>1</sup> on May 14-15, 2017 may not have as many takers as he expected, but was a mega event with delegates from over 100 countries. In 2013 President Xi Jinping coined the word 'One Belt One Road' (OBOR) to showcase China driven global connectivity model. It was projected as the biggest foreign policy initiative for global connectivity and inclusive growth of everyone partnering it. In Mar 2015, the text of 'Belt and Road Initiative' (BRI) action plan was released by China, followed by release of full text of China's Military Strategy in May 2015,<sup>2</sup> and a comparison of the two clearly indicates that the OBOR/BRI is not purely for inclusive growth and not as benign as it is made out to be. In fact it marks the beginning of a major global strategic power play in the affected regions through connectivity initiatives.

China's OBOR Summit of May 14-15, was to showcase its diplomatic might and ambitious globalisation plan, presuming that the US will still be settling down with new President with 'Protectionist' outlook, and Xi Jinping will be able to project himself as the tallest global leader, with attendance of most global leaders to the Summit. When it became evident that all leaders may not turn up and many countries may send some officials of varying status, it was named as 'Belt and Road Forum' (BRF). Finally out of delegates from over 100 countries, only 29 Heads of States turned up, who were looking for Chinese infrastructure/trade investments for varying reasons on bilateral/multilateral basis. These facts are well known to everyone, as large number of articles have been written on the subject so far. This article attempts to analyse and speculate the type and extent of power play, behind

---

<sup>®</sup>**Major General SB Asthana, SM, VSM (Retd)** was commissioned into 7 ASSAM on 16 Dec 1978 and retired as Additional Director General Infantry on 01 Jun 2014. He is a security analyst and participates at various forums related to strategic issues and international relations. Presently, he is the Chief Instructor at United Service Institution of India since 16 Mar 2015.

these facts, which the affected countries have not commonly spoken/declared with respect to OBOR in general, and BRF in particular.

### **Who Really Needs OBOR?**

While China would like the world to believe that its efforts like OBOR and BRI are purely developmental, initiating inclusive growth in participating regions, seeking common destiny, but the largest beneficiary of OBOR projects is China itself. Some of the Chinese domestic compulsions/stakes are :—

- (a) Politically, to ensure that democratic wind does not flow from Taiwan and Hong Kong to mainland China, Chinese Communist Party (CCP) Government has to continue delivering well economically to keep domestic population dreaming of becoming superpower by 2049. With global and Chinese slowdown, it has to innovate methods to continue the same pace of growth to achieve its global ambition.
- (b) President Xi Jinping is a strong and undisputed leader of China, and despite being 64 years old there is hardly any doubt that he will continue to hold all current appointments in 19<sup>th</sup> National People's Congress (NPC) (meeting scheduled later this year), but his anti-corruption drive, and perceived over-centralisation of power, may create some rivals within domestic political community and people who need to be mesmerised before 19<sup>th</sup> NPC Session so that he gets a comfortable hierarchical composition. OBOR Summit was one such occasion, where he has attempted to project himself as tallest leader in the world. This was the right time as President Trump was still settling down, grappling with protectionist agenda, having annoyed a number of allies and leaders of other countries who do not have that kind of economic muscle.
- (c) To refuel/reignite economic growth at the desired pace, China is looking at promoting investments, creating demands, offloading trade surpluses, overcapacities, exploiting resources and integrating itself into world economic system further.
- (d) The Chinese desire to put into effect its 'Western Area Development Plan' dating 2000, and the need to connect globally is not new, but it now needs to seek new areas of investments and infrastructure development. It, therefore, has to explore neighbourhood as well as global opportunities for infrastructure development.

(e) Chinese infrastructure growth within the country aims to rectify the developmental asymmetry between highly developed Eastern seaboard and Western areas including restive Xinjiang and Tibet. The BRI action plan lays substantive emphasis on this aspect, as part of accelerating 'Western Development Plan' and 'Go West' Strategy.

(f) By creating an infrastructure demand internally, regionally and globally, China can help its major construction companies, create jobs and earn more revenue. Chinese efforts are in sync with its economic, logistics and domestic compulsions, shortened lines of communication, warm water access, and smooth flow of oil, raw materials and goods, to improve its economic might as part of its development of 'Comprehensive National Power' (CNP). While this infrastructure development is justified for China's economic, trade and sectoral development, its potential of playing a dual role (civil and military) in future cannot be ruled out.

(g) It is a Chinese model of global connectivity, which will help them in increasing strategic footprints by getting the global deployment capability of PLA to secure her Sea Lanes of Communication (SLOC), commercial and strategic interests, as infrastructure is a dual use facility. If the model is globally accepted, China gets a licence to deploy its military to protect its lines of communication, and deploy Chinese labour (including security personnel in the garb of labour) outside China, at crucial strategic points.

(h) China on numerous occasions has been talking about multi-polar world order with a view to emerge as one of the strong poles, especially in Asia. The Chinese Military Strategy lays down protection of its SLOC, and ensuring world peace as role of PLA.<sup>3</sup> To achieve that PLA must have regional and global deployability which needs continental and maritime connectivity, and BRI is a significant step in this direction.

### **Why did 30 Countries Sign-up for it?**

An analysis of countries that have signed-up for OBOR reveals a definite pattern. There are countries, that are falling prey to China's 'Infrastructure Diplomacy' and 'Purse Diplomacy' by allowing the Chinese to invest in their infrastructure, despite knowing that it is pushing them into a debt trap or exploitation of their natural resources, or some strategic compromises. They actually have

no choice because they themselves do not have economic resources and technology to deliver it to their population, necessary for their leaders to remain in power in next election even if it amounts to a long term disadvantage. There is another set of countries, mainly in neighbourhood, who just cannot stand up to economic, strategic and military might of China, hence have no choice but to sign for it. The case of Russia is slightly different, because to bear the economic sanctions from the West, and fast changing diplomacy of President Trump, a convergence of interest with China has taken place. Russia has decided to link the initiative with its own regional economic framework of the Eurasian Economic Union. Russian President's attendance symbolises its current economic linkage with China, besides protecting their interests in Central Asian Republics (CAR).

In this era of economic cooperation together with strategic competition, it is significant to note that China is putting together a policy of engaging its periphery exercising 'Neighbourhood Diplomacy' through a series of infrastructural development projects, that provide China easy access to energy sources, shorter trade routes, and warm waters access from its landlocked part of western region. The development of land and strategic energy corridors through Pakistan, Myanmar, Bangladesh, and its desire to get into the Bay of Bengal avoiding maritime choke points, are part of the above strategy.

### **What Signal has the US and the EU Sent by Sudden Attendance?**

The last day surprise entry by the US could be attributed to the sudden realisation by the US, that President Donald Trump's protectionist trade agenda and isolationist diplomacy may push the global fulcrum of trade and globalisation in China's favour. Some commercial and economic *quid pro quo*, intense Chinese diplomatic efforts and need to understand Beijing's grand plan for geopolitical domination may have prompted the US to send Matthew Pottinger, the Senior Director for Asia at the National Security Council in the White House.

The attendance also included senior officials from European Union like Christine Lagarde, Managing Director of the International Monetary Fund and UN Secretary General António Guterres. The European Union officials did attend the BRF, but not buy Chinese

narrative of 'Win-Win Situation', because the one sided advantage to Chinese construction companies, and their financial institutions was easily discernible; hence, they did not sign-up for it, and asked for level playing field.

Japan and South Korea, despite serious differences with China on security matters, have strong economic linkages and may have come looking for opportunity for financial investment.<sup>4</sup> Their other intention may have been to understand the plan to work out the counter strategy, if it did not suit them.

### **What does OBOR Encompass in Real Terms?**

OBOR may well be a future blueprint of China-centric infrastructure connectivity model, encompassing variety of infrastructure initiatives, but there is nothing very new in it. These initiatives were earlier being taken up in bits and pieces, on bilateral and multilateral basis, to improve and secure its external connectivity, warm water accessibility, security of its SLOC and to get economic advantages. In connecting the Continental Belt, in most places the road and rail network already exists, although in poor state, which is proposed to be improved through this initiative to meet the specifications required by China to transit its commercial goods to farthest destination. The promises of Special Economic Zones (SEZs) along the route are by-products/fringe benefits to woo the host nations. The mining and energy projects also need to be studied with care, more so after not so good experience of Myitsone Dam in Myanmar and Hambantota Port in Sri Lanka. Many writers in Pakistan are also concerned about getting into debt trap. Production of energy is too costly to be purchased by locals, leading to other economic and strategic compromises.

This also has concealed strategic intentions of extending its strategic space. Besides looking at Chinese intention of leveraging its soft power, there is also need to analyse the hidden intention of improving its hard power through this Chinese model of regional infrastructure development. Regarding 'Maritime Road', the global shipping is already happening in international waters along the same routes, hence, it basically amounts to China being permitted to develop ports and maritime bases to facilitate its shipping, which can be suitably used as military bases, whenever the strategic situation so demands.

### Has BRF Succeeded?

Despite dream-selling speeches by China about ‘inclusive’ globalisation, no worthwhile framework or common plan could be arrived at. Attractive packaging of BRI included Chinese pledge of investing US \$113 billion in extra funding to kick-start the initiative, to build a new network of transcontinental railways, ports and highways. President Xi Jinping announced an import expo to take place next year, at which China will open up its domestic markets.

There is also a long-term plan as revealed by the announcement that Beijing will host another summit in 2019 to promote its globalisation strategy.<sup>5</sup> Beijing also promised to import US \$2 trillion worth of products from “Belt and Road” countries over the next five years. Xi promised a major funding boost for his new Silk Road, with an additional 100 billion Yuan (US \$14.5 billion) going into the Silk Road Fund. The China Development Bank and Export-Import Bank of China will set up special lending schemes, worth 250 billion Yuan and 130 billion Yuan respectively to support infrastructure projects. In addition, China will provide 60 billion Yuan over the next three years for poverty alleviation in developing countries along the new Silk Road. More than 270 cooperation projects or agreements had been signed during the Summit.<sup>6</sup>

China was looking for more capital by selling the inclusive growth benefits of OBOR, as some of its OBOR projects got delayed because of strict capital control by Beijing due to capital shortage; but was possibly disappointed, as no worthwhile commitments were made by most countries. Even the financial institutions are not too sure of funding such costly projects. The excitement and urge of private companies to utilise their over-capacities, and make their trade surpluses commercially profitable is understandable but they will also be doing their cost-benefit analysis.

The much publicised success of Asian Infrastructure Investment Bank (AIIB) can also be attributed to the fact that a number of countries joined it to get an alternative/additional source of funding other than IMF and World Bank, on which some economic powers have monopoly, and not because of BRI.

Many countries besides the US, Japan, Australia, several European countries, including Germany, France and Britain also declined to sign a trade statement at the Summit, citing lack of



clarity on a level playing field for private companies in tendering against state-owned enterprises for government contracts, or on social and environmental standards. Scepticism remains among Western countries and many other countries, who may not have expressed it.<sup>7</sup>

Chinese reassurances to its neighbours to dispel the fear of assertiveness, strategic dominance, and its strategic intentions among most industrialised nations did not cut ice with most of them. It left China to rethink that its actions for globalisation and world leadership role are perhaps too premature. China is yet to become a developed nation before thinking of such role.

### **Why India's Non-Participation is not a Case of Missed Opportunities?**

A number of articles have appeared in Indian and Chinese media criticising India's non-participation at the event, without analysing it in the context of India's national interest. The analysis is as under:-

- (a) No other country is confronted with an issue as serious as "sovereignty issue" in context of OBOR as India, with China-Pakistan-Economic-Corridor (CPEC) passing through Pakistan occupied Kashmir (PoK), which is sovereign territory of India, hence, India is well justified in skipping the event.
- (b) India has been able to drive home the point that the 'sovereignty issue' of PoK, is extremely sensitive, and cannot be compromised. The 'sovereignty issue' of PoK overrides the isolation threats, commercial concerns, opportunity cost (if any) of skipping it. The Foreign and Defence Ministers of India have already clarified the same many times. This has been well-understood by global community, as well as China, which has indicated its willingness to welcome India even at a later stage. Germany has supported Indian action of skipping it.
- (c) It proves that India follows an independent foreign policy, to protect its core interests, even if it amounts to being absent/insignificant representation in a large summit like OBOR. Participation by Indian scholars (as mentioned by Chinese Foreign Ministry Spokesman Mr Geng Shuang) cannot be assumed as Indian participation, unless delegated to represent by Ministry of External Affairs of India.
- (d) In case of Bangladesh-China-India-Myanmar (BCIM), India has already negotiated connectivity through Bangladesh

and work is in progress. The roads in Northeastern states are being developed by India, and connectivity to Myanmar is being negotiated bilaterally, hence China driven BCIM has very little to charm India.

### **Where do India-China Relations Go from Here?**

India and China are two neighbours (a geographical fact which no one can change) and have to deal with each other. Both are fast growing economies, housing largest consumer markets. To maintain their pace of growth, they have to tap each other's consumer market, hence, would continue to do commercial business. The economic cooperation alongside strategic competition is unavoidable, and will continue.

CPEC is going to be a reality even if it amounts to Pakistan becoming an economic colony of China. We thus need to be ready to face a different Pakistan, whose strategic choices are hostage to China. At the same time, the US will not dump Pakistan, because they still feel that for controlling some of the terrorist groups, which may threaten their mainland, they may require help from Pakistan.

Strategically, CPEC, Gwadar, infrastructure development near Indian borders in Tibet, and Indian Ocean will continue to be a strategic and security challenge to India, and there is no alternative but to create military capacity to face it. CPEC and Gwadar will not only bring PLA to Indian backyard, but will also impact our military and strategic options, should proxy war by Pakistan become unbearable to India. Diplomacy and strategic partnerships with other global powers have their benefits, but our own 'Comprehensive National Power', especially the hard power needs to be further developed to address the security concerns. So far in history no country has become a big power without a strong military.

### **Conclusion**

BRF could not showcase a convincing and clear vision of OBOR for global growth, and ended with dream-selling speeches, without worthwhile achievements from global perspective. It could not convince the Western countries to sign-up for it. The main signatories to the communiqué are regional countries, that in any case are dependent on China. Even if Trump Administration with protective outlook may have lost some ground, China could not convince the world to be the architect of globalisation as yet. However, OBOR will continue to draw attention in the context of



connectivity and globalisation. In Indian context, CPEC will go through and keep India concerned about its security. India will have to look for alternatives, especially for connectivity to CAR.

The idea of grouping Chinese investments in Africa and Latin America, under the umbrella of OBOR, indicates China's dream of global dominance, and BRI seems to be the strategy to support it. BRI, therefore, is going to be the centre stage of Chinese strategy and foreign policy for the 21st Century. BRI has some potential of inclusive growth to help some needy countries, but it also has the potential to further destabilise fragile states. Its Chinese commercial bias also adds to the concerns/scepticism of large number of countries. The BRI may well be Xi Jinping's landmark strategy, similar to Hu Jintao's "peaceful rise".<sup>8</sup>

### Endnotes

<sup>1</sup> Heydarian Richard, *China at the vanguard of globalisation and the great paradox of our age*, South China Morning Post, May 16, 2017. Available at <http://www.scmp.com/news/china/diplomacy-defence/article/2094539/opinion-china-vanguard-globalisation-and-great-paradox>. Accessed on 28 May 2017.

<sup>2</sup> Information Office of the State Council of the People's Republic of China, Beijing (2015), Government White Paper, 26 May 2015, Full Text: *China Military Strategy*, CHINADAILY.COM.CN, Accessed on 28 May 2015.

<sup>3</sup> Asthana SB, *Skipping OBOR Summit would reflect 'India First' Policy*, Indian Defence Review, May 16, 2017. Available at <http://www.indiandefencereview.com/news/skipping-obor-summit-would-reflect-india-first-policy/>. Accessed on 17 May 2017.

<sup>4</sup> Ibid.

<sup>5</sup> South China Morning Post, *Significance of the 'Belt and Road Initiative' goes beyond trade*, 17 May, 2017. Available at <http://www.scmp.com/comment/insight-opinion/article/2094585/significance-belt-and-road-initiative-goes-beyond-trade>. Accessed on 17 May 2017.

<sup>6</sup> Wong Catherine, *Five things to watch as China's belt and road plan unfolds*, South China Morning Post, 17 May, 2017. Available at <http://www.scmp.com/news/china/diplomacy-defence/article/2094578/five-things-watch-chinas-belt-and-road-plan-unfolds>. Accessed on 17 May 2017.

<sup>7</sup> Bhattacharjee Subhomoy, *Race for supremacy: India, Japan plan alternative to counter China's OBOR*, Business Standard, May 16, 2017. Available at <http://www.business-standard.com/article/economy-policy/race-for-supremacy-india-japan-plan-alternative-to-china-s-obor-1170515012731.html>. Accessed on 28 May 2017.

<sup>8</sup> Brînza Andreea, *Is China's belt and road ready to be the new face of globalisation?* May 15, 2017. Available at <http://www.scmp.com/comment/insight-opinion/article/2094368/chinas-belt-and-road-ready-be-new-face-globalisation>. Accessed on 29 May 2017.