

Editor's Note

The Making of a Chinese Global Plan

Much has been written on the significance of China's Belt and Road Initiative (BRI) for promoting growth and development in the global South, and the promise of immense economic gains by all participants in it. The initiative's announcement by Xi Jinping in 2013 and formal launch with great fanfare in 2017 attracted global attention and gave rise to hope of growth at a time of global recession in the post-financial crisis period. The Chinese themselves have engaged in a massive propaganda blitz to promote Xi Jinping's image and hail the initiative as a win-win outcome. Many across the world shared the assessment that Xi's promise to provide large-scale funding for infrastructure construction would usher in a period of rebuilding, just like the Marshall Plan did in post-War Europe. Yet today, the Silk Road imagery of peaceful trade expansion, economic growth, growing interdependence and resultant peace has fallen from grace. The plan is caught in immense controversies and has revealed serious in-built problems and the deep Chinese economic and strategic interests underpinning it. It has also become clear that BRI is not another Marshall Plan.

The imagery of course was problematic from the very inception. It appeared to assume a world free from geopolitical rivalry, clashing great power interests, trade imbalances and debt crisis, state incapacities and failures, and benign Chinese intent. Since the fine print was never made available or discussed by China or sought by its BRI partner states-- the propaganda was taken at face value.

The BRI was crafted in the aftermath of the global financial crisis in 2007-08. With the US and Europe going into recession, Chinese exports to these large markets shrank. To overcome the slow-down in exports, which was the mainstay of the country's growth, Chinese policymakers announced a large stimulus package to sustain growth. Over the

next few years, the bulk of the stimulus was spent on extensive infrastructure building for which there was diminishing commercial demand. A glut in production of steel, cement, other construction material, power plants and equipment, etc., followed creating a crisis of overproduction. China had by this time accumulated some \$4 trillion in foreign reserves earned from its exports. With profits falling and internal debt rising— going out to new markets was seen as the solution for sustaining growth and profits. This became one of the principal reasons for a new Chinese regional and global strategy.

Comprehensive Strategy

However, the BRI was never an economic project alone. It was crafted over several years to address three issues simultaneously: One, resolve the problem of over production, falling profits, internal debt, and large capital accumulation by deploying both the surplus production and the capital abroad where they could earn profits. Two, ensure the success of its 'greater periphery' policy by integrating the large Eurasian 'periphery' with China to construct a China-centric order that would enhance its security as well as promote growth in its outlying less developed, and restive border provinces –Yunnan, Tibet, Xinjiang, Inner Mongolia; etc. Cross-border highways, railways criss-crossing through the neighbourhood and the vast continental spaces to connect with maritime trade routes, it was assumed, would facilitate trade and create demand for infra construction and create common strategic interests. Three, enhance China's diplomatic influence, deepen politico-security cooperation and enable it to control the greater periphery. The plan to use the large capital accumulation to finance construction, transportation and power projects across the emerging and developing economies would at once address the twin-accumulation problems and be simultaneously profitable. BRI is China's grand strategy designed to serve multiple goals. It is planned to advance Chinese interests and enable it to deal with the challenges posed by changing US Asian policy.

After the 2013 announcement of the Belt and Road Initiative, China's lending grew significantly for several years. However, lending shrank dramatically after 2016 as its economic growth significantly slowed down. The outbreak of Covid-19 in 2020 has further reduced Chinese lending, as the borrowing states clamour for debt relief and deferred payment. The collapse of economic growth globally has compounded the debt problem in the low income and developing economies and created new economic and foreign policy challenges for China. Adjustments, meanwhile, are being made in project funding to link them to sectors where large internal capacities have now been created -- electronics, telecom equipment, mobiles, solar cells, high speed railways, 5G services, medical equipment. Hence, the BRI is being constantly expanded to new areas-- the digital

Silk Road, the Health Silk Road, etc. BRI continues to remain a long-term Chinese strategy to remake Eurasia and the world in China's image.

The South Asian Dimension

The articles in this Issue of the journal focus on the drivers, dynamics, and characteristic features of the initiative and the economic and strategic impact it is having on the strategic environment, as well as on the specific experience of some of the states that are actively engaged in the BRI in Southern Asia. China's deepening strategic alliance with Pakistan and its all-important army, the growing control over strategic assets in Sri Lanka, the debt that both the countries have accumulated make them critically dependent on China. India is deeply impacted by the evolution and expansion of the BRI in its periphery and in the Indian Ocean, and China's aggressive military posture along its Himalayan borders. The prospects of a set of Chinese dependencies and rising Chinese economic and military presence is of deep strategic concern. China is rapidly changing the diplomatic and security environment and sharpening the strategic competition with the US, India, Japan and others.

The initial article by this author traces how a grand strategy shaped by the need to overcome China's internal problems and neutralise emerging security challenges evolved into an imperial plan to integrate the regions around China and beyond in a China-centric order that would protect and advance China's 'core interests.' If it succeeds, the BRI will increasingly compromise 'freedom of navigation' and the rules-based order sought to be created in the post-War, post-colonial and the post-Cold War periods in Asia and the Indo-Pacific. For India, the BRI challenges its sovereignty and its security. It undermines sovereignty and fragile democratic institutions of small states and is creating a series of Chinese dependencies around India. The article by China scholar Abanti Bhattacharya incisively argues that the BRI is a plan that has its origins in China's periphery policy that sought to address its security vulnerabilities. She argues that the strategy is increasingly expansive and poses a threat to India's territoriality and its security and diplomatic interests.

Three articles focus on the BRI's growth and operations in Southern Asia -- Pakistan, Bangladesh and Myanmar. Prateek Joshi writes on the domestic dynamics and impact of the China-Pakistan Economic Corridor (CPEC). He points out the difficulty of assessing what has been achieved, the amount of loan utilized, or debt build up because of absence of any dependable or consistent official statistics. He underlines the steady weakening of the Pakistani state's control over CPEC, the strengthening of Chinese control over power, telecom, transportation sectors, and the strengthening of the military's control with the active backing of China. Sreeradha Datta discusses Dhaka's many expectations, the reality

of BRI in action, and its cautious approach to avoid becoming 'another Sri Lanka' that is increasingly trapped in debt and willing to be a Chinese outpost. Though China has been active in several bridge-building projects in the country, only nine projects amounting to \$ 7.1 bn have been approved for infrastructure since 2016 and only \$1.8 bn released by China so far, as against the \$26 bn announced in 2016. Finally, Jaideep Chanda traces the domestic challenges that China-Myanmar Economic Corridor (CMEC) project faces in Myanmar and the cautious stance of the successive governments that have restrained its expansion. Much of the CMEC-- including the Kyaukpyu port and the proposed SEZ, and the road-rail connectivity from Mandalay-- as a result has still not been implemented. With the country ensnared in civil conflict and instability following the military take-over earlier in the year, the situation is not promising for the progress of the BRI, though China remains actively engaged to get its way.

The strategic environment is rapidly changing as moves to counter Chinese assertive and expansionist policies builds up. The strengthening of the Quad – comprising the US, Japan, India and Australia, the efforts to create alternative resilient supply chains in the Indo-pacific region, their combined opposition to the BRI, the hardening of US military posture in the region, and the initiation of the G-7 led B3W (Build Back Better World) infrastructure financing plan as an alternative to BRI – all indicate that a blow-back is under way and may become significant in the coming years.

These contributions bring fresh data and analysis to the fore and add to an improved understanding of the dynamics of BRI in the region. Most of the region's states are new with weak institutions, economies and deep internal political problems. They are vulnerable to China's predatory policies and practices, but do not appear to see any threat to their economic sovereignty. With many of the political regimes willing to cut deals with China to extend their stay in power the regional situation is worsening. This is an immense challenge for India and the peoples of the region.

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