

EXECUTIVE BRIEFINGS POLITICS AND ECONOMY: CHINA'S BELT & ROAD

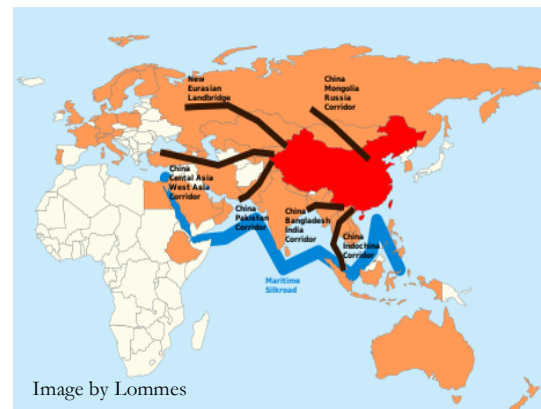
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Chaos under the Heavens

Over 2000 years ago, during the rule of the Han Dynasty, China extended its trade links under the imperial envoy Zang Qian through regions in Central Asia connecting the east and west. The Silk Road stretched from the Hermit Kingdom – Korea – to the shores of the Mediterranean. It embraced the Indian Subcontinent, Persia, Europe and the Horn of Africa. Its maritime version contained South East Asia, the Indian Peninsula and Somalia. Whilst silk was the primary Chinese export, other goods, religions and philosophies were traded as well. The Silk Road connected the Middle Kingdom, which the Chinese believed was the centre of the world, and its civilisation to far off lands and beyond. It would be reasonable to say that the Han Imperial Household had established global domination through trade and philosophy.

The Belt and Road initiative seeks to replicate these ancient trade routes. It is supposedly a manifestation of a development policy proposed by Chinese President Xi Jinping that seeks to enable connectivity and cooperation between China and Eurasian countries, South East Asia and Africa through land and sea. It intends to underline China's newly acquired super-power status and ascertain a dominant role in global affairs. With the withdrawal of the United States by the Trump Administration from various trade deals including the Transpacific Partnership, China seeks to establish the rules that will govern international trade. The Belt and Road initiative will provide the platform for such a strategy.

It is structured along six corridors – Western China to Western Russia; Northern China to Eastern Russia; Central China to Turkey encompassing Central and West Asia; Southern China to Singapore along the Indochina peninsula; China Pakistan corridor and finally the maritime silk route from Eastern China through South East Asia to the shores of the Mediterranean. This encircles 60 countries with a combined GDP of USD 21 trillion. China's initial pledge to the programme is USD 113 billion, although the total spends are estimated to be in the region of USD 4 trillion. Linking the projects back to ancient trade routes is meant to make it seem a natural and benevolent role for China, now that its time has come.



Despite the carefully choreographed summit in Beijing a few weeks ago, with 29 Heads of State in deferential attendance including Russian President Vladimir Putin, it was not particularly evident as to how the initiative would be addressed or how it would be funded. Projects to date have not been properly documented, but the stated goal is to focus on substantial transportation and power initiatives: roads, railways, ports and power plants and the extraction and transportation of resources. Presumably, some of the funding would take the form of loans from China, complemented by locally raised finance. What has so far been offered is Mr Xi's grand vision – an augmentation of his 'dream' of the great rise of the Chinese nation – with the knitty-gritty and bothersome details yet to be sorted.

The 19th Congress of China's Communist Party will be held in autumn this year. Party delegates will elect its new leadership and a majority of the Politburo's Standing Committee, the top decision making body, are expected to retire and be replaced by individuals loyal to Mr Xi. He will enter his second term more powerful than any leader in recent memory. For Mr Xi and for others in his team, the One Belt initiative is an aggregation of political and economic trends that underpin China's domination. With an inward looking America hindered by dysfunctional politics, the Chinese establishment believes that new opportunities now present themselves to the Chinese nation. The Belt and Roads initiative is ultimately an expression of this belief and will be presented as such to the Congress, reinforcing Mr Xi's global image and authority.

India's apprehensions arise out of a concern that the programme has glaring political overtones which seek to pursue China's global domination. More importantly, the Indian government is justifiably sensitive to the Pakistan portion of the project as it goes through territory in Kashmir currently seen to be under illegal occupation. Judging by the Sri Lankan experience in the Hambantota Port project, which as it happens has turned out disastrously, critics of the mission see most participants falling into a debt trap to subsequently become beholden to Chinese diktats. Hambantota neither hosts any ships nor earns any money and what remains is a burden of colossal debt from Chinese lenders that Sri Lanka is compelled to service. Many sceptics believe that the entire exercise will eventually become a Belt and Road *trap*.

For now the Belt and Road initiative has received a passionate welcome from most countries. Many of them need Chinese funding, technology and access to its vast markets. Their leaders have chosen to remain in China's favourable disposition and accepted the subservience that goes with it. However, the jury is still out on how the programme will proceed and particularly whether participating nations would be willing to accept the strings attached to Chinese funding. There is vocal criticism within the Pakistani media and industry on the road link to Gwadar and the various energy projects that it will supposedly contain. Many believe these will remain dysfunctional and saddled with vast amounts of unviable debt. If so the initial enthusiasm amongst others may mutate into caution. Mao Zedong, the great Chinese leader was said to have remarked 'there is chaos under the Heavens, but the situation is excellent'. From the Chinese perspective these words may ring so true.