



## The Twists and Turns along China's Belt and Road

*China's trillion-dollar Belt and Road Initiative could potentially transform relations with over 60 countries across Eurasia, Africa and beyond. But to bring the concept to fruition, Beijing must overcome mammoth logistical obstacles, navigate fragile political situations and placate growing regional apprehension surrounding its ambitions.*

"The project of the century" is how Chinese Foreign Minister Wang Yi touted the Belt and Road Initiative to the world when addressing the UN General Assembly on 21 September. It was only the latest in a series of pronouncements and events, including a Belt and Road Forum in Beijing in May and the ninth BRICS (Brazil, Russia, India, China and South Africa) summit in Xiamen in early September, choreographed to position China at the vanguard of a new stage of globalisation. Step by step, China is demonstrating that the Belt and Road is now the guiding framework for its international economic statecraft.

Formally launched in 2013, the vision combines a Silk Road Economic Belt along the ancient Eurasian routes, a 21st Century Maritime Silk Road through the South China Sea and across the Indian Ocean, and other Asian transportation corridors, logistics hubs and investments. China hopes to construct a network that will connect remote economies and drive renewed prosperity. Collectively dubbed the Belt and Road, these existing and proposed projects leverage China's strengths—vast

reserves of capital, business savvy, engineering expertise, and production and construction capacity—to generate geopolitical influence and reshape trade patterns.

The Belt and Road is conceived of as a multipurpose umbrella for foreign policy and domestic development. It is both a means to open markets, export overcapacity, generate employment, reduce regional inequalities, promote political stability and security through prosperity, as well as ultimately restore China's spheres of influence to their historic highs. It is estimated to involve a trillion dollars in projected financing.

Many observers are understandably sceptical of such an ambitious, expensive and risky vision. While China's remote borderlands showcase world-class domestic transportation infrastructure and special trade and economic zones, the condition of roads and other structures declines abruptly beyond China's frontiers. Such situations frustrate a China that has depended on international trade for its stunning rise and is now facing slowing GDP and diminishing returns on investment at home.

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There is a sense of ambition and economic dynamism – or at least a slowing simulacrum of it based on state-financed fixed asset investment – bursting at China’s seams. The hope is that by exporting its economic model to over 60 countries across Eurasia, Africa and beyond, and fostering alternate routes to Europe, it can rekindle global and domestic growth.

### **Navigating Regional Relations**

To put its vision into practice, China will have to reckon with many twists in the Belt and turns in the Road. It will take more than public relations, propaganda and public pronouncements to persuade many participants that the economic benefits outweigh their apprehensions about China’s expanding geopolitical footprint.

The starkest example is China’s border with North Korea, where a recent Crisis Group research trip was rattled when it coincided with Pyongyang’s sixth nuclear test at Punggye-ri on 3 September. China has set up trade and processing zones around the border cities of Dandong, Yanji and Hunchun and linked them to the provincial capitals with high-speed rail. The missing link is access to the sea through North Korea’s Rason port. For now, these plans are stalled by international sanctions and increasingly frosty relations between Beijing and a truculent Pyongyang that seems to loathe China while paradoxically depending on it for survival.

While North Korea marches to its own drumbeat, frictions elsewhere are a direct result of China’s own growing power and presence. Beijing has often struck an assertive, even aggressive tone that is discordant with the Belt and Road’s peaceful message. This has manifested through a growing strategic rivalry with the U.S. and its allies, maritime sovereignty disputes in the East China Sea and South China Sea, tensions across the Taiwan Strait, and pressure on South Korea over the deployment of America’s Terminal High Altitude Area Defense (THAAD) anti-missile system. At home, China’s increasingly restrictive national

security laws and persistent barriers to market entry have cooled the ardour of many foreign companies to do business in China. Together, these policies stoke tension, fear and mistrust that undercut China’s Belt and Road overtures.

The recent Himalayan border standoff with India in Doklam, a contested territory on the border between China and Bhutan, is but the latest illustration that while roads can connect, they can also divide. Although the spat was hastily patched up ahead of Indian Prime Minister Narendra Modi’s attendance at the September BRICS summit, it underlined how Beijing’s new ambitions on land and sea have unnerved India with fears it could be encircled while its neighbours are co-opted – even as many in New Delhi say that the economic relationship with China is valuable. India’s challenge is to balance the geopolitical and economic aspects of the relationship. As in the South China Sea, Chinese construction activities in the Himalayas have acquired an ominous strategic shadow for its neighbours.

Relations with another BRICS representative, Russia’s Vladimir Putin, are much warmer thanks to good personal chemistry with President Xi Jinping, a regular schedule of bilateral meetings, and increasingly aligned interests due to Russia’s estrangement from Europe and simmering disputes with Washington. But despite the friendly optics, Xi and Putin have complicated issues to manage, particularly in Central Asia where their two initiatives – China’s Silk Road Economic Belt and Russia’s Eurasian Economic Union – have divergent purposes and priorities and face many obstacles. Despite having committed to cooperating in principle, China and Russia could see increased rivalry due to competing visions.

Still, the example of Russia and Central Asia suggests the BRICS and other participants in

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the Belt and Road have an opportunity to shape China’s rise along a path of mutual benefits. This will require governments to take the initiative seriously and be strategic about their responses, weighing both economic and political implications. While each country pursues its own interests on the Belt and Road, they may also find it helpful to share insights and best practices on engaging with increasingly influential Chinese actors.

#### **Expertise First, Development Second**

Applied wisely, the Belt and Road and supporting institutions could be vehicles for China to play an increasingly important, cooperative and beneficial role in the international system. The bulk of financing is likely to come from the China Development Bank, China Exim Bank, New Silk Road Fund and state banks. The Asian Infrastructure Investment Bank and New Development Bank can add global expertise and legitimacy as well as funding. Together, they could enable China to deploy capital, technology and engineering capacity to help millions escape poverty, just as it has done at home. But this will have to be balanced with factors at the country and local level. Belt and Road projects will have to contend with a myriad of complex political, security and social situations. These include terrorism, violent extremism, inter-ethnic tensions, xenophobia, brittle authoritarian regimes, and political systems and behaviours that perpetuate high levels of corruption and inequality.

China’s basic premise is that economic development will alleviate these problems. In some ways it may, but if prosperity is unequally

shared, local communities are not consulted on projects that affect them, and reforms of institutions and systems of governance fail to keep pace with inflows of investment, then the Belt and Road could make fragile situations worse. Some Chinese analysts argue that so long as the interests of ruling elites in Belt and Road countries are aligned with China’s, problems can be managed. History suggests otherwise. No wonder many of China’s own enterprises are cautious about putting costly and uncertain Belt and Road projects on their balance sheets. As illustrated in our report, China’s Foreign Policy Experiment in South Sudan, Beijing’s investments in insecure places come with complex risks and dilemmas that challenge its traditional aversion to intervention.

To mitigate those risks, China and its partners will need to deepen their understanding of neighbouring countries and situations, and be more transparent, inclusive and accountable in implementing projects. This could include: consistently engaging with affected communities; taking their interests into account; assessing the political as well as economic implications of projects; and ensuring that benefits are not simply divided as spoils among unaccountable elites in backroom deals. Just as necessary will be to study the drivers of terrorism and appeal of extremist ideologies, and investing in more nuanced policy responses. Crisis Group’s research illuminates many of these challenges in Belt and Road countries across South East Asia, South Asia, Central Asia, the Middle East and North Africa, and the Horn of Africa. Our research on Jihad in Modern Conflict also has relevant insights for counter-terrorism across much of the Belt and Road.

Companies, financial institutions and other organisations involved in Belt and Road projects will have to be more rigorous in assessing and addressing political and security risks. Quantitative metrics and vague strategic frameworks are not enough.

It requires extensive field research, engaging on the ground and making qualitative judgments. China's own capacity to assess political and country risk is not keeping pace with its sprinting ambitions. To rectify that, Beijing should empower its policymakers, universities and think-tanks to engage freely with foreign counterparts and provide frank assessments of pitfalls and policy flaws.

Through his vision of a new Silk Road, President Xi has invoked the potent historical

imagery of China as a pole of commerce, prosperity and stability. He and his advisers would do well to also draw inspiration from another high point in China's long history – the Tang Dynasty, which flourished in large part because of its cultural and intellectual openness to the world. By ensuring that its policies and actions live up to the lofty rhetoric, China has a chance to truly foster the soft power, influence and admiration that it clearly seeks.