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Pitfalls or Windfalls in China's Belt and Road Economic Outreach?

ABSTRACT

In just over six years, China's Belt and Road Initiative has swiftly expanded to vast swaths of the globe, with as many as 138 countries signing on. In 2017, President Xi Jinping's signature project was incorporated into the Chinese constitution, assuming extraordinary significance as the "project of the century." China has couched the program in multilateral terms, with a promise of shared benefits through road and maritime connectivity projects, reviving the ancient Silk Road and revivifying the spirit of commercial, cultural and academic exchange. Cooperation among member countries is envisaged in policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. However, an active debate has ensued surrounding China's motivations and the initiative's potential outcomes for the host countries. Against this backdrop, I examine the economic implications for host countries and regions, using a geo-economic analytical framework.

KEYWORDS: China, Belt and Road Initiative, Xi Jinping, geo-economics, win-win outcomes

INTRODUCTION

China's gigantic Belt and Road Initiative (BRI) captured the imagination of big and small powers alike, with its launch by President Xi Jinping in September 2013. It reified Xi's vision for revival of the ancient Silk Road through infrastructural connectivity across a vast expanse of Asia, Africa, and Europe.

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In 2017 the venture received a fillip with its incorporation into the Chinese constitution, reflecting the president's political resolve to guarantee the mega-project's continuance as well as marking it as his gift to the nation, for generations to remember. Indeed, the "New Silk Road" diplomacy symbolizes a birth after silent nourishment in the womb, following China's tortuous journey as an emerging world power.

The BRI has two components: the Silk Road Economic Belt, linking China to Central and South Asia and onward to Europe, and the New Maritime Silk Road, linking China to Southeast Asia, the Gulf countries, North Africa, and onward to Europe (World Bank 2018). While the BRI's scope is still evolving, certain features have come to the fore. First, as of March 2020, 138 countries had signed documents on "BRI cooperation," a huge jump from 66 in 2018 (Green Belt and Road Initiative Center 2020). They come under the following regions: Sub-Saharan Africa (38), Europe & Central Asia (34), East Asia & Pacific (25), Latin America & Caribbean (18), Middle East & North Africa (17), and South Asia (6). Second, it encompasses six corridors, with the stated aim of building international economic cooperation:

*China, Mongolia, and Russia;

* the New Eurasian Land Bridge;

* China and Central and West Asia;

* China and Indochina;

* China and Pakistan, and

* Bangladesh-China-India-Myanmar.[1]

Completed corridor projects include the Western China-Western Europe International Expressway (linking western China, Kazakhstan, Russia, and Western Europe), the China-Mongolia-Russia cross-border terrestrial cable system, and the Kunming–Bangkok Expressway (Office of the Leading Group 2019). Third, the project's vastness is evident in the Chinese government's "Vision for Maritime Cooperation" (*XinhuaNet* 2017), which

1. At the Belt and Road Forum of April 2019, this last was dropped from the list, and the China-Myanmar Economic Corridor was mentioned instead. However, the Chinese government has lately said that the BCIM "has not been abandoned. It is very much on board" (*Deccan Herald* 2019).

lays out the components of maritime passages extending to the Arctic Ocean:

> Ocean cooperation will focus on building the China-Indian Ocean-Africa-Mediterranean Sea Blue Economic Passage, by linking the China-Indochina Peninsula Economic Corridor, running westward from the South China Sea to the Indian Ocean, and connecting the China-Pakistan Economic Corridor (CPEC) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC). Efforts will also be made to jointly build the blue economic passage of China-Oceania-South Pacific, travelling southward from the South China Sea into the Pacific Ocean. Another blue economic passage is also envisioned leading up to Europe via the Arctic Ocean.

Fourth, the BRI is more than a transcontinental physical connectivity project. China's "Vision and Action" for BRI promotion, released by the National Development and Reform Commission in March 2015, envisages cooperation among member countries in policy coordination; facilities connectivity (including infrastructure such as rail, roads, shipping, aviation, and pipelines); unimpeded trade through investment and trade facilitation, removal of trade barriers, and customs cooperation; financial integration (including establishing the Asian Infrastructure Investment Bank and deepening financial cooperation); and people-to-people bonds (such as cultural and academic exchange). As of May 9, 2019, the Refinitiv BRI database identified 2,631 projects associated with the BRI (including those on hold or cancelled), with a combined worth of US$ 3.7 trillion, involving transportation, power and water, and real estate as the major sectors. Of these, 76% or 1,989 projects were currently active, while 22% had been completed (Refinitiv 2019). In its next version, as of December 2019, the database showed a cumulative total of 2,982 projects worth US$ 3.6 trillion, with US$ 3.16 trillion's worth active (Refinitiv 2020).

China has projected a message of unequivocal commitment to inclusive globalization and regional market integration in the context of the growing perception of US retrenchment from the liberal economic order under the Trump administration. Still, with dark clouds gathering over the BRI owing to debt and sustainability implications for host countries, at the second BRI Forum, on April 26, 2019 in Beijing, President Xi provided a "refined blueprint" for its "brighter future." He outlined three major areas for attention: extensive consultation, joint contribution, and shared benefits; pursuit of "open, green and clean cooperation"; and a people-centric approach and sustainable development. But these terms are not new in the statements and speeches of Chinese leaders, who reiterate China's commitment to multilateralism and sustainability. With 200 cooperation agreements (with 30 international organizations and 138 countries) signed under the BRI's banner as of March 2020, what intrigues stakeholders as well as interested observers is whether the promises of shared prosperity will be met, or whether a colossal system of entrapment is in the offing, and whether it will end up as a fiasco or herald an era of peace and global development. Against this backdrop, I examine the BRI's implications for host countries and regions in economic terms. Any such investigation will be incomplete without understanding the geo-economic dynamics underpinning China's approaches and outlook. Thus, I also consider strategic implications, using a geo-economic analytical framework. I thus hope to bridge a gap in the literature, which either broadly enumerates economic implications without a contextual critical lens, or explains the underlying geo-economics without fleshing out the geo-economics concept (Beeson 2018; Cai 2018).

THEORETICAL DISCUSSION

Back in 1978, China's visionary leader Deng Xiaoping discarded Mao Zedong's centralized planning model and introduced the "open door" policy, with the pragmatic reasoning that "it does not matter whether the cat is black or white as long as it catches mice." Under Deng, China launched reforms to tackle enduring economic stagnation with the goal of achieving broad prosperity.

At the Third Plenum of the Eleventh Central Committee, on December 18–22, 1978, "socialist modernization" was recognized as "the focus of the party work" (B. M. Jain 2017, 67), and the Four Modernizations were launched, covering industry, agriculture, national defense, and science and technology. Since the 1970s, China's interactions and transactions with different geographies have steadily been woven into the economic fabric. Another turning point in China's economic history occurred with its accession to the World Trade Organization in December 2001, with China slashing import tariffs and abolishing many trade-related administrative regulations and rules, including the Administration Measures on Foreign Exchanges for Overseas Investments and the Administration Measures on

Overseas Financial Institutions (65–84). The WTO membership, in turn, paved the way for China's emergence as the world's largest trading nation.

More than a decade later, as the domestic economy slowed, the BRI was launched in an effort to curb and reverse the downturn. The role of economics in China's foreign policy became more strategic under the leadership of President Xi, reflecting the March West strategy (Sun 2013) that influenced the BRI's launch. Since 2018, in view of the ongoing trade war with the United States, it has become all the more imperative for China to consolidate its economic presence in the Asian and European spheres. With the focus on the BRI's implications, this section employs a dual interpretation of geo-economics: liberalist geo-economics and economic statecraft.

In their pivotal work, *War by Other Means: Geo-economics and Statecraft* (2016), Blackwill and Harris define geo-economics as "the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals" (20). For them, the focus is the "geopolitical results" of economic instruments. This view stems from the authors' objection to confusing terminology that fatally muddles the concept of geo-economics, reflecting from its common interpretation as "the entanglement of international economics, geopolitics, and strategy" (19). As an analytical approach, geo-economics falls into "competitiveness" and "cooperativeness" dimensions of Wigell's (2016) four frames. Accordingly, neo-mercantilist and neo-imperialist strategies are competitive in nature, positing realism or a zero-sum game in foreign economic relations. In contrast, non-coercive liberal-institutionalism and hegemony are cooperative, focusing on win-win outcomes with reciprocal gains.

From a realist perspective, Luttwak (1990, 19) reasons that states "have to act 'geo-economically' simply because of what they are: spatially-defined entities structured to outdo each other on the world scene," employing the "logic of conflict" in the "grammar of commerce." In this view, the fulcrum of interstate conflict and rivalry is the scramble for wealth and resources, as in Gilpin's statement that "realism today necessarily means neo-mercantilism" (quoted in Diesen 2017, 13). In the same vein, in view of the worldwide rise of mercantilism and the consequent subordination of fair international trade to national economic policies, Malmgren wrote in *Foreign Policy* as early as 1970, "Economics [is going to be] powerful politics. Neo-mercantilism will be its scourge, driving nations into international conflicts, as have ideologies and military imbalances in the past" (143). In other words, this viewpoint posits a power struggle predominantly in the economic domain, with trade wars its characteristic manifestation. The ongoing US–China trade war serves as its prime example. From the liberal perspective, the term accommodates win-win propositions in the age of interdependence, reflecting interstate cooperation in the spirit of shared gains. Wiggell (2016, 135) explains that these strategies are not "deployed to pursue broader geopolitical goals but foremost to pursue economic objectives as such. They denote an economy-oriented notion of foreign policy idealism, as opposed to the realism of neomercantilism." The next section investigates these win-win claims, considering both parties' economic expectations.

Liberalist Geo-economics

Through the BRI, China is scouting up new export markets and aiming to acquire control over overseas supply chains, to utilize its excess capacity in cement and steel, and to internationalize the Chinese currency, the yuan. Since 2011, more than 11,000 freight trains have traveled from China to Europe (as of January 4, 2019), and with the help of subsidies, 65 freight rail routes now run between China and 44 European cities (Suokas 2018). Through BRI projects, Africa has emerged as a crucial end user of Chinese industrial overcapacity: in 2018, Chinese exports of steel to Nigeria spiked by 15%, while Algeria's steel imports tripled (Nantulya 2019). Regarding the yuan's internationalization, Zhou Yu, director of the Research Center of International Finance at the Shanghai Academy of Social Sciences, observes that "the growing pace of yuan use in BRI countries has been faster than the yuan's overall usage in the world in recent years. The trend is particularly evident in some Southeast Asian countries like Singapore" (quoted in Jun 2019).

Among other factors, the yuan's internationalization is attributable to the Bank of China's opening of yuan-clearing banks overseas, including in BRI countries. Some analysts, including media outlets such as the *Financial Times* (Smith 2018), contend that the yuan will have a tough time clinching the currency crown; as of March 2019 it ranked eighth by value in international cross-border payments, accounting for 1.2%, to the US dollar's 46% (Richter 2019). Cognizant of reality, the Chinese leadership is determined to harness the BRI to fuel the yuan's growth. The *China Daily* of April 26, 2019 said this about the leveraging of private funds through the yuan (also called the renminbi):

> Renminbi-denominated overseas investment funds amounted to over 320 billion yuan ($ 45.16 billion) and the Chinese capital market has helped companies raise 500 billion yuan ($ 70.57 billion) through equity funding. BRI countries and companies have issued more than 65 billion yuan ($ 9.17 billion) in Panda bonds in the Chinese onshore market (Jia 2019).

Furthermore, in constructing the CPEC, a major BRI project, one of Beijing's motivations is to "further advance the western development strategy, [to] promote economic and social development in Western China" (Ministry of Planning, Development and Reform 2017, 9). This type of growth is tied up with cross-border connectivity projects, such as the CPEC's linking of Xinjiang Province in China's far west with Pakistan's Baluchistan Province; railways linking China's western provinces with Europe; and the China-Myanmar Economic Corridor connecting Yunnan with Mandalay in Myanmar. With the latter, China will also be able to reduce its dependence on the Malacca Strait for transit of trade and energy flows; currently 80% of Chinese oil imports come through the strait—a dangerous, accident-prone "maritime chokepoint" (Calamur 2017). Thus, diversification of shipping routes is a practical necessity.

Economic Implications for Host Countries: Expectations and Outcomes

Before examining the economic implications for host regions, this section briefly reviews the expectations that led countries and organizations to partner with China. According to the Asian Development Bank (2017), Asia needs US$ 26 trillion in infrastructure investments such as transport and power over the 2016–2030 period to maintain growth momentum, eliminate poverty, and respond to climate change. Similarly, the African Development Bank (2018) has determined that Africa's infrastructure requirements amount to US$ 130–170 billion a year, with a financing deficit of US$ 68–108 billion. In this context, the BRI emerged like a nimbus cloud over a parched desert. Developing countries, frustrated with the paucity of domestic and international financing, could not resist jumping on the bandwagon. Anja Manuel (2017) writes in *The Atlantic*, "Since the West doesn't have $1 trillion to lavish on developing country infrastructure in a new great game, its best choice may be to coopt and shape this juggernaut. If the [BRI] is a success, asphalt will be smoother, logistics will run faster, and countries that were cut off from world markets will be able to trade more."

As for South Asia, the Pakistani government's vision for the CPEC is "to fully harness the demographic and natural endowment of the country by enhancing its industrial capacity through creation of new industrial clusters, while balancing the regional socioeconomic development, enhancing people's wellbeing, and promoting domestic peace and stability" (Ministry of Planning, Development and Reform 2017, 9). Similarly, in Africa, Ugandan President Yoweri Museveni spoke highly of China's intentions: "It has helped Africa to get out of the blackmail of some of the Western countries, which wanted to treat African countries as if they are slave countries" (quoted in *XinhuaNet* 2018). In Europe, Italy (a G7 member) joined the BRI, signing a memorandum of understanding stating that "the parties are interested in developing synergies between the Silk Road, Italy's transport and infrastructure network, including roads, railways, bridges, civil aviation, ports and the EU's trans-European transport network (TEN-T)" (quoted in Borrelli 2019).

Thus, in terms of the magnitude of BRI's acceptance, a litany of facts may be produced. The BRI economies account for one-third of world trade and GDP, as well as more than 60% of the world's population (Belt and Road Portal 2013). It has won the support of the United Nations (Lynch 2018) and prominent international organizations such as the Asia-Pacific Economic Cooperation. At the second Belt and Road Forum for International Cooperation, in April 2019, UN Secretary-General António Guterres acknowledged China's "central role as a pillar of international cooperation, multilateralism." Similarly, addressing the opening ceremony of the African Union Summit in July 2017, UN Deputy Secretary-General Amina Mohammed alluded to BRI's potential role in bolstering African integration:

> We must work to take advantage of one of the world's largest infrastructure initiatives. . . . This is an opportunity not just to provide alternatives to silencing the guns for our people but one that will keep our assets, both human and natural, on the continent building our tomorrow today (United Nations Secretary-General 2017).

It is crucial to determine what the BRI implies for host countries in terms of actual outcomes. In April 2019, China's National Development and Reform Commission reported that nearly 300,000 jobs have been created through economic and trade cooperation zones in countries participating in the BRI (*XinhuaNet* 2019). Other implications for the host regions are discussed below.

Increased Trade and Investment

The Chinese government's online Belt and Road Portal says that China's trade and investment with countries along the Belt and Road routes have good momentum, with total trade volume hitting US$ 1.21 trillion in 2018 and US$ 1.34 trillion in 2019 (China Daily 2020). According to Moody's Analytics (2019), the share of BRI countries in China's total two-way trade rose from 35% in 2013 to over 40% in 2018, far higher than that of the non-BRI countries. In realist terms, the uncertain trade environment, exacerbated by the ongoing US–China trade war, has pushed China to explore alternative avenues for sustainable commerce.

However, in terms of Chinese investments in BRI zones, research paints a less rosy picture. As David Dollar (2017) points out,

> There is significant Chinese investment in risky, non-OBOR[2] countries such as Angola, the Democratic Republic of Congo, and Venezuela . . . in search of natural resources. So far, OBOR has not been an important factor in the allocation of ODI [overseas direct investment]. . . . The 68 OBOR countries had received 12 percent of Chinese ODI as of end-2015; those same countries had received 17 percent of global FDI [foreign direct investment] (2011 data).

Between January 2017 and December 2019, BRI countries received US$ 357.2 billion of Chinese investment, exceeding investment in the non-BRI ones (US$ 357.1 billion) (American Enterprise Institute 2019). While the top four sectors, in terms of investment amount, in BRI countries were logistics, energy, metals, and transport, those in non-BRI countries were agriculture, logistics, transport, and finance. Furthermore, in greenfield investments, a form of FDI, BRI countries outnumbered their counterparts, with the former reporting 98 and the latter 49 investments during this period. The difference lay primarily in the energy sector. What is noteworthy is that 44% of the 34 greenfield energy projects in BRI countries were in coal and oil sectors—non-renewable energy sources—with Bangladesh, Pakistan, Bosnia, Cambodia, Turkey and Indonesia being the recipients of investments in the coal sector (American Enterprise

2. One Belt One Road (OBOR) is another name for the Belt and Road Initiative.

Institute 2019). In contrast, five of the nine greenfield energy projects in non-BRI countries, such as Australia, were undertaken in alternative energy, without any investments in coal. Clearly, non-BRI countries received more environment-friendly investments in the energy sector than BRI ones.

Similarly, Joy-Perez and Scissors (2018) at the American Enterprise Institute underline that the BRI mostly involves construction rather than investment (building versus ownership stake), and that given the BRI's focus on developing countries, a huge commercial risk is involved because of the reluctance of private Chinese firms to undertake BRI projects there. The American Enterprise Institute data lend credence to this claim: in 2017 the total amount of Chinese investment in BRI countries was US$ 36.9 billion, while for construction it was US$ 88.33 billion. In 2018, investment and construction amounted to US$ 42.79 billion and US$ 63.06 billion, respectively. Thus, the share of investments was nearly 30% in 2017, and nearly 40% in 2018. In other words, even though investment grew, its share remains less than that of construction. The BRI has yet to go far on the investment front.

Nevertheless, it may be argued that for some host countries, construction is as much a priority as investment. Also, construction could be a catalyzing factor for ODI. Chen and Lin (2018, 30) see "a positive and significant correlation between China's construction projects and outward investment" in the manufacturing and service sectors. They also estimate the effect of the BRI transportation network on FDI by BRI region, and expect FDI flows to increase by 6.3% in the East Asia Pacific region, 4.7% in Europe and Central Asia, 3.4% in the Middle East and North Africa, 5.2% in South Asia, and 7.5% in Sub-Saharan Africa (32).

What remains to be seen is whether the potential FDI with improved infrastructure will automatically attract Chinese ODI, depending on China's investment policy. This is because the existing literature supports the view that Chinese government-supported investments are primarily motivated by the desire to access natural resources, along with market-seeking (Alon, Fetscherin, and Gugler 2012).

Increase in GDP and Welfare

Investment in physical infrastructure is critical for an economy to support the production and supply of goods and services, leading to gains in economic growth. On the surface, it seems plausible that with BRI-induced infrastructural improvements, regional economies will be better integrated for market access. Several recent studies have tried to quantify these impacts. For example, a World Bank study sums up the effects of the common transport infrastructure on regional trade, welfare, and GDP: "BRI transport infrastructure projects increase GDP for BRI economies by up to 3.35 percent and welfare, which accounts for the cost of infrastructure, by up to 2.81 percent; BRI-related transport projects could increase GDP for non-BRI countries by up to 2.61 percent and for the world as a whole by up to 2.87 percent" (de Soyres, Mulabdic, and Ruta 2019, 5). In terms of variance by region and income group, the study highlights the following key estimates:

> BRI upper middle income and low-income economies are expected to benefit from the infrastructure improvement the most. The results for upper middle income are driven by China's improvement in access to foreign markets, estimated to increase its GDP by 2.48 percent, while the impact for low-income countries is driven by Tanzania with an estimated gain of 2.87 percent. Similarly, the results for Sub-Saharan Africa are high because of the new ports in Tanzania and Kenya that improve substantially the connectivity of those two countries to other BRI countries and the rest of the world. East Asia and Pacific and Europe and Central Asia regions, the most active in terms of BRI projects, are expected to increase their GDPs by 2.14 and 1.46 percent respectively.

Pakistan reports the highest potential advantage because of trade cost reductions from CPEC projects such as the Gwadar port, highways, rail, and pipeline development. As Maliszewska and Mensbrugghe (2019) estimate, its welfare gain stands at 10.5% by 2030 (relative to the baseline), with an 8.6% share of the total gain of BRI zones. Petroleum and coal products are the sector with the greatest decline in trade cost; the construction, trade services, and transport sectors are also amenable to large reductions (Maliszewska and Mensbrugghe 2019, 14). In welfare gains, Pakistan is followed by the Kyrgyz Republic (10.4%) in benefiting from reduced transportation costs. The study also projects that BRI-related infrastructure investments will help lift "8.7 million [people] from extreme poverty and 34 million from moderate poverty" (10).

Reduction in Shipment Times

De Soyres et al. (2018, 3) find that with implementation of BRI transport infrastructure projects, shorter shipment times will scale down aggregate trade costs for the BRI economies by "2.8% on average with the rest of the world, and by 3.5% with other BRI economies." Their methodology lay in comparing pre- and post-BRI scenarios to quantify differences in shipment times and then using sectoral estimates of time value to convert reductions in shipment times into trade cost reductions. This research also indicates "positive spillovers" for non-BRI economies from upgraded BRI infrastructure networks; for example, shipment time between Australia and Ethiopia is likely to decrease by 1.2% with the upgradation of Djibouti's port. In terms of regional variance, the study estimates the largest gains in trade costs for pairs of countries in East Asia, the Pacific, and South Asia.

According to the World Trade Organization, trade costs include tariffs and non-tariff barriers as well as costs related to transportation (freight and time costs), communication, enforcement, exchange rates, legal and regulatory compliance, and local distribution. From this perspective, the BRI's role in reducing trade costs appears mostly confined to reducing shipment times or transportation costs. The quantitative studies cited in this article involve estimates at best, and assume that the projects are fully implemented. And the quantification of benefits is limited by opacity and inadequacy of publicly available information on BRI projects' terms and conditions, which is why infrastructure costs—whether of new and improved rail, or tunnels, or canals—have had to be based on assumptions (de Soyres, Mulabdic, and Ruta 2019, 17). Still, the examples do show the potential of BRI projects for significant economic benefits.

On the other hand, such gains will not be "automatic," inasmuch as participating countries may need to implement complementary reform policies, such as customs clearance, procedural streamlining (World Bank 2018), or easing of domestic spatial mobility restrictions, such as *propiska* (the residency registration system) in Central Asian countries (Lall and Lebrand 2019). Kurbanov (2018) notes that Central Asian countries are besieged with massive corruption, feeble rule of law and law enforcement, unpredictable trade and customs policies and barriers, and excessive tax and regulatory burdens. He argues that unless these barriers are removed, "Central Asian countries will only reap the benefits of BRI as transit countries, not as destinations for much larger investments" (94). Duarte (2018), an expert on Central Asia, has a similar view, emphasizing that Central Asian ruling elites need to create a conducive business environment for BRI projects to deliver, especially because, as Russell (2019) points out, this land-locked region is "strategically located at the crossroads of Europe and Asia" yet largely isolated from "main population centers of Europe and Asia by empty steppes and rugged mountains." The World Bank notes that economic growth and poverty reduction demand favorable macroeconomic conditions and "supportive institutions," which will vary among countries and among communities within countries (Lall and Lebrand 2019). Be that as it may, the BRI does not support a linear evaluation or a simple input-output mechanism inasmuch as recipient countries' domestic conditions weigh in the assessment of this giant project in realizing its vision for a "shared future."

The outcomes and inclusive benefits will also depend on a host of external factors, even though China is promoting the program as green, healthy, intelligent, and peaceful. The expected boost in trade and investments from reduced shipment times and upgraded infrastructure could be offset by losses for the environment, human health, and inclusive development.

Regarding the environment, the World Bank (Losos et al. 2019) recommends considering the following attributes in the environmental assessment of BRI economic corridors: spatial scale (for wide-ranging risks such as deforestation and extinction); temporal scale (incorporation of environmental assessment into early planning stages for individual projects); regional connectivity (inclusive of inputs from all stakeholders in a corridor); and investor participation (empower lenders to require "the highest international environmental standards"). The onus is on recipient countries' leaderships to base their decisions on sound feasibility studies, including environmental implications. Indigenous people in the Philippines have protested the Kaliwa Dam, a BRI project. As David Green (2019) reports, "Various nongovernmental organizations oppose Kaliwa on grounds it will lead to environmental destruction and the displacement of indigenous peoples in more than 230 hectares of the REINA National Park, Wildlife Sanctuary, and Game Preserve."

Similarly, a coal power project proposed for the desert of Pakistan's southern Sindh Province has alarmed the local people. As Ashraf Khan writes in the *Jakarta Post*, "Underground rivers which previously flowed into the mine have been diverted, and residents of Gorano, a small village some 25 kilometers from the coal project, claim their pastures have been transformed into a salt lake due to water diversions and the dumping of waste." Even if faster shipments facilitate international trade, local people might suffer economic losses, especially without stakeholder inclusivity. Clearly, the liberal dimension of geo-economics predicts mixed results in fulfilling the expectations of the countries participating in the BRI.

GEO-ECONOMICS AS STATECRAFT

The preceding investigation prompts a question: Can economics be a zero-sum game? The answer depends on foreign policy motivations. Blackwill and Harris (2016) write that "the logic of economics is traditionally positive-sum" (24)but that when aimed at geopolitical outcomes, economic instruments can have zero-sum results. They say that China's goal is to "foster asymmetrical economic dependence on China among certain countries and once that is achieved to shape their foreign policies in ways congenial to China's national interests" (135; see also Wu and Wei 2014).That is, over time, the BRI countries might become enmeshed in China's economic matrix, to the extent that the latter's foreign policy dictates will control them. China's economic statecraft could include capitalizing on this "strategic depth" through its leverage over trade-dependent countries. In fact, China has already deployed economic tools of coercion and inducement for its foreign policy (Blackwill and Harris 2016).When South Korea refused to cancel the installation of its anti-missile system (known as Terminal High Altitude Area Defense), China retaliated with a flurry of punitive measures impacting South Korea's tourism and cosmetics industries. As regional economies intertwine with China's, China could intensify the use of carrots and sticks to advance its national interests.

The BRI is also reflective of China's ambition to step up Beijing's influence in the international economic system, challenging US dominance (Cai 2018). It is no exaggeration to see some BRI projects as leaving a mark, as history in the making, with China's name etched in worldwide "engineering feats" such as Egypt's 385-meter-high skyscraper, which will be Africa's tallest structure when it is completed. By undertaking massive projects on a global scale, China is making inroads into the foundations and edifices of many segments of infrastructure; not only will Chinese goods spread through global consumer markets, but China's legacy will shape other countries' socioeconomic pillars. Along with institutions such as the Asia Infrastructure Investment Bank and the New Development Bank, the BRI originated as a way to curb Western institutional dominance (Schortgen, 2017). For China, it has been a swift rise to the pole star of global economic influence (though not without challenges and obstacles); while for the host countries, the BRI looked like a no-strings-attached mechanism of resource allocation, in contrast to the political and reform conditions imposed by institutions such as the World Bank and the International Monetary Fund. But although China has promoted the BRI as a multilateral development framework free of coercion and deception, controversy has arisen over a possible "debt trap" (Chellaney 2017; Romi Jain 2017) or "infrastructural expropriations" (Sum 2018, 19). Allegedly, economically weak countries are first tempted with reasonable loans for infrastructure development, and then concessions are extracted from them in return for debt relief. Sri Lanka's inability to pay off an US$ 8 billion loan at 6% interest (Hurley, Morris, and Portelance 2018) led to its handing over the Hambantota port to China on a 99-year lease as part of debt-to-equity swap. This raises questions about China's claim to shared benefits, and some countries have since cancelled or reneged on BRI projects (Balding 2018).

In August 2018, Malaysian Prime Minister Mahathir Mohamad announced the cancellation of the US$ 20 billion East Coast Rail Link project and a natural gas pipeline project in Sabah. In Pakistan, Abdul Razak Dawood, advisor to Prime Minister Imran Khan in the commerce, textiles, industry and investment sectors, told the *Financial Times*:

> The previous [Pakistani] government did a bad job negotiating with China on CPEC—they didn't do their homework correctly and didn't negotiate correctly so they gave away a lot. . . . Chinese companies received tax breaks, many breaks and have an undue advantage in Pakistan; this is one of the things we're looking at because it's not fair that Pakistan companies should be disadvantaged" (Anderlini, Sender, and Bukhari 2018).

However, given Pakistan's dependence on China for economic and military aid, especially in the face of Islamabad's estrangement from the United States, the government might still want to cooperate with China on the BRI issue.

In Nepal, a finance ministry official told the *Kathmandu Post* that it needed to be clearly communicated to the Chinese side whether the projects would be undertaken on a loan or grant basis. It seems that the opacity of China's terms and conditions in implementing BRI projects is causing concern, prompting caution in Nepal's negotiation with the Chinese side (Giri 2019). A previous setback for China came in September 2018, when the government of Nepalese Prime Minister K.P. Sharma Oli rescinded its memorandum of understanding with China Three Gorges International after the latter withdrew from the US$ 1.5 billion West Seti hydropower project in western Nepal. The Chinese company said that the project was unfeasible due to "high resettlement and rehabilitation costs" (Giri 2018), even after the Nepalese government agreed to pay for power with US dollars and to revise the project's installed capacity.

China has given the Pakistani, Maldivian, and Sri Lankan ambassadors Silk Road Super Ambassador awards, a diplomatic move reflecting its anxiety over the prospects of the BRI project in the wake of Pakistan's cancellation of its power project and the Maldives' ongoing review of Chinese projects, under the leadership of President Ibrahim Mohamed Solih. Whether or not China might capitalize on the vulnerability of debt-ridden host countries, it is alarming in itself that some countries have reported a spike in debt attributable to the BRI. Hurley, Morris, and Portelance (2018) list eight countries faced with "debt distress": Djibouti (much of its public external debt, which has risen from 50% to 85% of GDP, is owed to the Exim Bank of China), the Maldives, Laos, Montenegro, Mongolia, Tajikistan, the Kyrgyz Republic, and Pakistan. The Chinese government claims to have brought transparency to the debt issue for BRI-participating countries in its "Guiding Principles on Financing the Development of the Belt and Road," and by publishing a Debt Sustainability Framework. However, the proof of the pudding is in the eating. The results will be seen in the debt conditions of the participating countries.

Two other dimensions of statecraft can be discerned in the US$ 62 billion CPEC project, with China's geostrategic goal of establishing a naval presence, and establishing colonies (*Business Today* 2018). Launched in April 2015, during President Xi Jinping's visit to Pakistan, it includes various infrastructural projects, among them coal-based energy projects and mass-based rail transit systems. Development of the Gwadar port is considered its centerpiece, a crucial project that would link Pakistan's Baluchistan Province to China's Xinjiang Province, in effect providing an Indian Ocean outlet for China. In April 2017, China Overseas Port Holding Company acquired a 40-year lease to operate the port. In the perception of India, China's control over Gwadar is part of a "string of pearls" strategy, whereby China will not only strategically encircle India but also control the Indian Ocean. Gurmeet Kanwal (2018) writes, "If Gwadar port is converted into a naval base sometime in the future, it will enable the PLA Navy to maintain a permanent presence in the Arabian Sea and the Gulf of Oman. In the eventuality of India having to fight a two-front war—undoubtedly a low-probability scenario—the Indian Navy would have to contend with a formidable maritime force. India's energy supplies from the Gulf and maritime trade will become highly vulnerable to interception."

Apart from the connectivity component, the Gwadar project encompasses a dozen sub-projects, including the Gwadar Smart Port City Master Plan. Logan Pauley and Hamza Shad (2018) write in the *Diplomat* that the Port-Park-City model is expected to be implemented in Gwadar, given that Li Xiaopeng, vice-chairman of the state-owned China Merchants Group (CMG), has stated that CMG's plan is to "replicate" this model in BRI projects. The model envisages sequential development of the port, the industrial park, and then urban development (Xu and Wang 2017). It is conjectured that eventually, under this model, the settlement of citizens in Gwadar would amount to a Chinese colony. As Xu and Wang mention, Li Xiaopeng has described the CMG's four-fold strategic deployment in the BRI: consolidation of position in Asia through projects such as the Colombo and Hambantota ports; improvement of operations in Africa; expansion to the Americas by targeting Brazil and Mexico; and penetration into Europe. Clearly, CMG's global expansion blueprint via BRI is well documented.

What kinds of BRI projects can we expect soon? The second Belt and Road Forum, held in April 2019, concluded with the publication of a list of "283 concrete results" in six categories: initiatives proposed or launched by China; bilateral and multilateral documents signed; multilateral cooperation mechanisms; investment projects and project lists; projects that had acquired financing; and projects by local authorities and enterprises (State Council 2019). Basically, the list reiterates China's message that the BRI is on the right track and is making steady progress, while considering financing and environmental issues—for example, the Industrial and Commercial Bank of China's issuance of the Belt and Road Bankers Roundtable Mechanism green bond, and the release of the Belt and Road Green Finance Index.

CONCLUSION

The BRI's expansion has been swift and impressive. Foreign countries' reasoning that China has both the financial wherewithal and the engineering capabilities led them to join the BRI. Beyond specific geopolitical goals, China is aiming to increase its economic power and influence, while the promise of closing infrastructure gaps has given host countries hopes of shared benefits and prosperity. Studies suggest that with upgraded transport infrastructure, trade as well as FDI will receive a boost in BRI countries, while non-BRI economies also stand to benefit from improved networks. But lately controversies such as debt sustainability have hit the program, especially in view of some countries' cancellation of projects, though the addition of Italy (a G7 member) has boosted its credibility to some extent.

Basically, China needs to prove that the BRI program provides win-win outcomes, in itself a challenge for China in its path to expansion. If China's operations and transactions accelerate on the geopolitical front, such as in the changing demographics and economic profile of Gwadar City in Pakistan, with possibly a huge Chinese settlement, the deeper implications for participating countries will come to the fore. By then, however, China's strategic entrenchment in some regions could have become irreversible.

While BRI projects may be bringing benefits to specific recipients, apart from creating jobs—a commendable outcome—it cannot be termed a win-win overall, for there are losers and victims along the way. Overall, China will need to improve the image of the BRI program. The leadership tried to assuage concerns and suspicion at the second Belt and Road Forum by touting joint consultation, transparency, environmental safety, and fiscal sustainability. China's state councilor and foreign minister, Wang Yi, has insisted that "the BRI is not a 'debt trap'... but an 'economic pie' that benefits the local population" (People's Daily Online 2019). However, the practical results for peoples and regions will be a touchstone for this claim. And the host countries' governments cannot shirk their responsibility to negotiate a better deal for their country and their diverse communities, conduct comprehensive environmental impact appraisal, and reform the policy environment, where required.

Meanwhile, the BRI has been endorsed by the United Nations, in view of the perceived convergence between the UN's Sustainable Development Goals and the BRI's stated goals of regional integration and development. The program is probably unstoppable, although China's domestic economic woes or financial sustainability issues could slow it down. But President Xi's personal prestige is at stake, and he will want to ensure that the program marches ahead regardless of odds and obstacles. Ultimately, the significance of the question of the economic implications of the BRI lies not so much in who wins the most—China or the host countries—but whether the gains and benefits come at the cost of inclusive, sustainable development.

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