



**CCAS**

**Centre for China Analysis & Strategy**

**中国分析及策略中心**

## **SUMMARY OF PRESENTATIONS AT IIC-CCAS EVENT ON BRI ON 23 APRIL**

### **Jayadeva Ranade, President, Centre for China Analysis and Strategy**

Mr. Jayadeva Ranade stated that the BRI is in reality a geostrategic initiative coinciding with the flux in global geopolitics and an attempt by China to reshape the world order. He recalled that since 2008, China has made successive bids to place itself on par with the U.S., or to at least be recognised as its equal. He identified China's proposed formulation of 'a new type of big power relations', which envisaged precisely that the U.S. and China would be joint arbitrators on global issues, as an example. Also, Chinese President Xi Jinping's assertion at the 19<sup>th</sup> Party Congress in October 2017 that by 2049 – the 100<sup>th</sup> year of founding of the People's Republic of China -- 'China will be a major world power with pioneering global influence'. More recently on 3<sup>rd</sup> April, well-known Chinese academic and strategist Yan Xuetong said he hoped "that U.S. and China will work together to provide progressive leadership to the world".

He clarified that the BRI geostrategic economic initiative seeks to expand China's economic, diplomatic, and military power across the globe. It is a collection of projects, some begun even ten years before 2013 when BRI was announced, under a single umbrella. The BRI covers 55% of the world GNP, 70% of the total population, and 75% of the world's known energy reserves. He defined BRI as: "a US\$ 1.4 trillion plan to connect production centers in China with natural resources centers and markets around the world over a China-built communications artery. It has rail, road, sea, aerospace and cyber components" and is multi-dimensional with cyber and digital components. The BRI will benefit China's huge State-owned Enterprises (SoEs) and is a debt trap for recipient countries. An EU study reveals 89% of the BRI contracts are awarded to Chinese SoEs, and statistics show that SoEs have gained 28% in profitability since 2014. He said the BRI has, however, begun facing burgeoning push back. India refusing to join it has

prompted many countries, including Sri Lanka and Pakistan, to review BRI projects. The slowing down of China's economy implies lack of funding for the BRI. Moreover, the BRI traverses troubled areas such as Pakistan, Turkey and the Central Asian Republic posing a challenge for China.

The Chinese leadership has indicated though, that it will continue to push ahead with BRI despite obstacles and that the "window of strategic opportunity" still exists. He said China's rise has been assertive and aggressive and, pointed to China's military build-up and especially the Navy. He highlighted China's activities in the South China Sea (SCS), air violations over Japan and pressure on Taiwan and along the borders with India. He cited the case of the CPEC which is bending borders and where the flow of Chinese economy, diplomatic and military power into Pakistan are factors India now has to contend with. The BCIM, which is the last leg of BRI, also poses security challenges in North East. He referred to the region's vulnerable economy, difficulties in supplying goods and services because of poor communications and China's claims over Arunachal Pradesh. He said China appears ready to back commercial and diplomatic initiatives with military muscle.

He concluded by saying that there are hidden worries for virtually all countries and, as far as India is concerned, there are no tangible benefits in opting for the project.

### **Digital & Aerospace Domain of BRI, Group Captain Ajey Lele, Senior Fellow, IDSA**

Group Captain Lele highlighted the increasing importance to China of the Digital and Aerospace Domain of the BRI, a feature added to the BRI by Xi Jinping in May 2019.

A joint white paper (2015) by China's National Development & Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce notes: "China should jointly advance the construction of cross-border optical cables and other communications trunk line networks, and create an information Silk Road....build bilateral cross-border optical cable networks at a quicker pace, plan transcontinental submarine optical cable projects,

and improve spatial (satellite) information passageways to expand information exchanges and cooperation.” China’s 13th Five Year Plan dedicates a specific section on improving internet & telecommunications links across BRI countries and emphasises creation of land and sea cable infrastructure; an Internet Silk Road between China and Arab States; and creation of a China-ASEAN information harbour”. The “DIGITAL SILK ROAD of the 21st century”, which includes creation of a “Space and Information Corridor”, has assumed an increasingly central role in China’s national development plans. Aerial connectivity is also emphasised with 51 of the 193 “Important Civil Aviation Projects 2015” focused on the BRI.

Group Captain Lele noted that China, which has around 250 operational satellites in space with near global coverage, at the 2nd China Satellite Global Services International Cooperative Talks on May 29, 2015, discussed construction of the Space Silk Road. The indigenous “Beidou” or BeiDou Navigation Satellite System (BDS) or Compass is an intrinsic component of BRI and Digital BRI. It covers more than 50 countries and a total population of around 3 billion. Chinese state-owned companies are rapidly moving to lay fibre-optic networks in BRI countries and the World Bank advanced China funds to lay a network in Afghanistan. China plans to build cross border and undersea cables, such as the Pakistan-China Fibre Optic Project. Emerging Technologies Impacting BRI are Bigdata, IoT, Blockchain, AI, Cloud Computing, Super Computing, Quantum Computing, 3D Printing, and Mobile technologies say 5G etc.

Dangers are that the spread of Chinese digital technology infrastructure will enable it to gradually set the global standards, control the flow of internet traffic and insert "backdoor mechanisms to increase their intelligence and propaganda operations in BRI partner countries”.

### **Rule of Law & BRI, Dr. Madhumita Kothari, Managing Partner of Juris International**

Stating that the Chinese legal system is a form of hybrid continental law, a concoction of German Civil Law, Soviet Socialist Law and ancient Chinese Law, Dr. Madhumita Kothari said the Chinese Communist Party is supreme and above the Chinese

Constitution. She clarified this to mean ‘Rule by Law’ and not the ‘rule of Law’. Such a Chinese legal system, she said, may lead to serious security concerns, sovereignty concerns and the harmonization of international laws and dispute resolution mechanisms which are knocking at the very doors of BRI. The BRI contracts are also mostly bilateral between China and the participating countries and tend not to be so transparent and most disputes are beyond the purview of arbitration by subjecting them to in house decision making within contractual authorities. In house decision-making may be entirely under Chinese control. Dr Kothari identified a potentially serious commercial issue in dispute resolution in the entire BRI saying it is dependent on enforcement of international arbitration awards in China and public policy amalgamating into the ‘Rule of Law’ and not ‘Rule by Law’.

**CHALLENGE OF THE MARITIME SILK ROAD, Vice Admiral Anup Singh, former Commander-in-Chief, Eastern Naval Command**

Vice Admiral Anup Singh questioned the ‘real agenda’ of the Maritime Silk Road (MSR) announced in 2013. He clarified that it soon became apparent the ultimate aim was twofold: to establish multiple lines of communication between continental and maritime routes, and to fruitfully divert excess industrial capacity at home and rejuvenate a declining economy. Added to this is the strategic aim, which he reinforced by saying the MSR clearly brings out that most port-development and associated infrastructure initiatives have primarily been focussed in specially chosen littoral States of the Indo-Pacific. He listed various ports along the MSR like Gwadar Port, Chittagong Tunnel, Myanmar’s Kyaukphyu Deep-Sea Port, Hambantota Port and the Chinese naval base at Djibouti. Apart from the Chinese naval bases which are under development by Chinese companies.

**CPEC in the BRI, Mr. Tilak Devasher, Consultant, VIF**

Describing the China-Pakistan Economic Corridor (CPEC) as the flagship project of the BRI, Mr. Tilak Devasher binds Pakistan to China through the development of

infrastructure and energy while reinforcing military cooperation that now includes a fibre optic link between Kashgar and Rawalpindi. He said while political leaders and analysts in Pakistan refer to CPEC as a “game changer”, Indian analysts say no one knows what the game is. The CPEC, for the dominant Pakistan military, ensures closer ties with China and provides an insurance against India as also the potential to offset tensions with the U.S.

He said till the end of 2018, the total investment on CPEC projects was around \$18.9 billion and there were 20 ongoing projects related to energy, infrastructure, Gwadar port and industrial sectors. Questioning the financial viability of CPEC, he said the IMF and the US have underlined doubts about the financial structures of CPEC and raised concerns over whether the IMF’s potential funding would be used to repay CPEC related debt to China. He attributed a reason for the delay in the IMF’s bailout package for Pakistan as because Pakistan is reluctant to share details of CPEC. The expanding Chinese economic footprint in Pakistan has raised serious concerns about security of the estimated 30,000 Chinese residing and working in Pakistan.

Mr. Tilak Devasher noted that Gwadar is the critical element in the entire CPEC ‘because without an outlet into the sea, it will dissipate in the wilderness of Balochistan’. Though there are 12 projects slated to come up in the area and China has converted some loans into grants, it would be taking 91 per cent of the income generated from the Gwadar port for the next 40 years. However, the Gwadar region faces severe water shortages. Gwadar will enable Chinese military presence in the Arabian Sea from where they can monitor Indian and US naval movements complicating Indian Navy operations around Pakistan’s coastline. He stressed that it is necessary to monitor the SEZs in POK very closely to see what modalities are adopted and whether the Chinese would take over land in POK on long-term leases when Pakistan is unable to pay its debts.