

## An overview of the Belt and Road Initiative (BRI): Implications in geo-strategy and geo-politics

Rahul Gupta Choudhury  
International Management Institute (IMI)  
Bhubaneswar, Odisha, India

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### Keywords

Belt and Road Initiative, geo-politics, geo-strategy, China, Europe, Asia, Africa

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### Abstract

*China is a very interesting country, and the entire world is looking at it. This is not only because of its spectacular rise in the world stage and the fact that it has become one of the largest markets in the world. China has become a superpower economically as well as militarily. Simultaneously it has a penchant for doing things differently – from the established norms and practices, as followed primarily by the West. It is likely that China will be in a position to challenge USA shortly as the number one power in the world. It is also likely that China will soon be influencing world events in a major way. These are the primary reasons for undergoing this study.*

*The specific objective is to understand in detail one of the grandest and most ambitious schemes floated by any country in modern times - that of the Belt and Road Initiative by China. The author is sure that this project will have a very substantial impact on the strategies and politics of the entire world. The originality of this study is that it takes a macro-view of the entire initiative and dissects the implications for each major region of the entire world - in terms of strategy as well as politics. It wishes to connect Asia and Europe and also bring Africa into the project and thus form a unified market known as Afro-Eurasia. China, also known as PRC (People's Republic of China), has developed tremendously in the past few decades and has now spare capacities as well as resources. So, it has initiated the project BRI wherein they are giving loans to underdeveloped countries to build infrastructure of these nations.*

*There are two primary routes which PRC aims to develop. One of them is the land route called the BELT, which connects Europe to China over land. The other is the maritime route through the oceans which again connects the Eastern parts of China right up to Europe – and including Africa in between. The countries along these routes are being helped by China to develop their infrastructure like railways or seaports so that they may also emerge as modern logistics and distribution hubs for transporting goods between China and Europe. PRC thus ensures that it receives its continuous supply of energy requirements and other commodities for consumption. It will also be able to increase its exports right up to Western Europe through these routes which will save them a lot of time and costs also. Some nations are however skeptical about the real intentions of China. These countries think that China is emerging as a major superpower of the world and one day, it might want to dominate this part of the world entirely. Whether China has military intentions or not will be clear sometime later. As of today, China claims that its intentions are completely peaceful.*

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Corresponding author: Rahul Gupta Choudhury

Email address for the corresponding author: [choudhuryrg2001@yahoo.co.in](mailto:choudhuryrg2001@yahoo.co.in)

The first submission received: 19<sup>th</sup> September 2020

Revised submission received: 7<sup>th</sup> April 2021

Accepted: 20<sup>th</sup> April 2021

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## Methodology

China, in some ways or the other, is always an enigma in the world stage. The tremendous developments in the last few decades, which catapulted the country to the top order of the countries of the world, has made it much more than just curiosity material. India being a neighbor is definitely interested and skeptical of China. From this mindset, the author developed the urge to understand China better. The author first participated in a conference organized by IMI, India and Sichuan Academy of Social Sciences, Chengdu, China. The author learnt a lot and also got a direction of the thought processes from the conference; and then for further enquiry, made a visit to China. The country surprised the author no ends and so, on his return, the author started thoroughly studying the written material available on China. In addition, the author spoke to a few known experts on China and also took a deep dive into the available literature. This method helped the author garner a lot of facts and figures in China and also helped him to gain multiple perspectives on various facets of the country.

## Introduction

The Belt and Road Initiative (BRI) was first adopted by the Chinese Government (PRC) in 2013. It was announced by Xi Jinping, the head of PRC (People's Republic of China), on his official tour to Indonesia and Kazakhstan in 2013. BRI was earlier known as One Belt One Road (OBOR) and the word 'strategy' was used as suffix. Then it was felt that the name OBOR (and word 'strategy') may be open to misinterpretation and misunderstanding by other countries who are part of the initiative. So, the name was changed to BRI and was incorporated in the constitution of PRC in 2017. The BRI is a very ambitious project which aims to connect mainland China with rest of Asia, Europe, and Africa. 'Belt' refers to the connections by road and railways over the landmass of Asia and Europe to PRC. This is known as the "Silk Road Economic Belt". "Road" refers to the sea routes connecting ports in Eastern China to South-East Asia and South Asia all the way to Africa, Eurasia and then right up to Western Europe. This is known as the "21<sup>st</sup> Century Maritime Silk Road" (Choros-Mrozowska, Dominika, 2019). The ostentatious aim was not only to facilitate trade and commerce, but also to invest heavily and develop the infrastructure of the participating countries. According to the government of PRC, the BRI is "a bid to enhance regional connectivity and embrace a brighter future". According to many experts, BRI is the largest infrastructure development and investment project in the history of mankind. The enormity of the initiative can be adjudged from the fact that as of 2017, BRI covered more than 70 countries in the region. More than 65% of the world population resides in these countries. Also, these countries contribute to more than 40% of the global Gross Domestic Product (GDP). The entire project of BRI is planned to be completed by 2049, which is the 100<sup>th</sup> Anniversary of the PRC. There are many critics of the initiative across the world and many of them are openly apprehensive of the motivations and objectives of PRC. However, so far, PRC seems to be unfazed by the criticism and are going ahead with their plans at full throttle in most of the participating countries.

The objectives as stated by the PRC are: "to construct a unified large market and make full use of both international and domestic markets through cultural exchange and integration, to enhance mutual understanding and trust of member nations, ending up in an innovative pattern with capital inflows, talent pool, and technology database". While all the objectives are crystal clear, sceptics always point to the fact that all these are connected to the rise of China as a global economic and military power. So, for some people, the real intentions of BRI are camouflaged in pious platitudes and is deeply rooted in the belief of PRC in a bipolar world with China as an alternative fulcrum of power, instead of the current unipolar world. However, there is no doubt about certain facts. China presently is faced with tremendous amount of excess capacity which needs access to large markets (Siu, Ricardo C. S. 2019) and this is surely one way of ensuring virtual captive markets. The trade surplus of China with the participating countries

are already heavily tilted towards China and this will continue to be so even in the foreseeable future. While access to markets is a very important criteria, additional agenda which will piggyback on the stated major objective cannot be ruled out. What needs to be understood is that the BRI project is taking in members and are going through territories which do not strictly fall within the definition of developed countries. So, the investments envisaged by PRC in the infrastructural projects as a part of the BRI is of a humongous scale. Connected with these of course is the risk involved with such projects across the world. As of now, PRC firmly believes that such investments in infrastructure in the entire geographical area of Asia-Pacific, Africa, and Central & Eastern Europe will bear rich dividends for PRC as well as the participating countries. The infrastructure development is intrinsically linked with the success of BRI, as envisaged at this point in time. One estimate by the World Pensions Council (WPC) shows that Asian countries, excluding China, alone requires an investment of US\$900 Billion per year in infrastructure, over the next decade. So, faced with such a big gap between resource availability and requirement, many countries in the area would be naturally inclined to participate in such a project which will take care of their infrastructure development needs. One has to keep in mind that all of them harbor the hopes of becoming a prosperous country like their developed counterparts in other parts of the world.

### History

PRC is trying to base its actions and building up the BRI on the lines of the Old Silk Route connecting China and the West in Antiquity. Overland, this route was used by Marco Polo and Ibn Battuta. This route is famously known as the Old Silk Road. This silk route is now being used in conceptualizing the “Belt” of the Belt and Road Initiative. The road is being built on the historic maritime expedition routes of Admiral Zheng He. So, Belt takes care of the Northern routes while Road takes care of the Southern routes – as it used to be in Antiquity. Members of the initiative has placed high hopes on this infrastructure investment led economic growth and also welcomes the rise of an alternative growth engine in the world stage. They expect this initiative to not only bolster economic growth and world trade, but also make the member states a significant part of the entire growth story.

Many experts have likened the world view of BRI with that of Sir Halford John Mackinder’s heartland theory. Sir Halford is widely regarded as one of the founding fathers of both geopolitics and geostrategy. He divided the entire world into the following three segments:

World-Island: which is composed of Asia, Europe, and Africa (Afro-Eurasia). According to him, this was the largest, most populous, and richest landmass of the world.

Offshore Islands: comprising of British Isles and Islands of Japan.

Outlying Islands: comprising of North America, South America, and Oceania.

Heartland was defined by him as the center of the world-island and was then ruled by the Russian Empire which later on became the Soviet Union. His heartland theory, in ‘Democratic Ideals and Reality’ (1919), was summarized as:

“Who rules East Europe commands the Heartland.

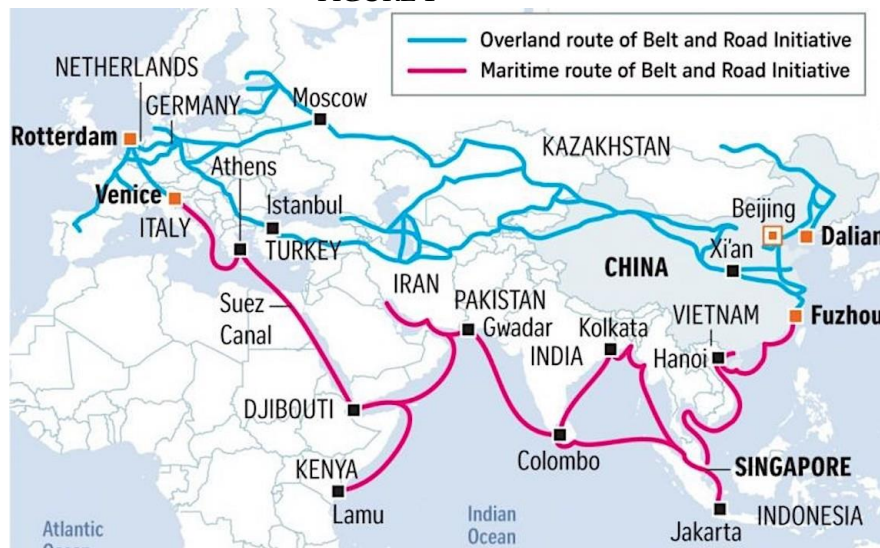
Who rules the Heartland commands the World-Island.

Who rules the World-Island commands the World”.

So, according to him, because of the position of the Heartland and the enormous resources of the World-Island, control of the Heartland is the key to command the entire world. Some political experts see a reverberation of this theory in the present day BRI project of the PRC.

The map below gives the overall plan of PRC to bring and develop Afro-Eurasia landmass through BRI.

FIGURE 1



Source: Google Maps

Many governments and expert observers have commented that what actually PRC is trying to do through BRI is to practice a new form of neocolonialism. This is because PRC is investing huge number of resources into countries which require the resources for infrastructure development and overall development. This is being done by extending loans through financial institutions owned and controlled by PRC government. These loans are secured by collateral of assets like mines, ports, free supply of commodities etc. Critics say that these are nothing but another form of debt-trap diplomacy. Many such instances have already taken place across the world. The logic extended by PRC is that they are actually providing its markets for commodities to be supplied by the member countries and that they are paying higher prices for these commodities thus benefiting the participating countries. On top of that they are building infrastructure of the participating countries, bringing in industrialization thus reducing unemployment, and also transferring technology to these countries resulting in substantial overall development of the member countries. Even a G-7 country like Italy and Greece is taking part in BRI. However not everyone is convinced. Angela Merkel, head of the German government, is of the opinion that BRI must be based on reciprocity – which is currently lacking. Emmanuel Macron, head of the French government, reminded PRC in January 2019 that the Silk Road of Antiquity was never only Chinese and also not only one-way.

### BRI and AFRICA

Africa is arguably one of the most vulnerable areas in the world today. Their requirements are huge as they try to wriggle out of abject poverty and underdevelopment. The Western powers are not as interested to invest in Africa as the risks are too high and the returns uncertain. The kind of conditions that Western financial institutions impose on countries for extending loans etc. are too formidable for most of the African countries to comply and deliver. In addition, these institutions want structural changes that also cannot be guaranteed by the governments of African nations at this point in time. Added to this is always the fear of colonialization which has left its scar all over the world, including African nations. PRC understands these factors very well and positions itself in such a way that these feelings are non-existent when African nations look at China as a possible source of resources required by them for the development of their nations.

The first thing that PRC has done is to remove the fear of China taking over important assets of their country in case of a default. BRI participants, according to PRC, need not be scared of China interfering in the political lives of the African nations. They have given repeated assurances that at no point in time will China meddle in the internal affairs of member nations and at no point in time will China indulge in activities which may lead to change in governments of the member nations. There have been criticisms from many quarters especially the Western world that the terms of the loans provided by China is not at all clear and there definitely exists possibilities of a debt-trap. In order to counter this, China has brought in their soft power and has positioned itself as a country which understands the feelings of the African nations very well. This is because PRC claims that China was also, like African nations, humiliated and exploited by the Western colonial powers. The implication is that therefore there is no chance that China itself will indulge in such practices with African nations. PRC continuously highlights the long association of China with Africa which started with the expeditions of Admiral Zheng He of the Ming dynasty. PRC also claims that unlike the Western powers, Zheng He is association with Africa was completely peaceful and was based on mutual trade and other economic and social cooperation – so much so that many members of those expeditions ultimately settled down in African nations like Kenya etc. (Chan, Ying-Kit, 2019). On top of this PRC has taken many steps such as scholarships and joint research projects with African nations to send out a clear signal that their intention is purely of a peaceful nature. PRC continuously emphasizes that the cooperation is primarily for economic and social purposes and not military or political in any way.

Journalist Howard W. French, in his critic on the BRI, cites the Chinese concept of ‘tianxia’ – which stands for China’s ‘natural’ dominion over everything under Heaven. In his own words: “China is currently a nation on a civilizational march, one driven by its deep sense of its historical place in the world and the entitlement that brings it”. PRC has thus gone ahead and connected BRI with FOCAC (Forum on China-Africa Cooperation). China has presented itself as the role model of development with clear intentions to develop a new world order which is different from a unipolar world. It is not necessarily conflicting to form a multipolar world with developing nations as partners and sharing the economic power in an equitable way with countries that need investments beyond their available resources. This is a model of development which is much more inclusive of a large part of the world population and is quite different from other developmental models espoused by the Western powers. Some critics are of the opinion that this form of collective growth will definitely increase the dependency of the member nations in China. However, many heads of States from African nations have repeatedly assured their citizens that BRI has not put any terms and conditions which will result in a debt-trap and ultimately lead to handing over of critical strategic assets of the country to China. On the contrary, some African nations has already requested China to ease off the payment terms further – and some nations have also gone to the extent of requesting for a complete write-off. Many of these African nations believe that the objectives of the BRI are in complete consonance with the stated vision of Africa 2063. They also believe that China is a capable and trustworthy partner in this quest for economic development of the developing nations and it is China only who is willing to help these countries become major participants in the world trade and that they will soon be on their way to prosperity (Gummi et al, 2020). This attitude and belief systems are also a natural reaction to their immediate past experiences with the Western colonial powers. However, one has to keep in mind that there are enormous complexities in these kinds of huge initiative and above all, China’s internal (domestic) growth is slowing down considerably in the recent years. Given the status of the world economy at large, many critics are keeping their fingers crossed over the successful progress of BRI in Africa and will be waiting to see how things pan out in the immediate future – as repayment of loans given earlier to African nations starts falling due from now on.

**BRI and Eurasia (EAEU)**

The five countries that forms the Eurasian Economic Union (EAEU) are The Russian Federation, Kyrgyzstan, Kazakhstan, Belarus, and Armenia. The first three countries form a customs union and the other two are trying to achieve the same status. The geographical position of this block of countries is critical for BRI. This is the corridor used between EU and China and their connection is crucial for the supply chain and logistics benefits to accrue to China, Eurasia, as well as European Union. Many routes of the “Belt” of BRI run through these countries. The principal route among them is the Trans-Siberian corridor which is very promising in achieving the economic objectives of time and cost saving in transportation of materials between China and Europe, including Eurasia (Czerewacz-Filipowicz, 2019). There is a very real requirement to transport materials from point to point of China and Europe – given the growth in volume and value of trade taking place now. The materials must travel faster than ocean routes (ships and containers) and must also be cheaper than air freight. This requirement is for a huge amount of goods travelling to and for and hence, overland rail freight is the only solution. However, the rail connection at that point was taking a lot of time and there were complications pertaining to multiple transfers in the route as well as documentation challenges like customs etc. These challenges were pushing up the time required to travel as well as the costs involved to such a degree so as to make trade almost unviable. Additional problems were created by the war between Russia and Ukraine as well as several embargos put in place by Russia for goods produced in Western Europe. On the other hand, China has to develop this route as they were very keen to develop their Western and North-Western provinces which are currently much behind in terms of overall development compared to other areas of PRC. According to recent reports, the Trans-Siberian corridor is being developed very fast and is also being used the most – for transportation of goods between Asia and Europe. A very basic requirement for this very important portion of the BRI to succeed in any meaningful and sustainable form is the understanding and balance between EU, EAEU, and PRC.

One of the major challenges of BRI here is that the member countries as well as those outside it, view the dominance of Russia in this region suspiciously. They are not very comfortable and sure of the role Russia will play in the near future. Additionally, there is always an underlying tension between Russia and China which is not limited to the economy only. While China and Russia both stand to gain a lot from the BRI if and when their trade relations improve, the political tug-of-war may prevent such an eventual outcome. The greater good for the region lies in the fact that EAEU countries can have good economic growth if it can act as an effective and efficient go-between EU and China. These countries will become the logistics centre connecting China with Central Asia and the Middle East. The current status of world trade is that China has a wide surplus against most countries. The trade surplus is very large in favour of China in its trade with both EU as well as EAEU (Pomfret, Richard 2018). That also means that rail freight from China to EU/EAEU is full while it is quite empty the other way round. Industrial products form a very high percentage of products exported from China to EU/EAEU. There are several corridors for export/import of goods from China connecting not only EU and EAEU, but also Central Asia and the very important Middle East area which is the source of oil for China. These corridors also go right up to Netherlands on one side and Spain in the South West of EU. However, the challenge is still the ability to handle so many goods and freight at the change-over points. One example is the present bottleneck on the Poland border. These infrastructural challenges need to be resolved through the political process and this is one of the major objectives of BRI. Once the larger issues of infrastructure, administration, and legal challenges are sorted out, member states are very upbeat about the prospects of BRI. It will not only help them in developing the infrastructure of member countries but will also lead to overall economic development of the area.

**BRI and CCE (Central & East Europe)**

The investments done by China and Chinese companies has been found to be consistent with Dunning's Investment Development Path (IDP) theory. However, there is more than meets the eye. It was found in research that the motivations of Chinese companies in their investments in these 16 countries are more than simple FDI. Now, CCE is a major conduit for China to get access to the much more lucrative EU common market and hence strengthening the CEE in terms of infrastructure and logistics makes sense for China (Bielinski et al, 2019). Moreover, CCE has a peculiarity. Some CCE countries are part of EU while some others are not. Hence, expectedly, there are differences in investment requirements between these countries. The EU members also has access to easy funding from EU. So, China has concentrated more in non-EU member countries within the CCE and has rolled out development and extended loans in much larger quantities for these countries.

Dunning's IDP theory states that the net outward investment position (NOIP) of a country is dependent on the level of development of a country; and the level of development of a country is dependent on the GDP per Capita. There are five developmental stages in respect to the country where it emerges from being an inward investor to becoming an outward investor. The later modification of the theory shows that some countries are able to leapfrog some of the stages in the development process and hence time taken for them to arrive at the final fifth stage is much shorter. China is one example of that. Another area that is important is the motive of the FDI. Normally, there are four broad motives. The motives are to acquire natural resources, or markets for their products, or efficiency-seeking, or acquiring strategic assets.

The maximum investments that were made by Chinese companies in the CEE-16 countries are: Poland, Czech Republic, Slovakia, Hungary, and Lithuania. Virtually no investments were made in Albania, Bosnia and Hercegovina, Macedonia, Montenegro and Serbia. The other countries in the region are Bulgaria, Estonia, Croatia, Latvia, Romania, and Slovenia. The investments made in this region is mostly in the Balkans. This way the Chinese goods can be easily transported from the Greek port of Piraeus and then onwards straight to Western Europe. It may be noted here that China is a major investor in the Greek port of Piraeus which will serve as a major entry point to the markets of Western Europe. However, the real challenge is in the way China is financing the projects. Most of their financing comes in the form of loans which requires sovereign guarantee. This is heavily loaded in favour of China and the member countries carry the risk of losing their strategic assets to China – in case of a default. This is exactly what has happened with the Greek port of Piraeus. This is what many countries across the Afro-Euro Asian region participating in the BRI project is worried about. The other challenge is the trade imbalance between China and the CEE countries. Overall, at this point in time, BRI is perceived to be beneficial for the CEE countries as they are able to move up the value chain by participating with China in infrastructure development and other major projects including that of logistics and distribution. Although there are risks involved, most of the countries are willing and hopeful partners in the BRI.

**BRI and EU (European Union)**

The entire concept of BRI is based on supply chain management or reengineering which leads to development of infrastructure and strengthening of logistics. This basic concept has been visualized and is being implemented on a massive scale. There is no doubt that the first priority of PRC and, in turn, BRI is to establish connection between China and the very important and lucrative market of Western Europe. Research shows that China will be able to cut down on their trading costs by 3% for every 10% improvement in connectivity between countries located along the "Belt" route of the BRI. This will, in turn, improve exports by 9% and also increase imports by 6%. As a result of this, China is trying to open up the access roads to the Western European markets through land as well the oceans and seas. It has

targeted the port of Piraeus in Greece and wants to double its capacity of material and container handling. At this pace, Piraeus is soon going to be largest port in Europe. Through the “Belt” process, China is establishing various corridors to Western European markets – from Rotterdam in Netherlands to Valencia in Spain, as well as in Portugal. These investments in infrastructure by building corridors will make it much easier and cheaper for Chinese goods to reach the intended markets. On the one side, it will ensure access to oil producing countries in Middle East (Asia) and on the other hand it will go straight up to the entire Western European markets.

BRI has opened up new frontiers in supply chain management of the entire area – Europe and Asia. For example, the block trains running between Europe (including Russia) and China in 2014 was only around 300. In 2018, the same number jumped to almost 5000. These covered 53 cities in 16 countries and the total trade with China between 2013 and 2018 was to the tune of US\$6 trillion. Transnational and multinational companies work for better profitability and hence their manufacturing hubs and distribution networks change over time. China has over a period of time become the manufacturing hub of the world. So, consumption behaviour of consumers in China is changing over a period of time as consumers now have more disposable income. This set forth a series of activities and changes which result in major changes in the quality and quantity of goods exchanged and transacted. So, a comprehensive transport network and distribution system needs to be developed to augment this enormous change in goods and services transacted. Just a simple development of transport corridor will not suffice to support this kind of growth. The main challenges that are to be overcome in the process of building this comprehensive network are: lack of systematic design and coordination, different technical systems of railways, quality and capacity of crossing points, train length restrictions, railway track gauge changes, administrative and legal obstacles, and financing and economic challenges.

However, the EU is worried about the trade imbalances with China. The 28 countries of EU combined had exported 210 billion Euros worth of goods and services to China in 2018. In the same year, EU imported 395 billion worth of goods and services from China. So, the net trade deficit of EU with China is already a staggering 195 billion Euros. This figure is expected to jump up many times as and when the BRI gets completed, in parts or in full. The EU member countries have been repeatedly communicating to China that this trade cannot be one way and this trade imbalance is not helping EU member countries in any way. So, China needs to open up its markets to manufacturers and suppliers from EU – and this is more easily said than done. This is because China has built up immense overcapacities in many products including commodities like Steel and Cement. The domestic growth rate of China has decreased considerably in the last few years and China is trying to increase capacity utilization by hedging its bets on the international markets. China has to decrease its reliance on domestic growth and look outwards towards other relatively developed markets so that international trade with these countries or blocks of countries make up for the loss in domestic demand. It is also well known now that as and when required the Chinese government steps in to provide subsidies to the Chinese organizations (financial institutions as well as corporates) as a support to carry out the huge projects that they have undertaken as part of BRI. In fact, it is the State-Owned Organizations (SOEs) of China that are more active in the investment’s areas of EU and not so much the private organizations.

This is exactly where the EU has problems with the BRI. China accounts for 20% of all EU imports. It also accounts for 11% of all EU exports – just next to USA’s 21%. Moreover, China exports nearly 60 billion Euro worth of telecommunication equipment to EU member countries. The Chinese company Huawei wants to supply 5G networks to EU – which EU feels may be a security risk for the member countries. Moreover, in view of the large export made by China to EU, the entry points for the EU, like the ports in the Mediterranean, are of vital importance to China. That is why China has pursued and convinced Italy to be a member of BRI (Pelagidis et al, 2019). This happened particularly when Greece was trying to



restrict the plans of China for its Piraeus port because it is an archaeologically protected area under the Ministry of Culture of the Greek government. The EU administration in Brussels is not at all happy with the way some member states are making individual arrangements with PRC. Many members of the EU have openly expressed their dislike with the way Greece has sold off the Piraeus port to COSCO (the Chinese company) and are openly sceptic about the real intentions of China. However, Greece needs the Chinese investments badly enough to kick start their stagnant economy.

This is hurting EU at the core of its belief system. So, EU now has set up an investment screening system for all proposed investments originating outside the EU. The EU, understandably, does not want the member states to sell off strategic assets to foreign countries which may jeopardize the security of the entire region in the future. The EU claims that after the screening system has been put in place, the investments from China have decreased by 40% in 2018 compared to 2017. There is however no scope of renegotiating the sale of Piraeus port to COSCO, the shipping giant from China. This has however opened up fault lines inside EU. There is a North-South divide now where North is pushing for a uniform policy whereas South, which includes countries like Greece, Portugal, and Cyprus, are of the opinion that these kinds of policies will jeopardize their chances of attracting capital investments in their country. Henry Kissinger had once said in an interview in 2018 that EU will become an “appendage of Eurasia” given the ambitions of China. This only time will tell, but there is a distinct possibility that EU and China may become equal partners, and both will develop together to usher in better days for the world.

### **BRI and Global**

The BRI, as perceived from different quarters, are also a major source of uncertainty for many observers around the world. However, at the same time, the number of members is continuously increasing for the project. So, very clearly, the world is divided on the pros and cons of BRI – but everybody is eagerly waiting to see the outcome. According to John Kenneth Galbraith, the corporation as well as poverty are the biggest uncertainties of this world. So, Galbraith is a major supporter of the planning system similar to what China has done in the past few decades. He cites the example of India being a capitalist country while China is a planned economy – but China has grown much faster than India could. China could achieve high degree of success through their planning systems because of their experience in organizing and planning. China also quickly realized the importance of size or scale in the planning process. It seems that inequalities across countries or between countries are more worrisome than inequalities within the country.

The uncertainties in many regions or sub-regions of the world in terms of sheer poverty is so high that the solutions and implementation capability of the PRC has made these countries to accept the BRI unequivocally. This kind of developmental activities in the laggard countries of the world especially in the Afro-Eurasia region can only be carried out by a planned system with tremendous experience behind it. No MNCs will be interested in carrying out this kind of projects and can be delivered by a planned system alone. The growth achieved by several countries under the purview of BRI has been very impressive and hence more countries are now expressing interest to participate (Pelagidis et al, 2019). However, one has to keep in mind that there are enormous risks from both sides. The member states are underdeveloped and not necessarily very stable. Social and political upheavals in one country may put a lot of resources at great risk. Similarly, relations between countries go through phases of ups and downs. Deteriorating relations between them and especially those which escalates into military action will again put the entire investments and development projects in jeopardy. The legal and regulatory issues related to each participating country is also a matter of great uncertainty. Apart from all these, there is always the threat of the two superpowers of the world, USA and China, getting into a conflict situation. This may seriously undermine the probability of success of the BRI. However, BRI, as of today, still stands out as an

extraordinary effort of a superpower to create a win-win situation for a large percentage of the countries, especially underdeveloped and developing countries, and their populations. It also of course has its own interests in mind.

A UN report in 2017 says: “human rights, social justice and even world peace once again face enormous challenges on a global scale in the context of a globalization process that prioritizes economic development and efficiency”. However, forces inimical to the globalization process like protectionism and nationalist movements also arise here because of the inequalities in the system. So, what is required is a much better international trading and investment system and a global value chain that will be beneficial to all the participant countries. BRI seems to be working in that direction and has so far been able to answer some part of the question at least partially, if not fully. It is being done in an environment of cooperation and the assurance of regional, if not global, development. However, one criticism of this initiative is the lack of proper institutionalization of the entire program. The participating countries clearly hope for a new system of global economic governance which will be able to pull them out of their relative and absolute poverty levels and show a path to development and prosperity.

There is no doubt that the BRI has its benefits. PRC is attempting development in countries which the developed world was not interested in at all – the risks were too high. In spite of that, the GDP growth in these countries that are attributable to BRI is also substantial. Then development of infrastructure and transportation is bringing down logistics and distribution costs, which means a further reduction in costs of trading as well as production. With overall costs coming down substantially, the boost to overall development and mutual trade, along with profits and profitability of the participating countries, will also be quite high. For these countries then, it is a case of achieving prosperity through growth and development. However, the fear of building up of huge trade deficits with China remains. Coupled with that also is the fear of debt defaults which may end up in sale of strategic assets for the member countries. The effect of positive outcomes is not limited to underdeveloped countries only. Benefits will accrue to the comparatively developed countries of EU as well. Till now, the maximum investments of BRI have gone to UK although UK is perceived as a close friend of the United States of America. It may be noted here that USA is the biggest competitor China is trying to catch up with. However, majority of the investments made in BRI is outside the EU. Additionally, EU is becoming increasingly suspicious of the real intentions of PRC. As a result, they have started screening and sanctioning against BRI investments in critical strategic projects of EU – especially those related to security concerns of the European Union.

Too many countries are sceptical about PRC and BRI. They do not like the growing power of China and its political and military influence over such a huge region. Given the track record of China in grabbing land from neighbouring countries, many countries are uncomfortable in China’s rise to superpower level. There is no doubt that China wants to act as a countervailing power to USA in the Asia-Pacific region at least. Till now, in this unipolar world, the global flow of materials was controlled by USA – and that is where China wants to have it say as well. Moreover, China’s relation with India and Russia is also tense. India does not want an aggressive superpower next door, nor does Russia want to give up its powerful presence in the region. While China keeps insisting about peaceful economic growth, most countries are reluctant to take PRC at face value. The question in everybody’s mind is why a country would take so much risk and what is it that PRC wants out of this enormous risk-taking venture. A related question of course is whether China will be able to sustain this initiative especially when the international as well as domestic economic growth is slowing down considerably. These questions, as of yet, do not have a clear-cut answer. Only time will tell.

### **BRI and Foreign Policy**

After China announced the BRI project, it went one step ahead and set up the Asian Infrastructure Investment Fund (AIIB). This stirred the hornet's nest, so to say. There was immense speculation about the real intention of PRC and especially on the foreign policies being pursued by China. As we have seen earlier, one of the challenging areas for BRI is managing the relations between the member countries themselves. PRC also has to consider the relations between the member countries and the powers which have interests in those member nations - and their combined relations with China. On top of this, relations between China and the member countries as a nation as well as a block or region in that area has to be managed by PRC. To China's credit, the initial document pertaining to BRI was quite elaborate and rested on five pillars or components. They were policy coordination, facilities connectivity, unimpeded trade, financial integration, people-to-people bond. PRC has started transacting in national currencies in case of many projects in as many countries under BRI. This will help China in strengthening Yuan as an alternative international currency to dollar and euro.

One of the main criticisms of BRI is the lack of transparency. Many projects were finalized without making public the terms and conditions of the loans offered by PRC through AIIB and other financial institutions often guaranteed by sovereign strategic assets. The terms and conditions were negotiated with the individual countries separately and the regional blocks were kept out of the purview of the negotiations completely - for example, Greece/Italy and EU. However, PRC President Xi Jinping said: "Belt and Road is not China's solo but inspiring chorus of all the countries along the routes". To China's credit so far, they have not meddled in the internal politics of any member countries, a practice often resorted to by the earlier colonial powers and also USA. At a certain level, some observers are of the opinion that this may well be the long-lasting contribution and legacy of PRC to the humankind.

The real and only power that PRC has over the member nations is its lending capacity. In return it controls major projects that may also become strategic assets for PRC in the near future. PRC wants to ensure its source of energy requirements as well as its commodity consumption requirements. On top of this, it is getting work orders for its own corporates and its labour. PRC is sending its labour to all areas where these projects are happening. It is also outsourcing some of its requirements in terms of manufacturing factories etc. to nearby nations (Kulintsev, 2017). So, the benefits that will accrue to PRC is clear. It is to be seen how far the member nations continue to cooperate with PRC and how far China will be able to sustain this momentum. The plans of USA in response to the BRI is not yet clear. What is clear that on successful completion of BRI, PRC will definitely emerge as the alternate superpower of the world. It will also become clear by that time whether China has military ambitions and wants to dominate a significant part of the world. So, this is early years still and BRI is still at its nascent stage and the rest of the world is patiently waiting and watching. No nation is as of yet clear where all this is heading to. If China is able to integrate the world peacefully and provide solutions to a large number of laggard nations, it will definitely emerge as the next superpower in the world stage. However, the entire exercise is an audacious one and extremely ambitious as well as. The sheer magnitude of the scope of the work to be done is humongous. At the same time, it is fraught with risks. Faltering at any of the steps along the route or at any of the stages of the initiative will mean a tremendous loss for PRC, which will be extremely difficult to make up. The success of BRI will also depend upon the domestic environment of PRC, especially the economic growth momentum of the country.

### **What Does It Mean for India?**

India is not a member country of BRI. It is also not known whether PRC has any plans of including India in the BRI system. Whatever be the plans and intentions behind BRI, India has so far not expressed any wish to be a part of the initiative. It is fairly certain that India would like to become a developed

country on its own capabilities and does not require any external assistance for achieving that goal. On the contrary, the relations between Government of India (GOI) and PRC have not been very smooth. Both are neighbours but do not have much cooperation between them in recent times. China became PRC in 1949 and India achieved Independence in 1947. The conditions within these two countries at that time was very similar. However, while China became a centrally planned Communist government, India remained a democratic capitalist country (after initially dabbling with socialism). China opened up its markets and started participating in world trade from middle of 1970s. India liberalized in 1991. However, PRC has leapfrogged in terms of economic growth and has emerged as the second largest economy in the world – slowly narrowing the gap with USA. India also grew but the per capita income of China is way ahead of India now. The domination of Chinese goods across the world and China becoming the manufacturing hub of the world has pulled out most of its population from the grasp of poverty. India has not been so successful and the difference in national incomes between the two countries are glaring. Riding on the power of its spectacular economic growth, China has also become a military superpower. It is so much so that smaller countries in the region are fearful of China because the military of China is quite restless and are often in conflict with these countries. A case in point is the continuous attempt by China to dominate South China Sea – and in this effort, it has taken up its major superpower rival USA.

So, India is worried. This is also because of the military conflicts between the two nations in terms of border disputes. PRC has developed this habit of continuously demanding areas belonging to other neighbouring countries as their own. On the economic front also, Indian markets are flooded with Chinese goods and many top technology companies of Chinese origin are also doing great business here in India. While it is true that USA aligns with India in so far as China wants to intrude into the Indian Territory in many places across the border areas, India's dependence on other superpowers needs to be reduced. While it may be difficult for India to catch up with China in terms of economic growth, it must build up adequate deterrence in terms of military power. That China is a superpower is a fact that India does have to live with, but at the same time, it should not allow any land grabbing by Chinese military anymore. There is no question of allowing PRC to take part in any major infrastructure projects in India. India should actually not let Chinese companies to invest in any major way in India. However, transaction of goods and services through export and import may continue to grow. The caveat here is China should not be allowed run up any major trade surplus with India.

India also cannot come up with any alternative to BRI – nor is it required. At the same time, India needs to do two things. It must be able to attract investments from all over the world (except China) – may be even in major infrastructure projects. Simultaneously, it must go all the way to emerge as an alternative manufacturing hub of the world. India, however, must not limit itself only in manufacturing. The doors should be opened up for back-office work, cutting edge scientific research, general services, education and medical services, and build-up of world class e-commerce companies to market products all over the world. Technology is an area which will differentiate countries in the coming decades and India must be at the forefront of investments in technology and technology-based products. While the foundation must be rock solid, India, as a country, needs to move up the value chain as fast as possible. For that to happen, Indian companies and even the government must scout around for collaboration with world class companies and then take these entities to the entire world. The future will belong to countries which will be ahead of the curve in terms of collaborations and learning from each other. When India becomes strong enough, it need not really bother about the outcome of BRI or even the rise of PRC as a world superpower. India can be the best in the world in its own way.

## Conclusion

Overall, BRI is a very ambitious project, and it may well be that China is either underestimating the challenges or stressing its capabilities a bit too far, or both. The way the initiative is being marketed now will obviously seem to be very lucrative for underdeveloped countries desperate to pull out of their relative and absolute poverty levels. To certain observers it seems to be that China is trying to virtually “purchase” the countries by their use of newfound prosperity. The entire story is being built on sharing of economic prosperity among the member countries and also development of infrastructure. However, developed countries are worried that China has started to assert itself as the new economic and military power which can even challenge USA and Western Europe someday soon. BRI is just the preliminary steps to enlarge the sphere of influence of PRC on neighbouring countries and continents. This feeling goes deep and that is why many countries are worried. Many countries are worried that China is now gaining ground through peaceful means but aims to control and dominate these areas militarily as well in the near future. This feeling or fear is not without any basis. PRCs attitude and behaviour towards Hong Kong and many other neighbours like Tibet, India etc. gives ample reason to sceptics to doubt the long-term real intentions of PRC.

Xi Jinping is a hardliner who believes in central control and does not have too much respect for democracy. In fact, China is jettisoning all liberal thoughts even from their academia. It will try to export, among other things, its ideology to countries who may then have to start believing in the ideologies of PRC. We know from history that any nation which becomes economically powerful ultimately develop ambitions of controlling or dominating other countries, if not the whole world. It is unlikely that China will be any different. The Chinese media and the intellectuals are already discussing of reviving the power and glory of age-old Chinese civilization and this discussion is strongly nationalist in its overall approach.

However, if China can achieve complete success of BRI, it will no doubt be beneficial for many countries. Right now, fingers are crossed about the outcome of the initiative. The crucial areas of this targeted geographical area like Central Eurasia will play a major role in determining the outcome of BRI. These countries have a few choices – models of growth and development involving different power centres of the world. A lot will depend on which way they move – but, right now, the offerings from China may look to be more attractive to them. Another pertinent question is whether it will be possible for China to sustain this momentum for such a long time. It is also expected that USA and the Western powers may at a certain point in time decide to alter or modify their growth models for these countries. They may be in a position to indulge certain countries and decide to offer alternative financial and technological solutions to some member nations of BRI. This may also be accompanied by a regime change in the political scenario of these countries. Strategic interferences within the BELT by USA and others involved may put the future of several corridors at risk. It is beneficial for the world at large if these two systems do not give rise to conflicts and are able to work in an overall environment of cooperation. Only time will tell.

## Limitations & direction of future research

The study detailed the ‘as-is’ situation of BRI. It did not attempt to predict the future in terms of world affairs – the politics and the strategy. However, research needs to be done on a ‘to-be’ basis as well. There is an abject need to develop alternate situations pertaining to BRI and prognosticate the likely reactions of the rest of the world, particularly the developed West. It is probable that the sub-parts of the BRI does not work out uniformly across the continents. In that case, one has to estimate the effect that will have on geo-politics and geo-strategies of other nation-states. This has to consider the military activities of PRC all across. So, further research has to be carried out by simulating various alternative situations that may arise and then, the permutation and combination of likely reactions from the rest of the world,

particularly USA and the EU. Their willingness to step in in case of conflicts in other parts of the world will also be a very important variable to be factored into the simulation exercise.

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