

THE BELT AND ROAD INITIATIVE AND THE US “INDO-PACIFIC” STRATEGY

The Belt and Road Initiative is mainly a geo-economic cooperation. However, in the so-called Indo-Pacific region, there are currently two different propositions: while one underlines the Initiative’s geopolitical and geostrategic significance, the other demands countries within the region to conduct economic cooperation. The US believes that the BRI has geo-economical and geopolitical implications, therefore the potential formation of a Eurasian supercontinent and the “new type of globalization movement” that will arise from the Initiative worries US policymakers. In order to prevent this from happening, American policy elites suggest that the US government take a multi-pronged approach. In that regard, the Trump Administration’s “Indo-Pacific” strategy is designed to deal with the BRI and essentially contain the rise of China.

Liu Zongyi*



TURKISH POLICY
QUARTERLY
Summer 2019

* Dr. Liu Zongyi is the Secretary General and Senior Fellow at South Asia and China Center (SACC), Shanghai Institutes for International Studies (SIIS).

In 2013, President Xi Jinping raised the important initiative of jointly building a Silk Road Economic Belt and a 21st century Maritime Silk Road, known today as the Belt and Road Initiative (BRI). Since then, the BRI has attracted widespread attention from the world, especially from global and regional powers, and has become the focus of the geo-competition between China and the US.

The BRI is mainly a geo-economic initiative, but there are many ongoing debates on its geo-economic and geostrategic implications. One can observe the geo-economic aspects of the initiative in the report delivered at the 19th National Congress of the Communist Party of China in October 2017, from which we understand that the BRI has implications that will affect not only the region but global dynamics as well. On a smaller scale, the BRI is one of the concrete measures to balance regional development together with the coordinated development of the Beijing-Tianjin-Hebei region and the Yangtze Economic Belt. On a larger scale, the BRI paves the way in opening China further to the world through trade routes running eastward and westward, across land and overseas. Most importantly, the initiative highlights a more integrated and global China by following the principle of achieving shared growth through discussion and collaboration, and increasing openness and cooperation by building innovation capacity.¹ To better understand the BRI and its goals, I have noted some fundamental aspects of the Initiative below:

1. Primarily, the BRI is a domestic development strategy. Through the advancing of BRI, China would like to fix the imbalance between various industries and regions and support the developing parts of Middle and Western China.
2. The BRI is also an international development strategy, as it can assist in expanding industrial specialization and cooperation within the global value and production chain. Contrary to the Eastern Partnership (EaP) and the New Silk Road Project initiated by Western countries, the BRI focuses on real capital and industrial cooperation, infrastructure construction, and job enlargement. The reason behind China's economic rise in the past forty years is mainly due to its successful integration into the global value and production chain as well as the trade network through an "opening-up" policy and accommodating reforms. Therefore, the BRI is expected to enhance global production and the value chain by extending economic relations to West China, Central Asia, South Asia, the Middle East, Africa, and Eastern Europe. With that, the financial network in East Asia will concurrently

¹ Xi Jinping, *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era*, Delivered at the 19th National Congress of the Communist Party of China, 18 October 2017.

expand, enriching the aforementioned areas as well.

3. To some degree, the Belt and Road Initiative promotes the spread of globalization. Although lately there has been a de-globalizing trend around Europe and the US, many problems we seek to solve are not caused by globalization but by nation’s development objectives, distribution of wealth, and inefficient governance. Many experts believe that the BRI is a public good provided to the world by China, since the initiative will improve the livelihood along the BRI in a sustainable way leading to a development-oriented globalization.
4. One of the economic theory bases of the BRI is the “Point-Axis” development theory. Theoretically, the “Point-Axis” goes through economic centers (points) of different sizes in developed regions to reach the undeveloped regions along traffic routes (axes).² In support of this, the BRI has “wu tong” (five connectivity links) as its core concepts, one of which is “facilities connectivity.” As part of this concept, facilities and transportation networks between these facilities will be built in order to promote and accelerate trade. Without facilities connectivity, industrial specialization and industrial shift is virtually impossible.

“The BRI has attracted widespread attention from the world, especially from global and regional powers.”

The BRI is a top-level design to open up China and its economic diplomacy in the new era. It will benefit the global economy along with China. However, China is just the initiator of the BRI, not the dominator. Therefore, the success of the BRI cannot rely on China alone but on all the countries along the BRI. China hopes that the BRI can be supported and participated by all the countries along the belt and road and as well as synergize with the regional economic integration and development plans of those countries.

The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia, and Europe (the Baltic), in addition to linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting

² Fu Haiming, “Study on the Strategy of Chongqing in the Construction of ‘Two Belts and One Road’-The Concept of ‘C-Ecc,’” 21 June 2018.

China with Southeast Asia, South Asia, and the Indian Ocean.³ As for the 21st century Maritime Silk Road, it is designed to go through China's coast to Europe, through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific. On land, the Initiative will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia, and China-Indochina Peninsula economic corridors by taking advantage of international transport routes, relying on core cities along the BRI, and using key economic industrial parks as cooperation platforms. The Initiative will also focus on jointly building smooth, secure, and efficient transport routes connecting major sea ports along the Belt and Road. The China-Pakistan and the Bangladesh-China-India-Myanmar Economic Corridor are closely related to the BRI and therefore require closer cooperation and greater progress.⁴

With the increasing need for regional cooperation and the situation and attitude changes in some countries along the BRI, China raised the initiative of a China-Nepal-India Economic Corridor during India's Prime Minister Modi's visit to China in May 2015. As India did not respond to this economic initiative, China and Nepal alone will proceed to build a China-Nepal Economic Corridor. Similarly, China suggested to build a China-Myanmar Economic Corridor in November 2017 in response to the lack of progress in the Bangladesh-China-India-Myanmar Economic Corridor for several years. The Economic Corridor will start from China's Yunnan province, go down south to the central Myanmar city of Mandalay, and further extend to the new city of Yangon in the east and to the special economic zone of Kyaukpyu in the west—forming a three-pillar giant cooperation pattern.⁵ Furthermore, on 26 December 2017, at a joint press meeting with Foreign Minister Salahuddin Rabbani of Afghanistan, Foreign Minister Khawaja Muhammad Asif of Pakistan, and Foreign Minister Wang Yi expressed that China and Pakistan are willing to, together with Afghanistan, actively discuss extending the China-Pakistan Economic Corridor (CPEC) to Afghanistan in a proper and mutually beneficial manner.⁶

³ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, March 2015.

⁴ National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China (2015).

⁵ Zhang Hui, "FM proposes China-Myanmar economic corridor," *Global Times*, 21 November 2017, <http://www.mizzima.com/business-opinion/fm-proposes-china-myanmar-economic-corridor>

⁶ Wang Yi, "To Discuss Extending CPEC to Afghanistan in a Proper Manner," *Mission of the People's Republic of China to the European Union*, 26 December 2017, <http://www.mfa.gov.cn/ce/cebe/eng/mhs/t1522540.htm>

The US Cognition of the BRI and Its Strategy

In the first few years following the announcement of the BRI, the US did not take the Initiative into serious consideration. From around early 2018, the assessments conducted by American think tanks reflected the views of the US policy elites,⁷ pointing out that China’s domestic policies such as strengthening security control in the border areas, capital control, and public opinion censorship system will constrain the implementation of the BRI.

The US believes that the BRI has dual implications on geo-economics and geopolitics and perceives the BRI as a political and economical threat that may even have conflicting short-term and long-term effects. Evidently, the BRI will serve China’s economic interests and strengthen its ties with the BRI partner countries to gain political dividends. It will likely promote the formation of a “Eurasia Supercontinent,” in which the US has no place. Therefore, it is not surprising that the BRI has become the focus in the geo-competition between China and the US today.

“The success of the BRI cannot rely on China alone but on all the countries along the BRI.”

The BRI faces a lot of difficulties, hence a high possibility of failure. The United States recognizes that the promotion of the BRI is strongly constrained by geopolitical factors; Japan, India, and European countries have boycotted the BRI to different degrees. Although China is the largest contributor to many BRI projects, it is not the only important actor. European investments and the Asian Development Bank as well as other multilateral financial institutions play a major role in Eurasia and Asia respectively. Therefore, political factors amongst the BRI countries may constrain the implementation of the BRI and its economic performance. In such case, many large infrastructure projects would not be able to deliver on time and on budget, thus making it difficult to obtain the promised benefits – which in consequence will impair China’s reputation.

⁷ Jonathan E. Hillman, “China’s Belt and Road Initiative: Five Years Later,” *CSIS*, 25 January 2018, <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>; Ely Ratner, “Geostrategic and Military Drivers and Implications of the Belt and Road Initiative,” *CFR*, 25 January 2018, https://www.uscc.gov/sites/default/files/Ratner_USCC%20Testimony%20CORRECTED.pdf; Clayton Cheney, “China’s Belt and Road Initiative: Reshaping The Global And Regional Orders,” *Political Insights*, <https://politicalinsights.org/2018/11/09/chinas-belt-and-road-initiative-reshaping-the-global-and-regional-orders/>; Daniel Kliman et al., “Grading China’s Belt and Road,” *CNAS*, April 2019, <https://www.cnas.org/publications/reports/beltandroad>

In reality, the US does not want the BRI to fail completely, perhaps due to China's huge financial assistance to developing countries that has had an important impact on the global economy—which in return American companies have been profiting from. Yet, the political elites in the US still argue that the US should prevent the success of the BRI, which would politically and economically burden China and ultimately drag it down.⁸

The true reason why the BRI worries the US policy elites is the possible formation of a Eurasian supercontinent, and the “new type of globalization movement” that China has initiated.⁹ These two prospects will shake the US hegemony in geopolitics and the global economy. If the BRI turns out to be as planned, China's interests will reflect onto the global trade and financial system, meaning that the supply chain of commodities would change, the Yuan would be widely used, and China's technical standards would largely be accepted. All these changes will cause the US to lose its current economic position and place China at the center of the global economy.

In order to prevent this from happening, American policy elites suggest that the US government take a multi-pronged approach. First, the United States does not need a counter-BRI strategy; instead, it needs a comprehensive China strategy to manage the challenges of which BRI is both a cause and a symptom.¹⁰ The Trump administration's “Indo-Pacific” strategy is mainly designed to contain the rise of China and deal with the economic threat of the BRI. Together with Japan, India, Australia, and other countries, the US should formulate investment standards and principles for the BRI infrastructure construction and use its own influence in international financial institutions as well as other multilateral institutions to maintain the West's status in the global economy.

“Indo-Pacific” Strategy

“Indo-Pacific,” as a geopolitical concept, has been proposed by Australian and Indian scholars for more than ten years. Though some of them do not define it as one, the United States, Japan, Australia, India, and ASEAN countries have their own “Indo-Pacific” strategies now.¹¹ The emergence of “Indo-Pacific” as a geostrategic concept is a response to China's rapid rise from major powers such as the United States, Japan, and India. In fact, regional countries such as Japan, Australia, and India hope that the United States can play a leading role in counterbalancing China's

⁸ Ely Ratner (2018).

⁹ Jonathan E. Hillman, “China's Belt and Road Initiative: Five Years Later,” *CSIS*, 25 January 2018, <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>

¹⁰ Ely Ratner (2018).

¹¹ *ASEAN Outlook on the Indo-Pacific*, 23 June 2019, <https://asean.org/asean-outlook-indo-pacific/>

endeavors in the region. These developments indicate that the “Indo-Pacific” area has become the focus of world economic development and geostrategic competition.

In the face of China’s rise, the US is trying to re-integrate a regional order and unite regional allies and partner countries to implement a unified strategy. The Obama Administration’s “rebalance to Asia-Pacific” policy was essentially an “Indo-Pacific” strategy and included three pillars: military and security, economy, and trade – also known as the Trans-Pacific Partnership (TPP) – as well as value and diplomacy. Compared to the Obama Administration’s policy, the Trump Administration’s “Indo-Pacific” strategy focuses more on military and security.

“The BRI faces a lot of difficulties, hence a high possibility of failure.”

At the end of 2017, the US National Security Strategy Report issued by President Trump did not explain the “Indo-Pacific” strategy but explicitly mentioned the “Indo-Pacific region.”¹² In June 2018, US Defense Secretary James Mattis first publicly stated the “Indo-Pacific” strategy when participating in the Shangri-La dialogue.¹³ The US “Indo-Pacific” strategy includes four aspects: increasing the building of maritime forces, strengthening military cooperation with allies and partner countries (including the UK, France, and Canada), strengthening cooperation with partner countries in international rules, rule of law and transparency, and promoting market-led economic development. The areas covered by the “Indo-Pacific” strategy include: Northeast Asia, Southeast Asia, Oceania, South Pacific Islands, and South Asia. In his speech, Mattis emphasized that there are many “belts” and “roads” in the region – obviously targeting the BRI. In January 2019, the US’s “Indo-Pacific” strategy was fully explained in the “Indo-Pacific Strategy Report” published by the US Department of Defense.¹⁴ The starting point of the “Indo-Pacific” strategies of Japan, Australia, India, and other countries are similar to that of the United States and aims to prevent China from becoming a dominant

¹² The White House, “National Security Strategy of the United States of America,” December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

¹³ Secretary of Defense James N. Mattis, “Remarks by Secretary Mattis at Plenary Session of the 2018 Shangri-La Dialogue,” 2 June 2018, <https://www.defense.gov/Newsroom/Transcripts/Transcript/Article/1538599/remarks-by-secretary-mattis-at-plenary-session-of-the-2018-shangri-la-dialogue/>

¹⁴ The US Department of Defense, “Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region,” 1 June 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>

power of regional order.¹⁵

So far, the US and its allies have taken a lot of measures to realize the “Indo-Pacific” strategy, mainly focusing on the military field. In that regard, the focus of US national defense strategy has shifted eastward. The US has strengthened its military power in East Asia and the Pacific region. In May 2018 for example, the US Pacific Command was renamed Indo-Pacific Command. Moreover, the Rim of the Pacific Exercise 2018 excluded China—an evident stance against China. The US actively strengthened and built bilateral or multilateral defense partnerships with allies and partner countries, such as the Quadrilateral Security Dialogue (Quad) with Japan, Australia, and India.

In terms of economy and finance, the United States has been discussing alternative trade and shipping plans as well as financial frameworks with Japan, India, and Australia. Both houses of Congress passed The Better Utilization of Investments Leading to Development Act (BUILD Act) in 2018. It is considered an international development investment bill which is directly against China’s BRI.¹⁶

Japan and India are also developing similar financial collaborations in order to hinder China’s economic activities in this region. The two countries are cooperating in building an interconnected network through various projects, such as the construction of infrastructures in Southeast Asia and the Chabahar Port in the Gulf of Oman, and the joint exploitation of Africa. In other words, Japan and India’s efforts to develop an “India-Pacific Strategy” that encompasses the area between Africa and Southeast Asia essentially aims to hedge China’s BRI and the China-Pakistan Economic Corridor.

Furthermore, the United States, Japan, India, and Australia have used their advantages in global media—constantly slandering the so-called debt trap, transparency, and the environmental impacts that Chinese investment projects have on the countries along the BRI.¹⁷ Even US Vice President Mike Pence, in his address at the Asia

¹⁵ Cameron Hill, “Australia in the ‘Indo-Pacific’ century: rewards, risks, relationships,” *Parliament of Australia*, https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IndoPacific; David Brewster, “A ‘Free and Open Indo-Pacific’ and what it means for Australia,” *The Lowy Institute*, 7 March 2018, <https://www.loyyinstitute.org/the-interpretor/free-and-open-indo-pacific-and-what-it-means-australia>; Girish Luthra, “India must play a key role in claiming the Indo-Pacific region,” *The Indian Express*, 19 June 2019, <https://indianexpress.com/article/opinion/columns/indo-pacific-region-india-china-sagarmala-navigation/>; Brad Glosserman, “Making the Indo-Pacific Real,” *CSIS*, 7 March 2018, <https://www.csis.org/analysis/pacnet-18-making-indo-pacific-real>

¹⁶ Daniel F. Runde & Romina Bandura, “The BUILD Act Has Passed: What’s Next?” *CSIS*, 12 October 2018, <https://www.csis.org/analysis/build-act-has-passed-whats-next>

¹⁷ Dipanjan Roy Chaudhury, “India, Other Nations’ Stand in OBOR Summit Prevents China from Full-proof Plan Rollout,” *The Economic Times*, 19 May 2017; Rezaul H. Laskar, “CPEC route through Kashmir could create tension with India: UN report,” *Hindustan Times*, 25 May 2017, <http://www.hindustantimes.com/world-news/cpec-route-through-kashmir-could-create-tension-with-india-un-report/story-05fDgjtDfMATT6K13ZJfN.html>; Hari Bansh Jha, “Corridor between China-Nepal and India: Is it realistic?,” *Observer Research Foundation*, 6 June 2017, <https://www.orfonline.org/expert-speak/corridor-between-china-nepal-and-india-is-it-realistic/>

Pacific Economic Co-operation (APEC) summit in Papua New Guinea, falsely suggested that China’s Belt and Road Initiative (BRI) is saddling developing countries with loans they cannot afford.¹⁸

Conclusion: Effects of an "Indo-Pacific" Strategy

There are mainly two different propositions regarding the so-called Indo-Pacific region. While the first one underlines its geopolitical and geostrategic significance – advocating the establishment of a political, military, and value alliance from the Pacific Ocean to the Indian Ocean; the other entails the countries within the region to conduct economic cooperation and expand the industry chains and financial networks of Northeast Asia to the Indian Ocean in order to prosper the economy, which also forms the basis of the BRI. However, it should be noted that the prospect of constructing “Indo-Asia-Pacific” from a geopolitical perspective that was mentioned as an initial proposition could lead to military and strategic competitions or conflicts. Whereas the second, which emphasizes the geo-economic significance, can establish a cooperative context in the region.

Furthermore, “Indo-Pacific” strategy of the US will intensify geopolitical confrontation and pose a challenge to security and stability. Bilateral and multilateral military co-operations supported by the United States will provide strong military and diplomatic support to the Trump Administration’s “Indo-Pacific” strategy and will try to undermine the economic cooperation of the BRI—which would not be conducive to regional stability at all. Although The Quadrilateral Security Dialogue is currently being pursued informally, it could possibly turn into a military alliance in the future. In addition to the Quad, there are trilateral military co-operations between the US-Japan-Australia, US-Japan-India, and Japan-India-Australia as well as bilateral military co-operations of the US-Japan, Japan-India, US-Australia, US-India, and Japan-Australia. Bilateral, trilateral, and multilateral military co-operations have encouraged some countries to take military risks. The cross-border standoff in 2017 between India and China (“Doklam standoff”)—that was provoked by India—is an outcome of such encouragement.

Moreover, the US’s “Indo-Pacific” strategy has further aggravated the dualization of political security and economy in the Asia-Pacific region. Unlike “Asia-Pacific,” that is commonly used as a geo-economic term, “Indo-Pacific” is mainly a geostrategic concept. As part of the dualistic structure, regional countries depend on China economically and on the US politically. Since the beginning of China’s BRI

¹⁸ PTI, “China slams Mike Pence; says no country in debt trap because of BRI,” *The Economic Times*, 18 November 2018, <https://economictimes.indiatimes.com/news/international/world-news/china-slams-mike-pence-says-no-country-in-debt-trap-because-of-bri/articleshow/66679080.cms?from=mdr>

proposal, the US, Japan, India, and Australia are concerned that China will dominate regional cooperation. They will try their best to shape the international order in the Indo-Pacific region through bilateral or multilateral cooperation, by setting the direction and a “positive agenda” for regional institutions as well as by strengthening “the rule-based international order” within and outside the Indo-Pacific region. The United States and Japan will continue with their endeavors to restrict China in terms of international rules and standards through the international mechanisms that are under their control. In particular, the US and Japan will boycott, hedge, and destroy the BRI by building strategic pivots and strengthening their political and military cooperation around China and along the BRI, which will inevitably disturb regional interconnectivity and economic development.

Lastly, due to the intensification of geo-competition between China and the United States and the uncertainty of the Trump Administration, India, Indonesia, and other ASEAN countries have formally put forward their own “Indo-Pacific” visions in an attempt to lead regional—and even global—political and economic trends according to their own strategies. As a result of this process, these countries evidently want to rise as leading powers. But from my humble understanding, the success of their goal is contingent on the economic development of these countries.