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Belt & Road Initiative

China's Belt and Road Forum: What Now?

By Xue Gong

Synopsis

President Xi Jinping has put on a grand show of China's vision for global connectivity through the recent Belt and Road Forum in Beijing. What remains to be done is for China to overcome the hard reality of operational inefficiencies.

Commentary

ON 14-15 May 2017, China held a grand forum to burnish its international leadership credentials under the well-known but little-understood Belt and Road Initiative (BRI), formerly known as One Belt, One Road. The Forum consisted of an opening ceremony, a round-table leaders' summit and a high-level conference with six parallel themes on eight areas including infrastructure, and industry investment for cooperation.

The Forum has provided Chinese leader Xi Jinping a stage to demonstrate China's role in connecting with the world, while much of the West is looking inward, especially with United States President Donald Trump withdrawing from the Trans-Pacific Partnership and announcing his "America First" posture to the rest of the world.

What the Forum Has Achieved

The Forum has clearly shown that the BRI, which had begun under Xi's predecessors with hardly any concrete accomplishments, can serve as an integrative platform for global connectivity. The Forum also reaffirmed China's and the participating countries' commitment to an open economy, inclusive trade and

opposition to all forms of protectionism. One major implication of the Forum would be the economic power and influence accruing to China when the BRI's objectives are fully realised.

The official name is ambitiously crafted as the "Vision and Action Plan of Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road". It outlines five major goals of the BRI: policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonding. The Forum presented these five carefully choreographed parallel conferences with an additional theme: intellectual exchanges among think-tanks.

China claimed that the BRI has made several accomplishments. Firstly, greater consensus needed for stronger policy coordination has been achieved with the presence of 130 countries and 70 international organisations. In this regard, China scored a public relations coup with the unexpected participation of delegates from the United States, Japan, South Korea and North Korea.

Secondly, more cooperative areas have been identified through the Forum. Outsiders gained a better understanding of the BRI and the potential cooperation, going forward. Besides infrastructure investment and trade cooperation, outsiders realised that the BRI also included the setting up of free trade zones, cooperation on ecological civilisation, and the development of technology and innovation.

The Forum produced 32 trade and financial agreements with countries and international organisations involved in the BRI. For these projects, China is expected to further internationalise the Chinese currency and improve financing channels. China will also turn to syndicated loans coming from international pension funds, insurance companies, sovereign wealth funds, private equity funds and others.

However, doubts on the sustainability of Chinese funding remains. In fact, the most frequently asked questions were: How can these projects remain commercially viable? How much will China pay?

Before or After BRI?

Thirdly, concrete achievements are concentrated largely in facilities connectivity, especially in infrastructure projects. China claimed, producing impressive supporting data, that many projects in the BRI were successfully implemented. But a number of these projects actually began operations before the BRI was first introduced in September 2013. For example, one of the listed projects on the official website of Belt and Road Portal, the Sino-Myanmar natural gas pipeline, began operations in July 2013.

Nevertheless, there is some concrete progress. For example, at the Forum, China Development Bank signed the loan agreement valued at US\$ 4.5 billion with China Railway Construction Corporation (Indonesia) for financing the Jakarta-Bandung high-speed railway project.

Although the connectivity goal of 'people-to-people bonding' was emphasised before the Forum, it was less visible in its actual implementation. Owing to the fact that

people from these countries are generally wary about the negative impact of massive Chinese investments, the Forum also included people-to-people and think-tank exchanges to improve interpersonal interaction along the Belt and Road route.

Nonetheless, it remains to be seen how the Chinese companies, managers and workers engage with the local communities where the BRI projects touch. After all, it is not the government but the business actors who will be implementing the Belt and Road projects.

What Now?

After the Forum, China will establish communication mechanisms to enhance capacity building with the International Monetary Fund (IMF). China will also work on economic development research and multilateral development cooperation with different banks.

Meanwhile, China aims to engage civil society organisations and promote the BRI via media, music and education. Again, the Forum is consolidating what China has been doing for the past decade. The only difference is that the BRI has provided the vision and direction.

It is too early to predict whether China will be able to fully realise its noble intentions made known at the grand gala. Most of the Belt and Road projects face obstacles as the spectrum of the Initiative is too vast, and many of the existing infrastructure projects are still loosely tied together.

President Xi announced RMB60 billion (US\$8.7 billion) worth of aid to New Silk Road participating countries and other foreign assistances during the Forum. With expectations raised, many developing countries may demand more aid to cooperate with China in future.

Creating the vision for global connectivity requires evidence of concrete accomplishments at the grand gala as people interpret achievements in different ways. Xi's signature economic diplomacy for the BRI has officially taken off. What remains to be done is for China to overcome the hard reality of operational inefficiencies.

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