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MAJOR CHALLENGES TO BELT AND ROAD INITIATIVE (BRI) IN 2020—2021

Abstract. There are three major challenges to the Belt and Road Initiative (BRI). One, comparing the Belt and Road Initiative (BRI) with the present International Economic Order, which entails decline in economic activity in the rich countries as a result of the capitalist crisis, causing conflicts to start brewing up in the developing world. The result is increased purchases of arms and ammunition, causing increase in the gross domestic product of armament producing countries. Changing this world order with the BRI, which simultaneously promotes growth in both the rich and the poor countries will alter the balance of economic power to the benefit of Third World countries, and is being perceived as such by the rich countries, thus posing a serious threat to the BRI. Second, the industrialization threat from Third World countries in the 1960s and beyond was met by academic and intellectual response from western countries. Although the intellectual response was very intense, and resulted in the ushering in of the Counter Revolution, with far reaching consequences on the economies of Third World countries and the global economy. But with the BRI what started off as an academic and intellectual opposition, is fast changing into a belligerent response from western countries. Third, a major challenge to the BRI is that while the strategic interests of countries in Asia, Africa, Middle East, etc., lie with regional countries, their governments appointed by western countries, are pulling them to-

wards the colonial order that officially ended in the aftermath of World War II. This colonial order facilitated western countries to build their artificially high standards of living on the economic surplus which continues to flow out to them from developing countries. This is a real dilemma and a formidable challenge to the BRI for it is pulling these countries in opposite directions — towards the pre 1945 colonial order by their governments, while their own economic and strategic interests are pulling them towards regional countries. What role China and Russia can play in freeing developing countries from the shackles of colonialism and integrating them to the region where they belong?

Keywords: China; Belt and Road Initiative (BRI); China Pakistan Economic Corridor (CPEC); colonialism; challenges.

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III. Узарат

Основные вызовы инициативе «Пояс и путь» (ИПП) в 2020—2021 гг.

Аннотация. Перед инициативой «Пояс и путь» (ИПП) ныне стоят три основных вызова. Во-первых, это сочетаемость инициативы «Пояс и путь» (BRI) с существующим международным экономическим порядком, который в силу кризиса капитализма порождает снижение экономической активности в богатых государствах, что приводит к возникновению конфликтов в развивающихся странах. В результате растет торговля оружием и боеприпасами, и это приводит к увеличению ВВП стран-производителей вооружений. Изменение такого мирового порядка благодаря ИПП, которая одновременно способствует прогрессу как в богатых, так и в бедных странах, изменит баланс экономических сил в пользу стран Третьего мира. Богатые страны именно так и воспринимают эффект ИПП, что создает серьезную угрозу для Инициативы. Во-вторых, угроза индустриализации со стороны стран Третьего мира в 1960-е и последующие годы получила отклик в научных и интеллектуальных кругах западных стран. Интеллектуальная реакция была очень серьезной и привела к началу «контрреволюции» с далеко идущими последствиями для экономики стран Третьего мира и для мировой экономики. Но с появлением ИПП то, что начиналось как академическое и

интеллектуальное неприятие, быстро превращается в воинственный ответ со стороны западных стран. В-третьих, главный вызов для ИПП заключается в том, что, хотя стратегическим интересам стран Азии, Африки, Ближнего Востока и т. д. отвечает сотрудничество со странами соответствующих регионов, их правящие режимы, насажденные западными государствами, затягивают их обратно в колониальный порядок, которому официально был положен конец после Второй мировой войны. Этот колониальный порядок способствовал достижению западными странами искусственно высокого уровня жизни за счет экономических ресурсов, которые продолжают поступать к ним из развивающихся стран. Это реальная дилемма и серьезный вызов для БРИ, поскольку Запад тянет эти страны в противоположном направлении — к колониальному порядку, существовавшему до 1945 г. и созданному правящими режимами этих стран, в то время как их истинные экономические и стратегические интересы лежат в сфере сотрудничества внутри регионов. Какую роль Китай и Россия могут сыграть в освобождении развивающихся стран от оков колониализма и их интеграции в регионы, к которому они принадлежат?

Ключевые слова: Китай, инициатива «Пояс и путь» (ИПП); Китайско-Пакистанский экономический коридор (КПЭК); колониализм; вызовы.

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1. Introduction

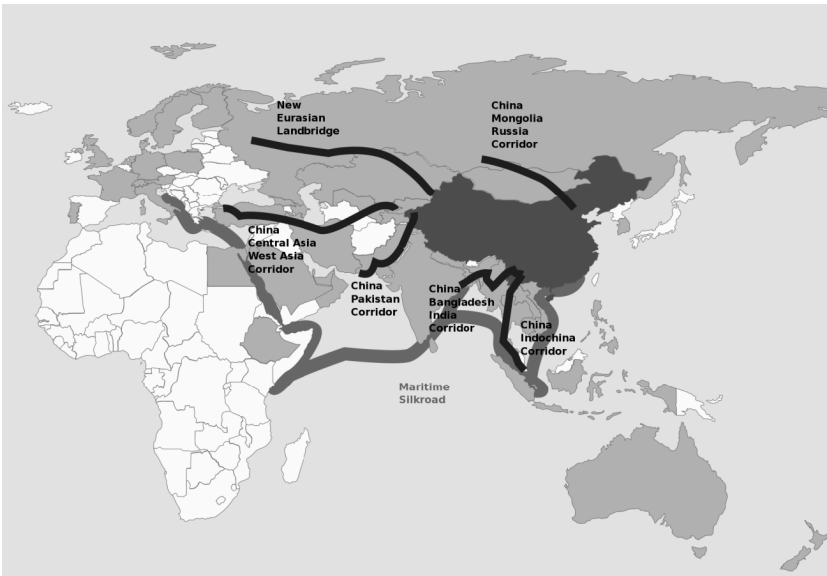
Belt and Road initiative (BRI) was inaugurated by President Xi Jinping in 2013 during state visits to Kazakhstan and Indonesia. The BRI is one of the largest infrastructure and investment projects, involving more than 68 countries, containing 65 % of global population and 40 % of the global gross domestic product (GDP) in 2017, accounting for almost 40 % of total world trade [Belt and Road Initiative, Wikipedia]. The major objectives behind the BRI 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, resulting in an innovative pattern of capital inflows, talent pools, and technology databases.” [The Belt and Road initiative, *Uniview*].

The project tries to fill the “infrastructure gap” for increasing economic growth in Asia, Africa, Central and Eastern Europe and Asia-Pacific. The BRI builds on old trade routes that connected China to the west, Marco Polo and Ibn Battuta routes in the north, Ming Dynasty and Zheng He routes. At present the BRI includes the entire geographical area of the historic Silk Road trade routes.

The six corridors of BRI can be seen in the map, but the one corridor that has received most attention is the China Pakistan Economic Corridor (CPEC). The United States, United Kingdom and India have not just opposed it verbally, but they have tried to sabotage it through action as well. This is despite the fact that China is building the China, Bangladesh, India Corridor (CBIC) as well. So while India, US and U.K. are quite comfortable with the CBIC, they have gone to great lengths to sabotage the CPEC. Previous US Defense Secretary James Mattis informed the Senate Armed Services Committee that “One Belt One Road passes through disputed territory.....” And that “US opposed One Belt One Road policy in principle because in a globalized world there are many belts and many roads, and no one nation should put itself in a position of dictating One Belt One Road.” Opposition to One Belt One Road has hardened over the years, with the Pentagon terming China and Russia “bigger threats than terrorism.” Pentagon’s defense strategy document states that “China’s new military buildup in the South China Sea, its moves to expand its political and economic influence around the globe, and what has long been described as Beijing’s systemic campaign of cyber attacks and data theft from government agencies and private US Corporations.” The document also underscores “Russia’s aggressive military moves, including the invasion of Ukraine and involvement in the Syria war, as well as meddling in the 2016 elections” (quotes from [Dawn, 20.01.2018]).

What are the reasons for these western countries and their strategic partner India to go to such lengths to oppose the BRI, especially CPEC tooth and nail is the major focus of this paper. After the brief introduction in Section 1, I go on to study the major challenges to the BRI and to study



Belt and Road Initiative Corridors. *Source:* The Belt and Road initiative, Wikipedia.

the intellectual arguments giving rise to such passion against the BRI in Section 2. While Section 3 concludes the paper.

2. Major Challenges to BRI

The colonial world order that started from the 16th to the mid 19th centuries when vast areas in Asia, Latin America, Middle East, Caribbean and Africa were colonized by Britain, France, Germany, Spain, Portugal, Belgium, Holland and Italy. These powers formulated policies for occupied areas and implemented these policies through their own nationals appointed as viceroys. The colonial powers used the colonies very ruthlessly, extracting their natural resources, using the population as slave labor, leading to unprecedented demographic changes in the colonies. According to estimates there were massive colonial transfers from the colonies to the colonial masters. One such estimate by U.Patnaik put colonial transfers from

undivided India to Britain amounting to 45 tln USD during the period 1765 to 1938 [How much money...; Agrarian and Other Histories...].

The moves towards decolonization in the aftermath of World War II resulted in the birth of several new born countries in Asia, Africa, Middle East, the Caribbean, etc. While some of these countries actually acquired a sovereign status, but to a vast majority sovereignty is still elusive. In terms of the more substantive characteristics they are still in the colonial mode. Their policies are made abroad, and selectees comprising of foreign nationals, dual nationals and those on the payroll of big powers implement these policies. Massive outflows of capital continue, both on account of very liberal foreign exchange regimes and corruption by government officials, technocrats, bureaucrats, etc., have led to massive outflows of capital to safe heavens in the U.K., U.S., Switzerland, Dubai, which have become the major beneficiaries of capital outflow from developing countries.

Some former colonial powers like France accepted the formal Declaration of Independence by 14 African countries, “a pact for the continuation of colonization” [Koutonin] which required them to accept the French Colonial Currency in Africa (FCFA), maintain French schools and military systems and accept French as the official language. France also controls all the foreign exchange reserves of these 14 countries. They are also required to deposit 85 percent of their foreign exchange reserves at the Banque de France in Paris. Discovery of new natural resources in these countries requires French approval. And many years after colonialism formally ended, these countries are still paying for the “benefits” of past colonial rule, huge amount of 440 bn euro per year to France.

Almost 75 years after independence this imperial order is still intact, maintained and reinforced by western governments. And several attempts by developing countries to bring development to their countries for the last several decades have not been successful, they now have the opportunity to develop their economies through the BRI. So while the strategic interests of countries in Asia, Africa, Middle East, etc., lie with regional countries, their governments appointed by western countries, mainly their agencies, are pulling them towards the colonial order that officially ended in the aftermath of World War II. This is because western countries have built their artificially high standards of living based on the economic surplus which

continues to flow out to them from developing countries. And this is a real dilemma and a formidable challenge to the BRI!

Western countries perceive the BRI as a very big threat to the order they gave to the world post World War II. Comparing the Belt and Road Initiative (BRI) with the present International Economic Order, which entails decline in economic activity in rich countries as a result of the capitalist crisis, causing conflicts to start brewing up in the developing world. The result is increased purchases of arms and ammunition, causing increase in the gross domestic product of armament producing countries. This lends support to the Marxist theory that death and destruction in poor countries brings prosperity to the rich countries. And this order has been given to the world by those who believe in God and the hereafter. And the Chinese who don't believe in God and the hereafter, have given an international order which is so much more ethical, peaceful and development oriented. It doesn't inflict casualties in the poor countries in order to bring prosperity to rich countries, that is why it is called a win-win model. Changing the present world order which inflicts a heavy cost on poor countries in order to bring prosperity to rich countries with the BRI, which simultaneously promotes growth in both the rich and the poor countries. This will alter the balance of economic power to the benefit of Third World countries, and is being perceived as such by the rich countries, thus posing a serious threat to the BRI.

And the provision of infrastructure made available in the first phase of the project, followed by the second phase entailing industrial and agricultural development will change the balance of economic power in the world. In the past industrialization of Third World countries led to uneasiness in western countries, leading to very strong critiques of the Structuralist model, that promoted rapid industrialization in the new born states in the late 1950s, and continuing in the 1960s and onwards. Major critiques by Bauer; Deepak Lal; Little, Scitovsky and Scott; Ann Kruger; etc., culminating in the ushering in of the Counter Revolution or neo liberalism [Wizarat]. Although these right wing economists were attacking different aspects of the Structuralist view, e.g. Ann Kruger's focus was on rent seeking in Third World countries [Krueger A.], Little, Scitovsky, Scott were studying the failure of State Owned Enterprises in developing countries [Little, Scitovsky and Scott], Deepak Lal emphasized trade and market,

instead of government intervention as the solution to poverty alleviation in Third World countries [Lal], while Bauer attacked aid to developing countries [Bauer]. But the common theme in their analyses was the uneasiness with regard to industrialization of Third World countries, which in the view of many western economists caused de industrialization in the advanced countries.

The strong reaction of rich countries to a perceived industrialization threat from the Third World countries, ushered the Counter Revolution and gave it the status of main stream economics, using it to draw up conditionalities by the international financial institutions in their lending programs. Comparing the reaction of western countries to the industrialization of Third World countries, with their opposition to the BRI reflects the following: first, it is action replay of the Counter Revolution almost four decades earlier by the influential writings of right wing economists, writing in right wing newspapers at a time when there were right wing governments in Washington and London. The prospect of Third World countries industrialization and development through BRI is causing a great deal of discomfort in the west. Second, the industrialization threat from Third World countries in the 1960s, 70s and 80s was met by academic and intellectual response from western countries. Although the intellectual response was very intense, and resulted in the ushering in of the Counter Revolution, with far reaching consequences on the economies of Third World countries and the global economy [Mosley, Harrigan and Toye; Ghai; Wizarat and several others]. But I am unaware of any move to translate this intellectual response in to a strategic response. But with the BRI, what started off as an academic and intellectual opposition, is fast changing into a belligerent response, as can be seen from the statements emanating from the Pentagon, UK, US and Indian governments and their intellectuals against CPEC and the BRI.

3. Conclusion

Wars of independence in the colonies during the inter war years culminated in moves towards decolonization. During the decolonization process US became an ardent supporter of the right of self determination and

bringing an end to colonial powers control over colonies, as it bestowed advantages on them which the US did not enjoy. The birth of several new born states in Asia, Middle East, the Caribbean and Africa as sovereign countries was a short lived phenomenon. As the years went by, what was gained in the aftermath of World War II was gradually lost. How will these countries take important decisions on greater interaction with China, Russia and other regional countries when their governments comprise of US and U.K. nationals and selectees of their agencies? How will they make investments in their infrastructure with massive outflows of capital still going to western countries? Can China and Russia play the same role that the US played during the decolonization era of championing the freedom struggles of the colonies? Certainly it will not be in Russian and Chinese interest to have poverty stricken allies, whose colonial transfers don't allow them to contribute their shares in infrastructural development, to bring it at par with the state of the art infrastructure in China and Russia. How far will China and Russia go to liberate the Third World countries to enable them to develop and integrate themselves to the region.

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