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Belt and Road Forum 2019: BRI 2.0 In The Making?

By Pradumna B. Rana and Xianbai Ji

SYNOPSIS

At the second Belt and Road Forum in Beijing last week, China acknowledged the criticisms labelled against the BRI and pledged to reform it a number of ways. If these pledges are implemented, and cooperation with development partners and stakeholding countries increases, we could see “BRI 2.0” emerging which could lead to a win-win situation for all.

COMMENTARY

ON 25-27 April 2019, China hosted the second Belt and Road Forum (BRF). Thirty-seven heads of state and government, and international organisations gathered in Beijing for this event. Deals worth US\$64 billion were signed during the three-day summit. The leaders also issued a joint communiqué expressing their shared commitments to advance high quality, green, sustainable, and inclusive Belt and Road cooperation.

Five years since its inception in 2013, the BRI has established itself as a defining feature in the global economy and politics. BRI-induced Chinese outbound direct investment has totalled \$80 billion. More than 80 special economic zones and high-tech industrial parks have either been built or under construction, creating jobs and billions in extra tax revenue for host governments. Trade has flourished at a time when global trade faces uncertainties. Between 2013 and 2016, the value of China's merchandise trade with BRI countries increased at a faster rate than China's overall foreign trade.

BRI Achievements & Criticisms

An important contributor to the rapid growth in trade has been enhanced transport

connectivity. In the past, direct rail service between China and Europe was inconceivable, but thanks to the BRI, Duisburg, a relatively less well-known city in Germany has become the largest inland port in the world.

Last year 6,300 containerised freight trains from China used this route and that figure could rise to 10,000 within the next five years. The appeal of the rail connection is that it takes 45 days to ship goods by sea from Chongqing to Duisburg and only about 12 days by rail. As part of the BRI, China and BRI countries have launched more than 1,200 new international air routes and signed 18 transport facilitation agreements to improve the efficiency of commercial border crossing process. New trading routes are also being created.

However, the BRI has been criticised by a number of non-BRI countries. For example, the United States (US) sees the BRI as a cover for debt-trap diplomacy, through which China knowingly traps borrowing countries in unrepayable debts to gain political leverage.

Even in several enthusiastic participating countries, the BRI is at risk of losing its lustre due to a host of practical implementation problems. In the wake of the Hambantota Port handover, Sri Lanka seemed disillusioned and chose to stay away from the BRF this year.

Several countries like Pakistan, Malaysia, Myanmar, Maldives and Bangladesh recently sought to review, re-negotiate, cancel or scale-down previously agreed BRI commitments, citing concerns over cost-overrun, erosion of sovereignty and reports of corruption. Malaysia's East Coast Rail Link is now back on track after the Chinese reduced the price tag by about a third.

BRI 2.0 in the Making?

At the BRF, President Xi acknowledged the criticisms labelled against his signature policy and pledged to reform it in a number of ways.

First, China will "multilateralise" the BRI. Mr Xi declared strong support for multilateralism and vowed to work more closely with multilateral development banks in third markets. He also attached importance to BRI adopting multilateral rules and international best practices pertaining to project development, operation, procurement and tendering and bidding.

With the help of Singapore, China is establishing a panel of international mediators from the BRI countries to resolve disputes including cross-border disputes arising from projects under the BRI.

China has also listed 'Strengthening Development Policy Synergy' with similar initiatives such as the ASEAN Connectivity 2025 and the EU Strategy on Connecting Europe and Asia as the number one priority for jointly developing the BRI in the future.

Second, China will make the BRI more sustainable. In the area of finance, a BRI Debt Sustainability Framework, one similar to that of the International Monetary Fund and World Bank, was released to help in decision-making by partner countries. In the area

of environment, Mr Xi made a pledge to “launch green infrastructure projects, make green investment and provide green financing”.

Path-Breaking Anti-Corruption Agenda

On the socio-political front, the Beijing Initiative on Clean Silk Road mandating BRI countries to fight corruption together was endorsed at the BRF. This step is path-breaking as previous policy statements on BRI rarely made reference to anti-corruption.

Third, China will continue structural reforms including beefing up enforcement of intellectual property rights, stopping forced transfer of technology transfer and abolishing unreasonable regulations, subsidies, and practices. This is because a successful BRI cannot be a one-way traffic where BRI partner countries open up to Chinese trade and investment while China shuts its doors on them. Stake-holding countries have also been requested to create an environment for investment, and to treat Chinese enterprises in a fair and friendly manner.

Summing up, at the second BRF, in light of the pushbacks and criticisms against the BRI during its first five years, China has pledged to reform the BRI in a number of important ways. This could lead to the emergence of a BRI 2.0. If China implements the reforms that it has pledged, and cooperation with development partners and stake-holding countries increases, then BRI 2.0 will surely lead to a win-win situation and shared prosperity of all countries.

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