

China's soft belly

Uwe Hoering, August 20, 2020 (www.beltandroad.blog)

At home, China's President Xi Jinping may be the big man. Under his leadership, the government and the Central Committee seem to have the internal factions in the Chinese Communist Party and self-willed provincial governors, public resentment and the various economic problems more or less under their control. But there can be no denying that Corona has also rocked China. In addition, there is the trade war and the USA's uncompromising strategy of defending its global hegemony with tough measures. Beijing's standing has suffered all over the world - from racism against Africans in several Chinese cities and the initial information policy in handling the virus. And of course by the draconian methods in Hong Kong and Xinjiang.

On the plus side, the Chinese government is earning points because the economic recovery appears to be well on its way. According to official figures, economic growth indicators will pick up again in the second quarter of 2020. However, how lasting and comprehensive this will be depends on the developments of the global economy, the crisis management in the Western industrialized countries and in the other regions. This is all the more important for the envisaged industrial modernization ("Made in China 2025") in order to transform the People's Republic into a full-fledged global superpower by the centenary of its formation in 2049. Without this, the credentials of both the government and the party might suffer a loss of legitimacy. This is why Beijing is stepping up its image promotion and the search for partners and allies.

One means of doing so is the Belt&Road Initiative (BRI), although the ambitious infrastructure and investment programme also suffered from the repercussions of the pandemic. With over 100 countries involved and an increasing share of Chinese trade and external investments, BRI provides markets, opportunities for investors and for the regionalization of supply chains, and thereby raises prospects for economic recovery. This becomes all the more significant if the trade war escalates further and Western industrial countries deny the access of Chinese corporations like Huawei, ZTE and TikTok. New Silk Roads can also ensure China's increasing appetite for energy and guarantee the supplies of commodities like lithium and cobalt, which are required for the envisioned High-Tech Industry 4.0.

Furthermore, new strategic alliances and political partnerships have emerged with the new transport routes, which link China more and more tightly to countries in Asia, Africa, Europe and Latin America. Financial ties are the attractive loans conditions and a masterly drive for "soft diplomacy". But economic and, as a consequence, post-corona political problems in the countries participating in the programme could undermine these economic and political investments.

Between increasing suspicion ...

Therefore, the success of the New Silk Roads is an essential pillar for China's domestic and worldwide ambitions. However Beijing is not able to operate along the New Silk Roads as at home, neither commercially nor in politics. Its neighbouring countries in the region are neither Hong Kong nor Xinjiang. The wide-spread wor-

ries over political and economic dependency and the mistrust of China's quest for influence among both governments and populations have actually intensified as a effect of Corona. This has already delayed or even brought down many projects and enforced re-negotiations. However strong China appears to be, the New Silk Roads are the 'soft belly' of its globalisation strategy, where it is most vulnerable.

.... and South-South solidarity

But also most countries along the Silk Roads now urgently have to find ways to overcome the Corona crisis. The renewed excessive indebtedness, exacerbated by the pandemic, will be the acid test for these efforts. Calls for debt relief are being raised throughout the world. Despite the fact that the debt problems were largely created by other lenders, China, which has become the biggest bilateral official lender to the countries of the Global South in recent years, cannot ignore the calls, particularly since it already faces charges that BRI is engaging in "debt trap diplomacy" and becoming neo-colonialist. Generosity would make perfect political sense and emphasize the South-South solidarity so often invoked by Beijing.

Already before the eruption of the crisis, it was apparent that Beijing was responding very flexibly to critique and new challenges. At the 2nd Belt&Road Summit in Beijing last year, Xi Jinping announced a number of improvements: In the future, private business and international financial institutions should be more intensively involved, information about projects and evaluation should both be improved, and dispute settlement mechanisms should be created. Through medical aid, the cooperation with the World Health Organization (WHO) for a "Health Silk Road" and support for the digitalization of healthcare systems, Beijing is simultaneously enhancing its reputation as a friend and helpmate in these difficult times at the side of the countries of the Global South.

More collaborative, transparent, and participatory

If the BRI 2.0 announcements were to be more than just lip service, however, China's policies in the Belt&Road countries must be significantly changed and must become more collaborative, transparent and participatory. Civil society can play an important part in this learning curve. Civil society organizations in Asia do indeed see scope for using public pressure, constructive critique and networking across borders to influence the shape the implementation of the Silk Road Initiative - just as they have been bringing more transparency, participation and social and ecological standards to international financial institutions such as the Asian Development Bank (ADB), Western development projects and investors in recent decades.

Developments in China's soft underbelly therefore should not be ignored over the US-China conflict or the uncertainty about the position of the EU and other allies of the US. Here, an important battle for China's overall economic and political status is being fought. Beijing seems to still have a good chance of scoring points against the USA, Europe and other Western states. However, it also needs to develop flexibility and adjustability and to show a somewhat different face from Hong Kong or Xinjiang.

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