Where next for the Belt and Road?

Thursday 11 March 2021


Tom Tugendhat
Well, good afternoon, nearly good evening, actually. Welcome to this afternoon's session of the China Research Group. My name is Tom Tugendhat, I'm the chair of this outfit, and I'm an MP. And we have some fantastic guests with us today, though in no particular order, we have Eyck Freymann, who's written a fantastic paper, which was published today. So if you haven't read it, please go online. And you will see what that's all about - definitely worth reading. And we've got Meia Nouwens, who is with us as well. And we've also got Jonathan Hillman. Now rather than introducing them, I'm going to ask them to introduce themselves just very briefly before we kick off. Eyck, why don't you go first?

Eyck Freymann
Thanks, Tom. I am a doctoral candidate in China Studies at Balliol College, Oxford. My background is in Chinese domestic and foreign policy. And I've just written a book out through Harvard University Press called One Belt, One Road, Chinese Power Meets the World.

Tom Tugendhat
That's fantastic. Well worth reading. Over to you.

Meia Nouwens
I'm Meia Nouwens, the Senior Fellow for Chinese defence policy and military modernisation at the International Institute for Strategic Studies in London. However, my work at the institute goes much broader than just defence and military affairs. I also lead the institute's research on China's digital project, the Digital Silk Road.

Tom Tugendhat
Fantastic. And Jonathan, a quick intro from you, and then you're going to kick us off. So, I look forward to that.
Jonathan Hillman

Great, thank you. So, I'm Jonathan Hillman, I direct the Reconnecting Asia project at the Center for Strategic and International Studies - a think tank in Washington, DC, and I'm the author of The Emperor's New Road, a book on, as you might guess, China's Belt and Road. So just to kick us off, you know, I wanted to provide a little bit of very brief background, to get us up to speed on where the Belt and Road is today. I think it's pretty interesting. You know, more than seven years on now, we're still asking some pretty basic questions about what the Belt and Road is, and what we should do about it. And so let me just provide, you know, my two cents on those two questions. So, I think the first thing that you have to understand about the Belt and Road, it's quite obvious, but I think it remains incredibly important is that this is Xi Jinping, his signature foreign policy vision, announced initially, in 2013, in two components: an overland belt, and somewhat confusingly, a maritime road. And since that announcement, it's expanded and expanded, if not every week, then certainly every month. So geographically, it's expanded to include dimensions in the Arctic and Latin America, it's expanded to cyberspace and even outer space. And so, it becomes analytically kind of difficult to decide what it is we're talking about here. Are we talking about everything that China does outside of China? Are we talking about infrastructure, which is an important piece of the Belt and Road, often the carrot for countries to participate, often the spoils for Chinese state-owned enterprises, and often the source of our greatest anxieties about what China is actually doing? Because many of these projects are dual use.

One of the, I think, important misperceptions, at least initial misperceptions about the Belt and Road that is helpful to correct is that this set of activities, while it is stemming from this vision, put forward by China's leader, it hasn't been as centralised and hyper-coordinated as often assumed from outside. And so, on the ground, this has actually been a bit more fragmented, sometimes quite chaotic. It's important to understand as we think about, you know, what's going on, in which actors have influenced to decide outcomes here. I'd also make the point which I believe Eyck does in his paper today that the Belt and Road is not dead. There has been a very significant decline in activity. So peak Belt and Road years, especially if you're looking at the infrastructure dimension of this, we're probably in 2016/2017, a pretty significant pullback that actually predates the pandemic, and then the pandemic paralysing large amounts of activity. But this is not a static vision, it continues to change to fit the circumstances of the day. I know we'll talk more about that. But I think, you know, one really important change is this increased emphasis on digital infrastructure. And so, as we're looking at a smaller pipeline of projects, there is I think, an opportunity for greater attention to quality control, as well as this digital dimension playing a more important role going forward.

Now, what do we do about this? I know Eyck has thoughts on this and discusses that in the paper that's released today. Personally, I think we have to begin by asking what our own interests are. So that might differ depending on what perspective you bring to this, where you sit, geographically or otherwise. We have to look at individual projects and activities, and not paint with a broad brush and say all of this is driven by one thing or another. I think projects really do take on a local character, depending on where they're happening. And we need to differentiate among projects that are really threatening to core interests and those that are more benign, because the world you know, ultimately, the world needs investment and infrastructure. And that far exceeds the ability of any single country, including China, to
provide it. I do think we need to compete, where it's important. Where those vital interests are at stake, and where commercial interests are at stake. I think we need to strengthen the ability of recipient countries to be their own best advocates, especially now as we're looking at a series of cycling renegotiations related to debt issues. And ultimately, I think each country here needs to put forward and I hope, there's potentially an opening here for an allied vision, but we have to put forward our own positive vision that resonates with the developing world, in a way in which China's own vision has resonated with the aspirations of the developing world, even despite all of its challenges and missteps. And so ultimately, I think, in a way, the best response to the Belt and Road is not necessarily a direct response to the Belt and Road at all. It's to step back and ask what our interests are, and what vision what positive economic vision do we want to offer the world? So, let me let me end there and pass it on. Thanks for the opportunity.

Tom Tugendhat
Thanks, Jon. Well, look, you've led us very nicely onto the digital question before we go on to a discussion, which I hope will include many of the people who are now listening and logging on. We will be taking questions, just in case you're wondering. You know how to do that by now. I think everybody knows how to do that on Zoom, a little box on the bottom. So please start thinking of your questions or actually putting them in. Now, Meia, you've done a lot of work on the digital Belt and Road and various aspects of it. Over to you.

Meia Nouwens
Thank you, Tom. So that's right, so let's talk about the Digital Silk Road. And I have three main points that I want to speak to, to just kind of frame what this construct is. And the Digital Silk Road is very much like the Belt and Road initiative under which it falls is largely an umbrella term, I would say. And different analysts so far have a different understanding of what it actually entails. And it's known by different names in China, including the Digital Silk Road, but also the Information Silk Road, the Digital Belt and Road and others. And there is no one guiding document for the Digital Silk Road that kind of spells out what it is and what it isn't what the structure of this programme is. And there's no one agency in China that holds responsibility over it. So very much echoing what Jonathan said about the Belt and Road initiative writ large and how that complicates trying to gain some sort of grasp of what this what this project is.

Now in terms of the type of categories of investments and projects that we look at under the Digital Silk Road, we can kind of see this as a maximalist or a minimalist list, I'd say in the maximalist list, which a lot of Western observers would note, we see a very much anything under the sun approach. So anything that's digital that China does is suddenly part and parcel of the Digital Silk Road. I think that has its own complications for how we then try and respond to that if we see that as something that we need to counter. But you could take a minimalist and more narrow approach, which is to look at investments in projects and technologies that correspond more or less to the themes of connectivity and economic growth, that are put forward in Belt and Road Initiative narratives by the Chinese government, and also in policy documents, or at least statements related to the Digital Silk Road. So anything that relates to those two things in the digital space could be considered.
And you have three layers of projects that you could look at under this more minimalist approach. That's infrastructure: hard connectivity infrastructure, like related to 5G or pre-5G networks, data centres, submarine cables, and satellite ground tracking stations, which of course are linked to Beidou satellite GPS systems. Then there's things like city services, so smart city infrastructure, surveillance systems, or anything related to public security, and of course, also cloud-based architecture. And lastly, something called over-the-top platforms and here we're looking at that digital economy type of project. So e-commerce projects FinTech projects, but also e-government platforms.

Now all of this of course, in this minimalist picture is is very well and good. But of course, there are there are increasing investments by Chinese companies into things like AI, Internet of Things, Big Data e-health and frontier technologies that now the Chinese government is openly and vocally supporting and pushing out as well. So we get a pretty complicated picture at the end of the day of what this is. And contrary to public and popular belief, this is largely an enterprise that is run by Chinese private sector companies. So Chinese state-owned enterprises play a relatively small role in the Digital Silk Road, and they are mostly related to infrastructure projects. Think of ZTE, China Mobile and Huawei Marine in terms of network infrastructure or in terms of building data centres, or submarine cables. But most of the other projects are heavily dominated by the Chinese private sector; think here of Tencent, Alibaba and Baidu, but also smaller startup companies as well. And for these Chinese companies, I think is important to reiterate that the Chinese market is already incredibly saturated for their business and taking business abroad therefore makes commercial sense. But of course, that doesn't mean - and here I come to my third point - that politics does not play a role in the Digital Silk Road at all. Clearly, the Chinese government views ICT technologies and digital technology writ large as strategically important to its rise. And we therefore see vocal support for the Digital Silk Road as a slogan and as a brand. And we see the growth of Chinese digital technological sectors, and the companies that dominate them in China as well. We're, to date, I think, still uncertain of the exact role that the Chinese government plays in these companies. And we know that there’s a system of party committees that are embedded in private sector companies in China, whether Western or Chinese-owned. And we know that the Chinese government has provided subsidies to certain Chinese companies in the ICT sector that has helped them gain the market position they have today, and has also helped them take advantage of a very advantageous domestic market in China. But we also know that aligning with the Digital Silk Road brand might also therefore, from a company perspective, be beneficial for China's private sector, if that would provide them with government support.

What further complicates all of this intertwining of public and private in China, of course, is the concept and policy of military-civil fusion, that we follow a lot in our line of work at the IISS. And here, we know that this is a whole of country effort to bring new technological innovation both in the private and and military-related sector together. But again, few clear examples of how this cooperation would work, I think exists other than anecdotes. And also, we’re not quite sure to what extent there’s a culture clash between the civilian sector and the military sector and to what extent that might prohibit a full fusion that the Chinese government seeks. And lastly, of course, what also complicates this is how politics affects commerce in China. So we saw last year with the halt of the Ant Financial’s IPO, that to some extent, the politicisation of these projects in this type of the tech sector in China works against the interests of the commercial interests of Chinese companies. So it's a big, intertwined, complicated picture, that
we're at the IISS looking at the moment and we've mapped in a project called China Connects around 1450 Chinese digital investments globally, from 2000 to 2020, that I'd be happy to talk through in the discussion, but I'll leave it at that for now.

Tom Tugendhat
Thank you very much for that; it's raised a huge number of questions in my mind about various aspects of the digital highway, as it were, the Digital Silk Road that I'm going to be looking to ask you about - including the way that AliPay and various other forms of payment mechanism are building a different economic infrastructure. But before we come to that, Eyck, you've just done a great paper for us, and you've got a huge number of things to say on this subject. I'm going to just leave it to you to carry on from there.

Eyck Freymann
Thank you, Tom. Well, these are two tough acts to follow. Jon and Meia are two of the colleagues working on this issue whose work I respect most, I would urge you to check out the work that the Reconnecting Asia project has done under Jon's leadership to map literally 1000s of Chinese projects and try to understand how they link up with one another into a continental sized infrastructure network. And then I'd also recommend that you take a look at the work that IISS has done, and particularly Meia's writings about these individual aspects that she highlighted here, there's a lot more to say, particularly about this military-civil fusion topic. And they're in print on many of these issues I'd recommend it all.

So, what I'd like to do is to take a step back, I don't disagree with anything that was said. But I'd like to add to it a little context, as I see things playing out within China, and then to try to sketch out briefly how these impacts UK national interests, and what the national strategic options might be for responding to this thing. I think if we want to synthesise or summarise what Meia and Jon have just shared with us, it's that this is essentially a very shambolic haphazardly organized initiative. In fact, it has more in common with a Maoist-style mass mobilisation than it does with a Marshall Plan, top-down highly centralised development policy that we would associate with something like the World Bank. But that doesn't mean it's not strategic. Because as Jon noted, this is central to Xi Jinping's personal brand in China. It is also central to his legacy. And if you look at the way that Communist Party propagandists are communicating what this project is actually about, to domestic audiences. One realizes that infrastructure is only one small part of what the Belt and Road is trying to achieve. This is at heart a project of national rejuvenation, and imperial resurrection, that has Xi Jinping himself at the core. And what it seeks to rebuild is a semi-imagined, semi-mythic Imperial tributary system, whereby China lubricates its relationships with countries on its periphery, with trade and investment. In other words, other countries invoke the Belt and Road slogan, they visit Beijing to pay homage to the Emperor, and in return, they come away with token gifts, political favours that help them stay in power at home. I've just written a report on this citing some Chinese sources, I go into more detail in my book. But I think the evidence is quite clear from a domestic politics point of view, that this is what Xi Jinping is trying to do.

So this means that even though the volume of Chinese foreign direct investment might have fallen off a cliff in 2020 during the pandemic, that doesn't mean that the Belt and Road as a concept for Chinese
national restoration is going anywhere. And in fact, all of the evidence seems to suggest that Xi Jinping's top-level bureaucrats are doubling down on the phrase, they’re just using the pandemic as an excuse to cut losses on unviable projects and refocus their attention on the most politically effective aspects of this strategy. And I would highlight in addition to the digital aspect, green tech, they’re talking about a Green Silk Road, and a Health Silk Road focusing on vaccines, but not only vaccines. So where is this leading, if Xi Jinping is indeed set to rule for several terms to come and this is directionally moving in, in a more centralised direction, it's becoming more organised, more carefully administered, there are fewer white elephant projects that are doomed to fail. Then we have to consider the possibility that whether it's five, or 10, or 15 years down the road, this will become something like a China-led geopolitical bloc, not unlike what the Soviet Union built in the latter part of the 1940s.

So, I think the UK must recognise, first of all, that this is a domestically-oriented Chinese scheme, which is bound together with national industrial policy priorities as well as foreign policy priorities. And that, because it poses a threat to the United States on so many different levels, and in so many different regional theatres, it’s going to be very hard for the UK to change how the US thinks about this. And so what the UK is facing, in a sense, is a geopolitical competition between the United States and China, over many issues related to the Belt and Road, but not only the Belt and Road, and the UK is increasingly put in an untenable position where it has to take sides. Either it needs to align, as say Australia has done with the United States, in some form of a comprehensive strategy for confronting China or it should seek out some alternative path such as what the Italians have done by joining the Belt and Road in name, but not accepting any big investments into their critical infrastructure, or what the Germans have done: not accepting the Belt and Road slogan, but saying that they will cooperate with China in various economic aspects where their interests align.

I've just written this article for the CRG that makes the point that the UK has to start by taking a hard look at its national power, recognising that it has very few tools to influence the direction of the Belt and Road or the American response. And understanding that as a result, any of the strategic options that it faces is going to entail painful trade-offs, because both of the superpowers are going to be competing for the UK's affection, and might seek to impose costs on the UK, if they don't play along. I'll leave it there and look forward to your questions. Thanks very much.

**Tom Tugendhat**

Thank you very much. Indeed, well, as our affections are being played for, perhaps I can start off by asking a couple of questions myself. Jon, you set out what I think is the most important question, really for us, which is what do we want instead? It's no good turning around and saying 'we don't like this'. The only thing that matters is what are we offering instead? At the moment, there's a strong argument to say 'not that much'. Now, I'm sure Eyck is going to have some views on this and so is Meia. But perhaps I can start with you, Jon, and just say, what should we be offering? My own view is we should be looking at truth, justice and the American way, or a modern updated version of the General Agreement on Tariffs and Trade WTO, IP rights, privacy and so on. But what do you think we should be pitching for?
Jonathan Hillman
I think it is a key question. And it is hard to think about what the sort of alternative should be without talking about trade policy. When I was working at the Office of the US Trade Representative, Belt and Road had been announced. But we didn't talk about it really, because we didn't need to, we had a positive alternative that we were promoting, at the time, the Trans-Pacific Partnership. And so I think I do think that trade has to be part of this broader economic vision that's being offered politically. You know, that has its difficulties. But there are still trade areas in which co-operation could move forward. It's going to take a little bit of creativity. I also think that there is already some, when we're talking about principles that we bring to this, there's some agreement, I think, some consensus in this idea of a free and open Indo Pacific as a framing that implicitly draws a contrast to some of what China is doing.

But I would add to that, importantly, I think, if I was going to add one more word to that, I'd add sustainability. I think environmental sustainability is an area in which the US and the UK and other European partners should have more alignment. Now, going forward. I think it's an area in which China has done pretty poorly abroad in other countries, and for which there are already existing interest groups, many of them have even stopped projects already. And so I feel like there's a natural opportunity there, to do something that is both positive, aligns with our values and our interests, and is competitive. It's really playing to our advantages. I would add other things, depending on sort of which dimension here that we're talking about; US companies obviously have some strengths in the digital domain, depending on which which facet of the Digital Silk Road we're talking about. But let me leave it there and welcome any other comments.

Tom Tugendhat
I'll perhaps push those other comments in one direction by just reminding when we set up the General Agreement on Tariffs and Trade, we didn't do so initially in the 1940s in a vacuum. We did so in response to, well, originally common term, but later, the Communist trading bloc that was emerging. And so this is clearly an opportunity to look again at our trade policy, and what was TPP is now CPTPP. I know I'm very keen that the UK should join - others have different views - but I'm particularly keen that the US should join, do you think there's a chance that this new administration will go back into it?

Jonathan Hillman
So I don't see that happening soon. I think that they're, given the fact that we've got a pandemic to contend with, and I think some domestic renewal to focus on - I think those are really immediate priorities. I do think though, that there are other ways in which a creative trade agenda could be pieced together and move forward to include things like e-commerce; something that is both touching the trade here and the digital competition. So I don't I don't think trade is off the table. But I think that that the full-scale return to CPTPP would be quite difficult.

Tom Tugendhat
Thank you. Meia, would you like to like to add to that?

Meia Nouwens
I can, just on a tech perspective, I think in terms of what we'd like to see, well, if we want to be more competitive, we have to invest in this area of industry, right. That's the key point here. And we can either do that alone, or we can do that as a as a grouping of like-minded countries. But this, again, is a story more about ourselves than of China. And really, I think fixing some of the problems that have led us to be in this position in the first place. So supporting innovation and industry at home would be point number one.

Point number two, I think, would be to look beyond just the 5G technology and the 5G discussion to other areas of technology. So if it's telecommunications looking towards 6G, and potentially even 7G, if we can imagine that, and already start to lay the groundwork for that - instead of trying to catch up in an area that we're probably not going to catch up on. And so that's in terms of technology, but in terms of values - and I think that's a really important point that Jonathan raised here - I think there's a lot more work to be done, again, within the like-minded community. And so we see, for example, that in terms of data privacy and protection, the EU GDPR regime has been worked into an agreement with Japan, whereby Japan now to some extent, adheres to a GDPR-like framework. But on the other hand, look across the trends at the Atlantic, and we see a very different type of privacy system in place. So we can all talk about how like-minded countries should come together and work towards finding a solution to this challenge that China poses. But really, I think we need to also pay attention to the gaps in our current relationships within that like-minded grouping of countries, and how to bridge that first.

Tom Tugendhat
You've raised several issues that really go into different ways of approaching this, perhaps Eyck, you make a few comments on that before we move on to a separate point.

Eyck Freymann
I think all of the points that have been raised in this segment of the discussion have been worthy goals that we should pursue. Clearly, coming out of the pandemic, this leaner, meaner Belt and Road is going to focus more on trade than on investment. And that is intrinsically going to make it more desirable to partner countries because it means that they won't have to take on an enormous amount of risk as a prerequisite for getting the political benefits of engagement with China. And the strengthening of the renminbi that we've seen over the last few months, coupled with this new dual circulation theory in Beijing, which is designed to increase Chinese consumption, which means more imports, which means more exports for China's trading partners, means that Western countries have to think very seriously about banding together with a common set of rules. Otherwise, we are no match for China in terms of setting the rules and conditions of trade. This is particularly true in Southeast Asia. But it's also true in many African and even Latin American countries that now have China not the United States as their largest trading partner.

But I think before we start going and prescribing solutions, I think it's important to understand what our objective has to be. I'm on record saying we need to prevent the Belt and Road from coalescing into a geopolitical bloc. And I when I say that I don't mean that every single country that signed an MOU to affiliate in some way with the Belt and Road is going to be included. But I do mean that China, with a select number of partners who have adopted this tech platform structure from whole cloth accepting Huawei, but also Chinese payments platforms like Alipay, and Tencent. These countries are entering a
form of long-term technological dependence on China, which is going to set them up for further consolidation of geopolitical relations or in a long term way that Western countries are going to have a very difficult time reversing.

So I think we need to recognize protect, I say, and when I say we, I mean first and foremost, the United States that when we say to our allies and partners, we would not like you to associate with Huawei or accept it into your 5G infrastructure. You don't get to pick and choose what critical infrastructure you let China into. Many of them are going to say, well, as a matter of fact, we can. And that's why the Saudis and the Emiratis and the Kuwaiti, some of our closest allies in the Middle East, have accepted Huawei into 5G and are letting China into a number of other critical digital systems. So we need to make sure that we are offering an alternative. But if our goal is to prevent countries like these that have been long-standing, geographically strategic, but strategic for other reasons, partners of ours, we need to recognize that they are standing atop a very slippery slope that will lead with technological entanglement with Beijing. And we need to keep them from taking that first step and find measures that are not coercive, to keep them from taking that first step.

Tom Tugendhat
We're getting quite a lot of questions in so before I open it up, I'm going to be greedy and ask one last one, which is maybe a brief answer from the three of you don't feel you have to answer it. But from this review, why are we resisting this? Why don't we just say, hey, Belt and Road works for everyone, this is a new global standard. Let's accept Huawei. Let's accept all these different rules and norms. It's a Chinese world, and we just live in it. Jonathan, perhaps.

Jonathan Hillman
Thanks, because I think a lot of these activities don't adhere to international norms, as they've already been established, you know, a lot of this project activity is happening without transparency, which is, you know, increasing the number of projects that go ahead, that shouldn't go ahead at all. It's increasing corruption. It's increasing the environmental damage, social consequences of projects where the risk hasn't been handled correctly at the beginning of the process. And so, you know, I think there's some learning going on as China's making these mistakes. But it isn't as if there is no existing, you know, international benchmark. I mean, there is we have multilateral institutions that have, you know, pretty robust ways of, you know, doing investment of doing projects. And a lot of these activities do not adhere to those standards.

Tom Tugendhat
The other two, you don't have to you don't have to answer, but do you have a response? I'm quite happy to leave it there.

Eyck Freymann
I would chip in briefly, I think this is a question that countries like the UK have to ask continually, because while it seems likely, as a long-standing ally of the United States that the UK's instinct would be to follow its most important partner in resisting this thing. The British people should not take for granted that what is right for the United States is right for the UK, particularly in a post-Brexit world where the UK doesn't have the luxury of a band of European friends and partners in quite the way it
used to. So, I think there is a possibility that affiliating with the Belt and Road, in a way that preserves autonomy for the UK's policymaking and protects UK critical infrastructure from Chinese access; there's actually a way that this can be configured that would work for the UK, that would give the UK geopolitical bargaining power over the United States. I don't think, necessarily, that's an option that should be chosen lightly. It obviously comes with a whole slate of downside risks, including tail risks. But I think if the British people want to truly have the ability to cut their own path, in a world post-Brexit, they need to consider all of their options, because, hey, Jon is right now. But what happens if in five years, the Belt and road becomes professionalised? And it starts abiding by international standards, and they do environmental impact assessments and the rest? Does that mean that it's okay to join? Maybe, and maybe not. And this is, this is a hard reckoning that's going to have to take place over just how vulnerable the UK would like to make itself to China in order to enjoy the fruits of access to the Chinese economy.

**Tom Tugendhat**

Thank you very much, Meia.

**Meia Nouwens**

I just add that also from the tech perspective, and with regards to Digital Silk Road, it was a harsh wake-up call that in some areas of industry, we've somehow fallen behind and dropped the ball a little bit. And so in terms of competition and commercial interest, it is important to pay attention to this and to think of ways in which we don't end up in this situation again in the future.

**Tom Tugendhat**

Thank you very much. I've been extremely greedy. So perhaps I should bring in somebody else. And I'm very lucky that my colleague and fellow Chair of a committee, chairing the Intelligence and Security Committee is Julian Lewis, MP. So Julian, over to you.

**Julian Lewis MP**

I'd just like to ask, how influential are the ambassadors recruited by China in the West, to promote their policies, such as Belt and Road, proving to be? It strikes me inherently as dangerous situation where you can have former ministers, in one case, a fairly recent former Prime Minister, being paid very large sums of money to promote the Chinese strategic option of encouraging their own countries to in allow this form of investment, and indeed this form of subsidised undercutting of British industry? Do you think that this is money well spent by the Chinese? Or do you think that this is a really effective way of them promoting in the West, their strategic games in China?

**Tom Tugendhat**

Who would you like to ask that to Julian?

**Julian Lewis MP**

Whoever feels willing to stick their neck out and express an opinion and if none of you feel able to comment on it, I don't mind at all.

**Eyck Freymann**
I would note briefly that this is not a new thing. In fact, the documentary series that introduced Belt and Road to the Chinese people on CCTV in 2016, featured not only Vladimir Putin, and Henry Kissinger, but also the former Prime Ministers of Australia, France and Italy. So, this has been a longstanding effort to boost the legitimacy of the initiative. I think that the fanfare around the Belt and Road forums in Beijing, in which many of China’s trade partners feel pressure to send delegations, even if they don’t agree with what the Belt and Road is trying to do, is definitely a form of diplomatic flex.

But I do think if one looks at the propaganda, that what they call the exo-prop, the external propaganda across countries, it is striking, just how little effort has been put into articulating what this is to Western audiences and persuading them that it’s not nefarious. In fact, in the early days before it was even named One Belt, One Road, many senior officials in China considered calling it a Chinese Marshall Plan, specifically because they thought that the Anglo-American community would find that unthreatening and they specifically decided to go with the Chinese historical illusion instead. So I think they’re offering a very different pitch for this to their own people, to Western audiences, and then to the potential partners who they’re most interested in recruiting, which are, in fact, people in less developed countries. Those I think, are their strategic focus and always happen.

Jonathan Hillman
I guess I would just add briefly that the Belt and Road brand is not doing great. It’s been really pretty tarnished by China’s own actions. There hasn’t been a propaganda campaign against China here. It’s China, Chinese actions on the ground, have tarnished the Belt and Road brand, you know, concerns about actual impacts on debt sustainability, on the environment, on local communities, not having the economic benefits that are promised. Not even getting the projects that are promised. I think that there’s sort of Belt and Road fatigue among some of the participants. And I think you see that in fewer mentions of this - in the most recent 17+1 meeting, now 16+1, which I think says another important point about the sort of support for these efforts declining. And, you know, Chinese surveys actually have sort of brand recognition here of who recognizes the Belt and Road, have you heard of the Belt and Road? The recognition of Belt and Road is highest in India. And I think we can guess sort of what the connotation is, it’s not a positive connotation for those that know it, or have heard of it. So I think that, I think spending on former officials is probably more a sign of desperation and a recognition that the brand really hasn’t been doing very well.

Tom Tugendhat
Thank you very much. That’s certainly an interesting perspective given the challenges that they’re facing and we have a number of names that we’re seeing lining up in a, well, in a way that certainly questions, the wisdom of some of the people who are lining up to endorse. Can we go to Matt Turpin? Please Matt, an old friend, and so I’m being very biased, I’m putting him in now.

Matt Turpin
Well, Tom, thank you, and a great event, really appreciate it. So yeah, as I listened to you, you all this kind of describe this, there’s this sort of common running through theme of sort of the lack of alternatives, right, that one of the initial narratives about Belt and road, was that the market for capital to invest in infrastructure was simply, you know, insufficient to the need. And that’s a similar sort of theme that you get from a blur your eyes kind of aspect around telecoms or FinTech, that the rest of the world
just isn't there providing alternatives. And I want to push back and maybe sort of get your reaction on on whether that's true, is it? Is it true that the rest of the world doesn't provide alternatives in terms of infrastructure spending, where there are bankable projects that meet sustainable goals? That there simply aren't the functions that make that that do be able to work? You know, for the telecom sort of space? It's completely arguable whether or not there weren't alternatives available to countries. You know, in fact, we had seen companies move back into the market. You know, as soon as countries made decisions about blocking Huawei or ZTE, you know, Japan, you've got NEC and Fujitsu moving back into telecom manufacturing, once those actions are taken, so I just wanted to see to get your reaction on whether or not the broader narrative of sort of a failure of the market to provide for infrastructure capital is actually a true one or not.

Jonathan Hillman
So I'm happy to offer a few brief thoughts. I think, first of all, if you talk to people in infrastructure, finance, they will tell you that the problem from their perspective, isn't necessarily a lack of access to capital, they have, you know, there's plenty of capital that could be deployed, it is a lack of bankable projects, right. And so they just don't see projects, enough projects out there for which they could get returns commensurate with whatever that risk is. China has been willing to do projects and take on much more risk. And so there's no question that there is a global demand for infrastructure. When you when you drop it down to the project level, though, projects that are ready to go and are easy choices are hard to find. And they're harder to find years after lots of Belt and Road activity. So put yourself in the shoes of someone at the China Development Bank or China Exim Bank, you know, the low hanging fruit has been picked. And some of it you know, turns out it was rotten. And so I think that that is an important dynamic, I do think in the telecom space, we have to acknowledge that Huawei grew not only through state support, and alleged intellectual property theft, but also by going to markets that were largely ignored by Western companies that were pretty comfortable doing business and basically wealthy democracies. So Huawei really learned and grew by going into emerging markets, and even in its later days, was starting to do projects in rural America, where some of those same same dynamics applied. And so I think the state support element there is really important. But there definitely is a demand, I think that that is being filled with some of this. That's why I think it's really important that the US and its allies, think about what it is, you know, that that we are have to offer the developing world where most of the world's population and economic growth is going to occur. So I just feel like the first phase of our response to Huawei has been really focused on, you know, banding together wealthy democracies, that's a good place to start. But that can't be that can't be all of it.

Tom Tugendhat
That's an interesting point, I noticed, forgive me, I'm going to pick up a question that's been asked on the chat board and maybe will, in fact, maybe maybe you could pick up some of it as well, because Jayvon Minto from Jamaica asks that isn't this a failure of other countries investing in the various different forms of infrastructure around the world? And certainly, if you speak about the Commonwealth and Development Bank and various other different forms of investment that have been suggested, I'm sure I'm not alone in wondering whether there isn't a gap in the market here created fundamentally by us - by not investing in many of the developing countries, by not filling those gaps that presented themselves. Did we let ourselves down as it were? Did we create an opening? Certainly, on digital, you
can see how not sponsoring Nokia, Ericsson, Cisco, I mean, one can run through a number of different companies here, one creates an opening for Huawei. What do you think? Meia?

**Meia Nouwens**
I mean, I think that points back to one of the earlier statements I made in my opening remarks that we have, to some extent, dropped the ball on digital tech. And by going back to me, the financing question is really interesting when it comes to digital projects that China has around the world. Certainly, when it comes to hard infrastructure, we see a role played by policy banks that are then able to provide loans and support these projects in the more risky business environments for Chinese telecoms company. But on the other hand, the vast majority, I think of digital projects by Chinese companies moving forward are not going to be in that hard infrastructure space, they're going to be more and more in the services and platform space, where Chinese companies themselves in the private sector are able to embark on these projects without actually needing policy bank support. And that's reflected in the data that we've collected.

And certainly I just wanted to make a point on on this pushback, you know, that we've seen in the digital sphere, from our dataset, at least, if you look at all of the 5G projects that you have Chinese participation in around the world at the moment, we've only seen pushback in around 15% of those projects, which is not a very high amount, and definitely not as high as I think we might expect one might expect if we listen to certain other analyses, or policy statements. So in that sense, there still is a market for Chinese tech, there still is a market for Chinese digital investment that we're not tapping into. And that could be because we can't or that could be because we won't.

**Tom Tugendhat**
Thank you very much indeed, the three of you. Now Stu, you're on line, I think over to you.

**Stu Woo**
Great, thanks, guys. Besides going to places where Western companies won't, I mean, I'm interested as to why Chinese companies are winning so many infrastructure projects, especially in a competitive market. So you talk about financing. What are the specific tools? What are the subsidies? What is it that the China Development Bank will offer that the US Exim Bank or another Exim bank can't? And is there anything that a Western country can do to offer a competitive alternative right now?

**Jonathan Hillman**
So I think it depends to some extent on the the activity that we're talking about. I think one just one very big distinction between US Exim and China Exim is just the scale, I mean, the scale is just not comparable at all. And so there is just a lot more financial firepower there being put to use. And I think the sort of old narrative on Chinese state support was that its subsidies - subsidies are still somewhat important. But this financing is incredibly important. Access to capital is really important. And it's a very powerful sweetener for countries thinking about what offer to take, because you just given finite resources. And so I think the US and others are going to be more competitive in certain types - if we're talking about infrastructure - certain types of infrastructure, China has seven of the world's 10 largest construction companies. They're incredibly competitive on building, transport and energy projects, just the scale that they have, and now quite a bit of experience too and they end up being competitive, even
in these open processes, as you indicate. But there is still I think, a demand for not getting all your infrastructure from one provider.

There's also ways in which US and other offers can become more competitive, depending on the assumptions that you make, depending on the accounting basically, that the recipient country is doing - are they considering the full lifecycle cost of a project to include not only the upfront sticker on it, but also what it cost to operate and maintain? You know, there are examples of countries like Papua New Guinea, getting a data centre from Huawei, where they didn't budget for operations and maintenance, and now the place isn't running anymore. And so there I think there are ways in which some of these Western offers can be more competitive if they're evaluated more holistically and not just on an upfront cost.

Eyck Freymann
If I could jump in here briefly, because I think this is a very important point that Jon has made that belies the Trump administration's narrative about Belt and Road as a deathtrap. And this is the more you start to stand in the shoes of an official in a recipient country and think about how they are thinking about their domestic and regional objectives and how the Belt and Road on a conceptual level, on a project level fits into that, the more it makes sense why they would want some form of open ended relationship with China.

The famous example of Hambantota, which someone asked about in the question tab is a great example. This is something that the Rajapaksa regime wanted for a number of reasons, both domestic - because it was going to bring home the bacon to Rajapaksa's hometown, an economically disconnected, underdeveloped part of the country. But also because it was going to provide geopolitical leverage on a regional and global level. It was a hedge against Indian interference in Sri Lankan domestic politics. It was a hedge against the United States calling Rajapaksa to account for crimes committed during the horrendous Sri Lankan Civil War. And first, this project was shopped around to the Japanese and a bunch of multilateral development banks. They passed because it was simply too high risk relative to the interest rate that the Sri Lankans were willing to pay. And finally, the Chinese picked it up. And so it made a lot of sense from a Sri Lankan point of view - and I traced this in some detail, I remember that Jon and I met when we were both going there to visit the site.

When you talk to local officials, the reason why they were not disappointed that this thing flopped, and was handed over to China was that they ultimately they weren't evaluating the success or the failure of the project on terms you could see on a balance sheet. It was much more conceptual, and related to the very, very specific details of how Sri Lankan domestic politics works with patronage and complex alliance networks and so forth. And so I think when we try to understand what it would take to compete with China, globally, we have to understand that we're playing in very specific regional markets. And if we want to offer a better offer than the Chinese, it's not just about the interest rate, or the grace period, or so forth. It's also about all of the implicit guarantees that go into paying off local constituents to groups. And sometimes we might be willing to make those offers. And sometimes it is simply things that we are not willing to do. And we should be willing to step back and let China take on that risk, and find other ways to keep those officials of those countries from sliding into geopolitical dependence on the Chinese.
Tom Tugendhat
Fantastic. Thank you very much indeed. Now, one last question, if we may, we have a former British diplomat in Beijing, and somebody who has also written for the China research group, Charlie Parton, and Charlie, over to you.

Charles Parton
It was more a comment, Tom, than a question. It relates to the question, how difficult is it to see what the Belt and Road is? You could get rid of that difficulty if you accept that it doesn't actually exist. It's a propaganda term and a slogan.

Tom Tugendhat
I think we're going to cut it there. But I think I got your point, Charlie, which is that the Belt and Road isn't really a thing. It's more of a slogan uniting various aspirations and a propaganda term rather more than a than a genuine construct, a genuine plan. Less a Marshall Plan, more a Global Britain slogan. Well, look, there's various points that raises, of course, would you agree with that, Meia?

Meia Nouwens
I mean, clearly, from my presentation, there doesn't seem to be a Digital Silk Road planned out document somewhere. And I doubt for the Belt and Road initiative, there was a map somewhere in a wall in Beijing, that has plotted this out for the next two decades to come. So in that sense, sure. But the fact is that there is investment, widespread investment in the digital sector, at least, where Chinese companies are increasingly competitive. And that raises all sorts of questions about how we should be responding to this and how we should prevent being on the back foot continuously but actually take initiative and be more proactive in the future in these areas of investment.

Tom Tugendhat
Would anybody else have a view on that? I think there's a general agreement from the way that we've been talking about it. Look, I'm going to stop there and thank our participants because it's just a few minutes to six and we like to start on time and finish on time. Can I say thank you very much to everybody who has joined us, to everybody who is watching this either live or will be watching it later. It is a huge pleasure again, to have such fantastic speakers - to Jon and to Eyck and Meia, who have brought an extraordinary level of insight and knowledge. And I'm going to plug it again, if you haven't read Eyck's paper, it is available on chinaresearchgroup.org, which is our website. If you go there, please do sign up to our newsletter. Now, our next session that's planned is actually not for a little while because we've got a bit of a gap as various other things go on. And so the next session is with the former Foreign Secretary and now my colleague as Chair of the Health Committee, Jeremy Hunt. So that is on the 15th of April. There may be other things coming in between; we've got a few we've got a few irons in various fires, so I will let you know. But as always, please follow us on Twitter, sign up to our newsletter, and join us again. And with that, thank you very much indeed to Meia, to Jon and to Eyck - I am hugely grateful for that insight and kindness this afternoon.