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*Global Health Security:  
COVID-19 & Its Impacts*

## **Reviving Stalled BRI: China's Two-Stage Approach**

*By Pradumna B. Rana and Xianbai Ji*

### **SYNOPSIS**

*China's Belt and Road Initiative (BRI) has virtually stalled because of the COVID-19 pandemic. Its physical infrastructure component or the Physical BRI has come to a standstill. China is adopting a two-stage approach to revive the BRI.*

### **COMMENTARY**

IN THE shadow of COVID-19, the global economic outlook has become very dismal. International Monetary Fund (IMF) recently noted that the economic contraction this year will be so bad that only a handful of people in the world will have experienced a similar event in their adult lifetimes.

The global economy is projected to shrink by three per cent this year and the cumulative loss of global gross domestic product (GDP) over the next two-year period could be over US\$9 trillion. Most advanced economies are expected to contract by about six percent this year. The first epicentre of the COVID-19 outbreak, the Chinese economy, has ground to a halt despite some recent signs of recovery.

#### **Slowdown of Physical BRI**

In the first quarter of this year, China's GDP fell by 6.8 per cent from a year ago, the country's first economic contraction in decades. Many BRI participating countries are also experiencing severe economic slowdowns and have requested for debt relief from China.

Against this backdrop, the physical infrastructure component of the BRI or Physical BRI has slowed, for several reasons. First, with the ongoing public health crisis, BRI participating countries have put infrastructure development and economic cooperation on the back burner.

Second, wholesale community lockdowns and factory closures, and the repurposing of manufacturing capabilities into anti-COVID-19 supplies production in some BRI host countries, have disrupted vital supply chains including those supplying Chinese construction machinery and materials. BRI projects are predominantly dependent on Chinese rather than local materials.

Third, border closures and travel bans have adversely affected the flow of labour, and equipment and materials for keeping BRI infrastructure projects going. Chinese migrant workers previously working on BRI projects have often been quarantined (as in Singapore), repatriated (as in Iran), or temporarily banned from entering the country (as in Indonesia).

### **Impact on Partner Economies**

As a result, Pakistan has put on hold the construction of special economic zones (SEZs) under the China-Pakistan Economic Corridor as Chinese companies struggle to cope with the rampant human and capital disruptions during COVID-19.

The development of Cambodia's Sihanoukville SEZ is being thwarted by similar problematic supply chain and labour-related issues. Physical BRI projects in Indonesia, Myanmar and Malaysia also suffer from delays and uncertainties due to the pandemic. China's fear is that the longer the BRI projects are suspended, the higher chance that they may languish in the end.

But the BRI is Chinese President Xi Jinping's signature foreign and economic policy initiative and has been written into the constitution of the Communist Party of China. China is, therefore, not abandoning it. In fact, China has adopted a two-stage approach in reviving the BRI.

### **Health Silk Road and Digital Silk Road**

First, with the slowing of the Physical BRI, China is focusing on the non-physical components of the BRI, namely the Health Silk Road (HSR) and the Digital Silk Road (DSR). In the COVID-19 period, HSR and DSR have become the brand names for BRI. Financing requirements for these two initiatives are also relatively less than for building large cross-border physical infrastructure.

The HSR is a term coined by President Xi during his visit to Geneva in January 2017 when he signed a memorandum of understanding with the World Health Organisation (WHO), committing that the HSR would seek to improve public health along the BRI countries.

In response to COVID-19, China has greatly accelerated activities to revive the HSR. Take, for example, the China-Europe Express Rail. At a time when travel bans choke much of the global air and sea transport, freight trains connecting China and Europe

are ferrying medicines, equipment and anti-epidemic supplies to countries across Eurasia including notably Italy, providing a boost to their efforts to tame the disease.

Chinese companies implementing overseas BRI projects such as Huawei and Tencent have brought in relief packages from China, the world's biggest producer of medical kits, to fulfil their social responsibility to the locals. Chinese entrepreneurs are also on the frontline.

Jack Ma has donated \$14 million to the international efforts to develop a coronavirus vaccine and sent personal protective equipment (PPE) for distribution in Japan, the United States, and all 54 African nations. Some of the equipment from China have proved to be defective, but Beijing is making efforts to remedy the situation.

### **Why Digital Silk Road is Thriving**

Like the HSR, the DSR is also set to shine during the pandemic, for two reasons. Firstly, many countries have doubled down on various China-inspired digital solutions to combat COVID-19. China's use of a colour-coded application for monitoring individuals' health, contacts and movement is a case in point.

Notwithstanding criticisms surrounding civic liberty, the app is being replicated by other affected countries. For example, in March, Singapore rolled out a similar app called "TraceTogether". Secondly, COVID-19 is transforming economies, shifting the balance between electronic and retail commerce in favour of the former.

With the COVID-19 outbreak and social distancing measures continually pushing economic activities and consumption patterns online, China's DSR is set to rise in prominence.

### **Eventual Revival of Physical BRI**

Once supply chains reconnect and global health issues are resolved, China and BRI participating countries will once again re-start the Physical BRI to build transportation networks, industrial parks and power plants across the Asian, European, and African continents. COVID-19 will have provided an opportunity for China to reflect on its BRI project of the past six years or so and contemplate ways to improve it.

At the Second Belt and Road Summit in 2019 President Xi had acknowledged various constructive criticisms and pledged to reform the BRI. Fine tuning and quality control were to be done with emphasis on "high quality" infrastructure projects. Green and clean cooperation was also pledged.

In this context, a number of studies have recommended policy agenda for both China and BRI participating countries to work towards an improved BRI. One such study is our forthcoming co-authored book entitled *China's Belt and Road Initiative: Impacts on Asia and Policy Agenda* (<https://www.palgrave.com/gp/book/9789811551703>)

Based on qualitative, quantitative, and perceptual research, our book makes 10 key policy recommendations to enhance the prospect of a successful and mutually beneficial BRI 2.0 to both China and participating countries. Broadly these are:

- Enhance BRI transparency;
- Strengthen economic and infrastructure governance;
- China should secure buy-ins of major powers;
- Multilateralise the BRI;
- Liberalise and facilitate trade;
- Manage public debt distress;
- Stakeholder countries should prepare national infrastructure strategies;
- Empower and protect local communities;
- Address transport network choke points and missing links;
- Transform transport corridors to economic corridors.

Summing up, in the two-stage approach that China has adopted to revive the BRI, it is presently focusing quite appropriately on the HSR and the DSR. In anticipation of the second stage, the revival of Physical BRI, it should also consider implementing the various reform proposals that have been advocated.

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