



# SECURITY AND ECONOMY ON THE BELT AND ROAD: THREE COUNTRY CASE STUDIES

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## I. Introduction

This SIPRI Insights examines how China's Belt and Road Initiative (BRI) interacts with economic and security dynamics in three sample states from three different regions across the Eurasian continent, each with a diverse political, economic, and security background: Belarus, Myanmar and Uzbekistan. In order to understand the BRI's economic and, foremost, security implications in these countries, it is imperative to first briefly examine what the initiative is in essence and what has compelled China to propose it.

## II. What is the Belt and Road Initiative?

The BRI has evolved into an organizing principle of the foreign policy of President Xi Jinping's administration.<sup>1</sup> The BRI, which consists of the terrestrial Silk Road Economic Belt (hereafter the 'Belt') and the sea-based 21st Century Maritime Silk Road (hereafter the 'Road'), is an ambitious multi-decade integration and cooperation vision. It concentrates on the Eurasian continent and parts of Africa.<sup>2</sup> Introduced in 2013, the BRI specifically aims to reactivate and expand the legendary Silk Roads with new hard and soft infrastructure, to improve trade policy coordination among participating states, to increase financial cooperation, and to facilitate the transit of goods, energy and people. As such, it reaches beyond sheer economy into the political, security and even cultural domains.<sup>3</sup>

The BRI's significance to the Chinese Government and its foreign policy and security was restated when it was announced at the 19th National Congress of the Communist Party of China in October 2017 that the BRI is now

<sup>1</sup> The BRI was previously known as 'One Belt, One Road' (or OBOR), but that title carried a notion of singularity, i.e. merely one Belt and one Road, and a deficiency of flexibility and stakeholder input. Therefore, 'initiative' was added. In Chinese, however, the title has not changed and is still: 一带一路.

<sup>2</sup> Gradually, Oceania and even Latin America are becoming part of the vision.

<sup>3</sup> The initiative is rooted in pre-existing strategic economic statecraft that has stimulated Chinese enterprise to expand into overseas markets since the 1990s, but it now has greater financial backing and better coordination.

\*This project is supported by the FBA, Folke Bernadotte Academy, through The Peace Million. The grant finances activities that focus on disarmament, security policy, peace and development, conflict prevention and management.

## SUMMARY

● The Belt and Road Initiative (BRI) is the result of a convergence of multiple Chinese domestic drivers and external developments. It holds significant potential to contribute to greater connectivity and stability in participating states, yet there is a need to include a wider spectrum of local and international stakeholders in order to address concerns and mitigate backlashes.

As shown in this SIPRI Insights Paper, projects on the scale of those implemented within the BRI inevitably become part of existing local and cross-border security dynamics. They may also expose, and sometimes exacerbate, local institutional weaknesses. Examples of these issues are found in the three countries studied here: Belarus, Myanmar and Uzbekistan.

China is taking a more active role in security cooperation, driven by its increased stake in the success of the BRI. Its actions show the evolving nature of its non-interference policy. To date, however, Chinese engagement within the BRI does not display a consistent way of addressing the complex security issues.



enshrined in the Party's constitution—a rare feat for foreign policy in China.<sup>4</sup> This implies that the initiative's political longevity will outlive President's Xi's tenure (expected to terminate in autumn 2022) and will continue to receive allocations from a wide spectrum of Chinese human, financial and diplomatic resources for years to come.

### III. Why has China introduced the Belt and Road Initiative?

The motives behind China's decision to introduce and propagate the BRI continue to be a source of speculation among observers. However, they are very likely the product of a convergence of multiple domestic drivers and external forces, with economic, financial, security, political, diplomatic, socioeconomic, geo-economic and geopolitical elements. Principal drivers include, but are not limited to: (a) keeping the Chinese economic boom alive and improving China's economic security by building new markets overseas and diversifying its market dependence; (b) creating land corridors or 'life-lines' that, in the event of conflict, could mitigate the impact on the Chinese economy of maritime interdiction by the United States Navy of the transit of goods and energy; (c) supporting the internationalization of the Chinese renminbi and reshaping the existing global architecture for trade, finance and investment to better suit China's evolving economic needs; (d) better balancing Chinese domestic growth geographically and creating a buffer of stable neighbours and extended neighbours around China to mitigate the impact of possible conflict spillover; (e) paving the way for deeper Asian security cooperation catalysed by closer economic cooperation and interdependence; and (f) utilizing Chinese soft power more effectively, arguably its development model and subsequent economic clout, and fostering closer ties with the world.<sup>5</sup>

Ultimately, the BRI is intended to buttress domestic socio-economic and political stability in China, but this does not necessarily mean that the initiative is beneficial to China only. It does, in fact, intend to address a vast gap in infrastructure, connectivity and cooperation globally, which has limited financial and political alternatives of this scale.

### IV. Notable security implications

The BRI has no stipulated blueprint and sets no a priori parameters for actors, methods or norms, giving it a great deal of flexibility. However, this and the initiative's deficiency of indicators for success or failure, and corresponding milestones, have contributed to its perceived opaqueness among more sceptical stakeholders. A number of stakeholders, in particular a number of Western countries, India, Japan and Vietnam, have even voiced concerns over what they perceive as the BRI's lack of multilateralism.<sup>6</sup> By and large,

<sup>4</sup> 19th CPC National Congress, 'Full text of resolution on amendment to CPC Constitution', Xinhua News, 27 Oct. 2017.

<sup>5</sup> The ripple effects of the 2007–2008 global financial crisis on the Chinese economy probably propelled the ambition in (a). Ghiasy, R. and Zhou, J., *The Silk Road Economic Belt: Considering Security Implications and EU–China Cooperation Prospects* (SIPRI: Stockholm, Feb. 2017), pp. 4–10.

<sup>6</sup> Pant, H. V., 'India challenges China's intentions on One Belt, One Road Initiative', Yale Global Online, 22 June 2017.



however, the initiative has created a greater spirit of cooperation around the globe amid calls for protectionism—a unique accomplishment in itself.

Nevertheless, the BRI may also exacerbate underlying regional, national and subnational security issues or create new ones. The Belt, for instance, has raised geopolitical temperatures in South Asia, as the China–Pakistan Economic Corridor (CPEC) runs through territory that is disputed between Pakistan and India and this has greatly aggravated India.<sup>7</sup> In the European Union (EU), China has set up the 16+1 cooperation mechanism with 16 EU and non-EU states in Central and Eastern Europe. In bypassing the decision-making power of Brussels, the mechanism is perceived as eroding EU unity and has become a source of friction between the EU and China.<sup>8</sup>

Meanwhile, the Road has become entangled in pre-existing maritime disputes in the South China Sea, and in rising geopolitical competition over maritime and related terrestrial trade routes, including in the Indian Ocean Region. Greater Chinese economic activity facilitated by the BRI in and near these waters, and the growing presence and capacity of the People's Liberation Army (PLA) Navy to safeguard Chinese investments and transit, has rung alarm bells throughout South and South East Asia and among stakeholders in the USA, Australia and Japan.<sup>9</sup> In other cases, such as in the Philippines under President Rodrigo Duterte, the prospect of greater BRI investment has actually helped shelve maritime disputes—a national security interest.

At the initiative level, there are concerns among stakeholders over how the BRI could exacerbate some of the structural governance problems in participating states where corruption and lack of transparency and accountability prevail. The capture of economic benefits by local political elites could exacerbate political instability over the long term, by keeping regimes with a poor development track record in place and prioritizing state-centric over human security, and this could help to sustain deficient and inefficient markets.<sup>10</sup> While local governments are ultimately responsible for addressing these concerns, it is evident that stronger input by local civil society, the business community, non-governmental organizations (NGOs) and international stakeholders could help mitigate them. Furthermore, among the more strategically oriented stakeholders, there are reservations over increasing Chinese political and economic leverage. For many participating states, the challenge is to balance BRI investments with an eye for sovereignty and institutional reform. For China, the challenge is to make sure that both global and local stakeholders' reflections on the BRI are heard and sufficiently addressed. While this may affect the initiative's pace, it is likely to mitigate future backlash effects, including in the three sample states considered below.

<sup>7</sup> CPEC's northernmost parts will run through Gilgit-Baltistan. India currently administers around 43% of the region but asserts that it is part of the Indian princely state of Jammu and Kashmir and has long claimed rights over the entire region.

<sup>8</sup> The 16+1 framework facilitates Chinese bilateral engagement with Central and Eastern Europe (CEE) countries on BRI-related and non-BRI related investment.

<sup>9</sup> One result is the recent reinvigoration of the Quadrilateral Security Dialogue between the USA, Japan, India and Australia. Panda, A., 'US, Japan, India, and Australia hold working-level quadrilateral meeting on regional cooperation', *The Diplomat*, 13 Nov. 2017.

<sup>10</sup> Ghiasy and Zhou (note 5).



## V. Three country case studies

The three countries examined here, Belarus, Myanmar and Uzbekistan, have been chosen based on their key roles in the BRI vision. Each has its own specific economic and security challenges, but all three are, in different ways, in a process of internal change or experiencing a changing context amid rapidly unfolding BRI activity. Belarus, a key gateway on the Belt, is in need of economic modernization and has been facing a changing external security environment due to the conflict in neighbouring Ukraine. Uzbekistan, the region's largest military power and a crucial component in the Central Asia segment of the Belt, has been experiencing change from within since President Shavkat Mirziyoyev came to power, resulting in gradual economic reform and a re-engagement with the broader region. Myanmar, a key BRI terrestrial-maritime corridor connector, has allowed China to diversify its energy import over land and has found itself in a complex, simultaneous political transition and peace process, where China has a key but shifting role.

### **Belarus: A pearl on the Silk Road?**<sup>11</sup>

Belarus is located between Russia and the EU, bordering three EU countries. In military and economic terms, however, the country has close political ties with Russia. It is one of the founding members of both the Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Union (EEU), and since 1997 it even constitutes part of a Russia–Belarus Union State.<sup>12</sup> Belarus has a broad industrial base, but its economy is still unreformed in many areas; it has strong state control and the private sector only contributes some 25–30 per cent of gross domestic product (GDP).<sup>13</sup> Nevertheless, Belarus has been able to strike a balance between Russia and the EU through periods of strained political relations. Using selective political concessions, the government has thus far avoided economic default and maintained control of key assets without major political and economic reform.

Chinese engagement in Eastern Europe has increased markedly in recent years with the institutionalization of the 16+1 cooperation mechanism. Although not a part of 16+1, Belarus has been identified by China as a key component of the BRI in Europe. Located on the proposed New Eurasian Land Bridge (NELB) between Asia and the EU, an important land 'lifeline' to China, Belarus hosts one of the most ambitious BRI industrial cooperation projects to date: the China–Belarus Industrial Park (the CBIP or 'Great Stone'). The CBIP's two main rationales are to serve as a logistics gateway to the EU and to act as an industrial production hub, including for export to EEU markets. Belarus and China see it as a joint opportunity in competitive high-tech production: a special economic zone (SEZ) based on the China–Singapore model pioneered in Suzhou and managed at the highest level by an

<sup>11</sup> The reference to the China–Belarus Industrial Park as a 'pearl on the Silk Road' was coined following a state visit by president Xi Jinping to Minsk in 2015, and has since been used in marketing communication in both countries.

<sup>12</sup> In practice, most institutions of the Russia–Belarus Union State have either been superseded by other cooperation agreements or suspended due to lack of political will.

<sup>13</sup> For a discussion on the issues of defining the Belarusian private sector, see Akulava, M., 'The role of Belarusian private sector', FREE Network Policy Brief, 19 Jan. 2015.



intergovernmental coordination body. This should help to attract European companies otherwise wary of investment conditions in Belarus.<sup>14</sup>

For the Belarusian Government and the country's struggling economy, the promise of Chinese investments with no strings attached is a welcome one. According to the then presidential economic adviser, Kiryl Rudy, the plan for the CBIP was to develop new industries to 'gradually replace old branches', which would enable economic modernization without radical change to the state-centric system.<sup>15</sup> To what extent this plan is realistic without structural reform of the economy and improved relations with the EU, including closer convergence with its standards for economic cooperation, is debatable.<sup>16</sup>

Since the signing of a Comprehensive Strategic Partnership in 2013, Belarus and China have increased their security cooperation, including performing joint anti-terrorism exercises and training exchanges. In 2015, President Alyaksandr Lukashenka took the unusual step of issuing a presidential directive in support of bilateral relations with China.<sup>17</sup> The countries have increased defence development cooperation and China provides Belarus with military equipment. In bilateral meetings in 2017, security cooperation was framed directly in the BRI context of protecting CBIP facilities against sabotage and terrorism, for the first time, while China also wanted to address law enforcement issues concerning Chinese citizens working at the site.<sup>18</sup> Since the protest-induced change of government in Ukraine in 2014 and the subsequent Russian annexation of Crimea, Belarusian authorities have reviewed their security policy, including the country's dependence on Russia for security and defence cooperation. With increasing Chinese engagement in the CBIP, closer cooperation in the security sphere is becoming a mutual interest.

In summary, the Belarusian Government has two core interests that converge in its developing relationship with China: (a) economic revitalization and new investment; and (b) diversified security cooperation. Belarus' prospects of becoming a major transport hub on the NELB and an industrial cooperation centre reciprocate this interest in China. Unless Belarus implements substantial reforms, however, there are major obstacles in terms of

<sup>14</sup> According to the park's website, the goal is to attract 200 high-tech companies, employing over 120 000 people, see <<http://www.industrialpark.by/en>>. When visiting the site in Sep. 2017, the author noted that about ten companies were registered, including from three EU countries and one from the USA, with the logistics facilities developed by China Merchants Group closest to completion.

<sup>15</sup> Bohdan, S. 'Myths of Chinese engagement in Belarus: No money between friends?', *Belarus Digest*, 9 July 2015.

<sup>16</sup> Belarus is included in the European Neighbourhood Policy (ENP) and the Eastern Partnership (EAP). However, the EU has not ratified the Partnership and Cooperation Agreement (PCA) with Belarus, signed in 1995, based on the country's lack of 'political and civil rights', which means that Belarus has weaker trade preferences with the bloc than the other five countries of the EAP. Earlier trade preferences under the EU's so-called Generalised Scheme of Preferences were withdrawn in 2007, due to lack of compliance with International Labour Organization (ILO) standards. Belarus is not a member of the World Trade Organization (WTO).

<sup>17</sup> Presidential Directive no. 5 lays the foundation for cooperation with the Central Committee of the Chinese Communist Party (CCP). A presidential directive, among other things, normally means an added level of follow-up and dedicated officials tasked with implementation. Official Internet Portal of the President of the Republic of Belarus, [Directive of the President of the Republic of Belarus No 5: On development of bilateral relations between the Republic of Belarus and the People's Republic of China], 31 Aug. 2015 (in Russian).

<sup>18</sup> Interfax, [Law enforcement agencies of Belarus and China strengthen cooperation in the field of combatting terrorism], 25 July 2017 (in Russian).



trade with the EU. Nevertheless, security cooperation between Belarus and China is progressing and this has not antagonized Russia, in part because the ultimate success of the CBIP is also dependent on further cooperation with Russia.

### **Myanmar: The limits of non-interference**

Multiple armed insurgencies, rent-seeking and a weak institutional framework have helped place Myanmar firmly on the United Nations List of Least Developed Countries. However, Myanmar began its transition from military rule in 2011 and the National League for Democracy (NLD) government is now pursuing democratic, economic and security sector reforms.

Meanwhile, Western economic sanctions have tilted the market in favour of Asian investors, primarily China. From China's perspective, Myanmar has a key strategic role in terms of energy supply, in maritime access to the Bay of Bengal, as a land connector to the Road, and in development plans for the underdeveloped Yunnan province. Myanmar is also a country where China has broad networks, including with the NLD government, the Tatmadaw (Myanmar's armed forces) and a number of the ethnic armed groups (EAGs).<sup>19</sup> China's 'policy coordination' also extends to Myanmar's regional cooperation formats, such as the Association of Southeast Asian Nations (ASEAN).

In Myanmar, the BRI is entangled in the country's security dynamics. After the start of the government reform process, China's engagement, including major government-supported investments now labelled under the BRI, was negatively affected by new requirements for transparency, social and environmental standards, and a more open public debate. The contested Myitsone dam project in the northern state of Kachin is a sign of the incompatibility of Chinese megaprojects and China's stated 'non-interference' in internal affairs in Myanmar. After protests and violent clashes that involved EAGs, environmentalists and local villagers, the government suspended the project in 2011. In openly challenging the Chinese plans, the president also sent a clear signal that the reformist faction within the military was in charge and that the newly initiated liberalization would continue.<sup>20</sup>

In Myanmar, the most strategic complex of projects under the BRI is centred on the port of Kyaukphyu in the conflict-affected state of Rakhine, from where twin gas and oil pipelines run across the country to Kunming in China's Yunnan province. The oil pipeline is of strategic importance to China as an alternative import route to the Malacca Straits.<sup>21</sup> Kyaukphyu is also a designated SEZ, where China's state-owned CITIC Group has majority stakes in its development, but its key role as a production and connectivity hub requires new rail or upgraded road infrastructure. So far, Myanmar and

<sup>19</sup> The links between the Tatmadaw and the PLA mean that segments of the military in Myanmar probably have the best knowledge of China's strategic objectives. Consultant to the peace process, Meeting with author, Yangon, June 2017.

<sup>20</sup> Lall, M., *Understanding Reform in Myanmar* (Hurst & Company: London, 2016), pp. 74–75. For an overview and history of China's relations with Kachin state, see Qin, H. 'Behind Myanmar's suspended dam', parts 1–3, *China Dialogue*, 28 Mar. 2012.

<sup>21</sup> At full capacity, the pipeline is expected to carry 22 million tons of crude oil per year, or about 4–5% of China's import demand. Lee, Y. et al., 'Beset by delays, Myanmar–China oil pipeline nears start-up', *Reuters*, 21 Mar. 2017.



Chinese investors have not agreed on this, and the long-planned Bangladesh–China–India–Myanmar (BCIM) economic corridor, if implemented, will also not solve the problem of transport extension to the Chinese border.<sup>22</sup>

During the violence and escalating humanitarian crisis in Rakhine since August 2017, China has consistently supported the Government of Myanmar, by initially citing its policy of non-interference and then actively proposing a crisis resolution plan.<sup>23</sup> Meanwhile, in the northeast of the country, the pipelines run through areas of recurring unrest, where cross-border trade was disrupted in spring 2017 due to clashes between the army and EAGs.<sup>24</sup> Several EAGs in the border areas have at times received different types of support, including arms, from China. One key EAG, the United Wa State Army (UWSA), has begun to urge for Chinese engagement and has even given explicit support to the BRI.<sup>25</sup>

In fact, China has recently taken an active role in Myanmar's long-running peace process, dispatching envoys for direct talks with the government.<sup>26</sup> China is both facilitating the official peace process framework and de facto enabling a separate process with non-signatories to the National Ceasefire Agreement (NCA).<sup>27</sup> Nevertheless, despite its leverage, China is not in a position to govern the complex dual peace and transition process.<sup>28</sup>

In conclusion, the concrete implementation of BRI projects has raised the stakes for China in Myanmar, translating into multi-level engagement, including infrastructure and industrial cooperation, support for the government's peace process and, recently, crisis resolution efforts in Rakhine. Regarding the core issue of achieving sustainable agreements between the government and the multiple EAGs, China is the key external actor and BRI engagements are currently contributing to China's active role. For Myanmar, the BRI holds the promise of much needed connectivity and industrial development—goals realizable only if the ongoing reform agenda continues.

### **Uzbekistan: A new opening?**

Central Asia is where President Xi first announced the BRI back in 2013, and it is the focus region for much of the initial thinking about the BRI.<sup>29</sup>

<sup>22</sup> India, in particular, has grown increasingly hesitant to support BRI-related developments. Iyer, R., *BCIM Economic Corridor: Facilitating Sub-Regional Development*, IPCS Special Report no. 187, (Institute for Peace and Conflict Studies: New Delhi, May 2017).

<sup>23</sup> As the main violence-affected areas are in a different part of Rakhine, resentment over Chinese projects is not the direct trigger of violence. However, there have been local protests and the establishment of the SEZ reportedly involved extensive land-grabbing. Lall (note 20), pp. 141–42.

<sup>24</sup> Xinhua, 'Myanmar–China border trade declines as conflict flares up in Myanmar's Kokang', *Global Times*, 13 Mar. 2017.

<sup>25</sup> Thiha, A., 'UWSA stance leaves peace process at a crossroads', *Frontier Myanmar*, 25 May 2017.

<sup>26</sup> China's official policy on the peace process in Myanmar predates the 2011 reforms and is sometimes formulated as 'persuading for peace and facilitating dialogues' (劝和促谈). This has, at times, involved silently promoting mediated talks under a 'non-interference' banner. Sun, Y., *China and Myanmar's Peace Process*, United States Institute for Peace (USIP), Special Report 401 (USIP: Washington, DC, 2017).

<sup>27</sup> Since 2016, China and Myanmar have also been engaged in so-called 2+2 talks between representatives of their respective foreign ministries and armed forces.

<sup>28</sup> The EAGs in the northeast have very different historical experiences with China and their current coalescence of interests is largely tactical. There are also strong business interests from Yunnan in areas controlled by the EAGs, which is part of the Chinese leverage, but not always in line with China's agenda.

<sup>29</sup> President Xi introduced the Silk Road Economic Belt component in Astana, Kazakhstan.



The region remains a key component for most of the land-based corridors to Europe and the Middle East, and it is important to China due to its mineral and energy deposits and its proximity to China's developing but restive Xinjiang Special Administrative Region (SAR). Central Asia's energy assets, and to a lesser extent the rail and road links through Kazakhstan to Europe, have started to fulfil their BRI promise for China. However, it is also a region of vast distances, underdeveloped infrastructure, security issues, weak domestic governance and lacking regional integration—areas in which the BRI could play an influential role.

Bordering all four other Central Asian states and Afghanistan, Uzbekistan is home to nearly half of the region's population and boasts the largest military forces. Its economy, while well diversified industrially, has long been protected by import substitution and lacks productivity and competitiveness. Remittances from labour migrants correspond to around 10 per cent of GDP.<sup>30</sup>

When its long-time president, Islom Karimov, died in 2016, Uzbekistan had developed an authoritarian governance model with a non-alignment policy. Its relations with neighbouring states had also been intermittently antagonistic, restricting regional cooperation. In 2012, Uzbekistan withdrew from the CSTO, and arguably primarily used the Shanghai Cooperation Organisation (SCO) as a conduit for bilateral relations with China.<sup>31</sup> A lack of productive employment opportunities, repressive governance and the proximity to Afghanistan were all seen as potential security risks. Its new president, Shavkat Mirziyoyev, has since swiftly embarked on a reform agenda, which entails actively rebuilding ties with neighbours, tentative political and religious liberalization, and an improved trade and investment climate.<sup>32</sup>

In 2015, China overtook Russia as Uzbekistan's biggest trading partner. Agreements worth 22 billion US dollars were signed during Mirziyoyev's first visit to Beijing as president.<sup>33</sup> In 2016, the 19.2 kilometre-long Qamchiq rail tunnel opened and was hailed in China as a key component of the BRI. It had been constructed in just three years by a subsidiary of the state-controlled China Railway Group (CREC), with support from the Export-Import Bank of China.<sup>34</sup> In combination with the prospect of a long-awaited border demarcation agreement with Kyrgyzstan, the rail tunnel improves the conditions for cross-border BRI projects, including the stalled China-Kyrgyzstan-Uzbekistan Railway.<sup>35</sup> Further west in Uzbekistan, Chinese

<sup>30</sup> World Bank staff estimates based on International Monetary Fund balance of payments data, and World Bank and Organization for Economic Cooperation and Development estimates. World Bank, DataBank, <<https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=UZ>>, retrieved 29 Nov. 2017. The numbers vary over time, but correlate with economic cycles in Russia, and the dependence on labour migration to Russia was only recently recognized by the Uzbek Government. Eurasianet, 'Uzbekistan reaches deal with Russia on labor migration', 7 Apr. 2017.

<sup>31</sup> Tolipov, F., 'Uzbekistan concerned over SCO expansion', Central Asia-Caucasus Analyst, 5 Aug. 2015.

<sup>32</sup> International Crisis Group, 'Uzbekistan: The hundred days', Report no. 242, 15 Mar. 2017.

<sup>33</sup> Fergana, [Uzbekistan and China signed agreements worth \$22 billion: one hundred and five documents on gas, energy efficiency and agriculture], 15 May 2017 (in Russian).

<sup>34</sup> Rong, G. 'Ask China: Qamchiq tunnel demonstrates "Chinese speed"', Interview with Hong Kairong, Chief Engineer, China Railway Tunnel Group, CGTN, 28 Apr. 2017.

<sup>35</sup> The China-Kyrgyzstan-Uzbekistan (CKU) Railway project started in the mid 1990s and is being discussed again in the new climate of dialogue between Uzbekistan and Kyrgyzstan. A border agreement was signed on 5 Sep. 2017, demarcating more than 80% of the shared border.





companies have established themselves in the Jizzakh Special Industrial Zone (SIZ) to boost industrial capacity cooperation as part of the BRI. Supply chains primarily integrate Chinese companies, and there are even schools in the attached ‘village’ that teach Chinese to local employees.<sup>36</sup> The Central Asia–China gas pipeline system, operational before the BRI was conceptualized, is key to both China’s energy security and to the export diversification of Turkmenistan and Uzbekistan.

To date, however, the Central Asia–China pipeline, driven by clear incentives for all countries involved, is arguably the only successful example of large-scale regional integration in Central Asia. Most of the key Chinese projects were initiated through bilateral agreements and were, in fact, often marketed domestically as strengthening national independence. The Qamchiq tunnel, for example, finally gave Tashkent direct rail access to its populous Ferghana Valley, bypassing Tajikistan.

While opening up new opportunities for trade and resolving long-running, contested security issues, Uzbekistan’s reforms and policy of opening up are primarily driven by economic motivations.<sup>37</sup> China may reuse experiences from the 16+1 and other mechanisms to engage in regional ‘policy coordination’. Through Uzbekistan’s new engagement in reform cooperation on, for example, monetary policy, trade and investment climate, it may better leverage China’s infrastructure-driven engagement.

In summary, isolationism and an insufficiently reformed economy have thus far restrained Uzbekistan from realizing its potential as a transport hub and centre of industrial production. Few cross-border initiatives have been realized and, aside from energy transport, China-led projects have been chiefly driven by a narrow national agenda in Tashkent. Nevertheless, Uzbekistan’s gradual opening up and its tentative reforms are enabling renewed dialogue on cross-border cooperation. The BRI, buttressed by China’s role as the region’s major trading partner, may possibly become a contributing force to domestic socio-economic stability and increased regional economic cooperation. This may in turn, among many other factors, help to defuse the risk of interstate conflict.

## VI. Conclusions

This SIPRI Insights has given an overview of the BRI and considered some of its economic and security implications using three country case studies: Belarus, Myanmar and Uzbekistan.

The BRI is the result of a convergence of multiple Chinese domestic drivers and external developments. The initiative is intended to serve Chinese national interests, but it has the potential to contribute to greater connectivity and increased stability among participating states and to boost local economies. By and large, it has created a stronger spirit of cooperation around the globe amid calls for protectionism. Due to the size and strategic nature of the projects involved, however, the BRI becomes entangled in security issues on two levels.

<sup>36</sup> Chamber of Commerce and Industry representative, Interview with author, Tashkent, Nov. 2017.

<sup>37</sup> Economists and officials, Communication with author, Tashkent and Dushanbe, Nov. 2017.



First, the BRI interacts directly with existing local security dynamics. For this reason, and because of its increasing stake in the success of BRI projects, China is adapting its policy of non-interference in order to secure its investments from conflict risk. The examples in this paper include direct peace process participation and crisis resolution such as in Myanmar, and military and security cooperation in Belarus. In Myanmar, China has taken an active role in the ongoing peace process between the government and several EAGs, and recently also in managing the crisis in Rakhine. Belarus is one example where the PLA and local security forces cooperate on training and joint exercises to ensure the safety of BRI installations. This engagement, in turn, is driven by an increasing realization that threats to projects planned and implemented by national governments with Chinese partners can come from different domestic and cross-boundary sources. For instance, in Uzbekistan, most cross-border projects have floundered until now due to strained intra-regional relations.

Second, the BRI exposes, and sometimes exacerbates, institutional weaknesses, the lack of political elite accountability and poor stakeholder participation. There is a need for better communication and coordination between Chinese and other stakeholders, in order to ensure that a wider spectrum of stakeholder interest and concern is addressed and that negative spillovers, and potential mid- and long-term backlashes, are mitigated. The problem is that a common denominator among BRI projects is strong Chinese support for the respective local government, regardless of its developmental track record and the condition of its institutions of economic governance. In order to tackle security issues stemming from institutional ‘deficiency’, there is little evidence so far that China is actively facilitating institutional reform in BRI countries. While China stresses respect for local demands, in practice its focus on government support and the relative exclusion of other stakeholders is a weakness. In fact, project plans have been disrupted or forced to change conditions due to public protest, as exemplified by post-2011 Myanmar. Greater scrutiny by the Government of Myanmar and the participation of a larger set of stakeholders have suspended or delayed decisions on road, rail and industrial park projects. Requirements for transparency and local impact assessment are likely to increase in many BRI-participating states—Chinese stakeholders are rapidly gaining experience in these fields.



## Abbreviations

ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh–China–India–Myanmar (economic corridor)
BRI	Belt and Road Initiative
CBIP	China–Belarus Industrial Park (or ‘Great Stone’)
CPEC	China–Pakistan Economic Corridor
CREC	China Railway Group
CSTO	Collective Security Treaty Organisation
EAGs	ethnic armed groups
EEU	Eurasian Economic Union
EU	European Union
GDP	gross domestic product
NELB	New Eurasian Land Bridge
NGOs	non-governmental organizations
NLD	National League for Democracy (government)
PLA	People’s Liberation Army
SAR	Special Administrative Region
SCO	Shanghai Cooperation Organisation
SEZ	special economic zone

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SIPRI INSIGHTS ON PEACE AND SECURITY NO. 2017/4

# SECURITY AND ECONOMY ON THE BELT AND ROAD: THREE COUNTRY CASE STUDIES

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### CONTENTS

I. Introduction	1
II. What is the Belt and Road Initiative?	1
III. Why has China introduced the Belt and Road Initiative?	2
IV. Notable security implications	2
V. Three country case studies	4
Belarus: A pearl on the Silk Road?	4
Myanmar: The limits of non-interference	6
Uzbekistan: A new opening?	7
VI. Conclusions	9

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