

Closed Session

Belt and Road Initiative and its Implications for MENA



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The TRT World Forum 2018, recognized as one of the most significant political events of the year, took place from October 3rd- 4th at the Swissotel in Istanbul gathering together over 600 esteemed guests and panellists. Consisting of 8 public sessions, 11 closed sessions and keynote speeches delivered by some of our most esteemed guests, this year's Forum succeeded in providing a platform for serious engagement with the most pressing challenges of our time.

The themes of the sessions ranged from the future of the Middle East and the European Union to the growing trend of Islamophobia, refugees, Turkish foreign policy in an age of crisis, the crisis of new media and female leadership in a world of conflict. Uniting all of these themes was a focus on the fragmented state of today's world and a sincere desire to offer meaningful solutions.

This roundtable meeting was held in English under the Chatham House Rule. This rule stipulates that 'when a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.'

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Summary

On October 3, 2018, TRT World Research Centre held a roundtable meeting on China's Belt and Road Initiative (BRI). This session aimed to discuss the opportunities and challenges of China's Belt and Road Initiative for the Middle East and North Africa (MENA).

The BRI is a comprehensive connectivity and cooperation plan that spans three continents,

representing 60% of the world's population (across 65 countries) and 30% of global GDP. It is one of the most ambitious infrastructure projects in modern history and has the potential to reconfigure and optimise global trade routes. The initiative aims to deepen and expand links between Asia, the MENA Region, Europe, and Africa by recreating the ancient Silk Road trade routes through both land (the Belt) and sea (the Road).

Discussion themes of the session:

The specific objectives of the meetings were to:

- The opportunities and challenges of the Belt and Road Initiative for MENA.
- Will China take on a more political and security-oriented role in the region, as the US slowly retreats from MENA?
- The role of soft power figuring within the BRI-MENA relationship.
- Several MENA countries (including Turkey and Saudi Arabia) are members of the Asian Infrastructure and Investment Bank (AIIB) – what is the significance of this? And where will the majority of financing come from for BRI-MENA infrastructure projects?
- Role(s) China and the BRI may play in post-war reconstruction in MENA.

Introduction

The Belt and Road Initiative (BRI) is a development strategy adopted by the Chinese government in 2013. The massive global project is based on the ancient Silk Road and provides a new concept of globalization and interconnectivity. It is a massive undertaking consisting of transports, roads, infrastructure, communications and other projects in different countries across the world. Some conservative estimates claim the value of the Belt and Road Initiative to be USD 1 trillion, while others say it could be as high as USD 9 trillion. More than 150 countries have signed Memorandum of Understanding with China so far.

This session aimed to discuss the opportunities and challenges of the Belt and Road Initiative for the MENA region. Its role in post-war reconstruction in MENA as well as its source of financing. With its shipping lanes, energy resources, demography, and financial capacity, the MENA region is integral to the success of BRI and holds great potential for BRI stakeholders. Chinese companies are building dozens of railroads and other infrastructural projects in countries across the region.

Three expert speakers on China affairs have tackled China's Belt and Road Initiative. The panel attempted to describe, analyse and present their research findings to tackle the aforementioned scenarios and the relevance of Belt and Road Initiative to the world and MENA in particular. They

focused on the importance of the BRI for global trade, and interconnectivity. A growing number of countries signing up the initiative and its potential to create a schism between the US and China were among the issues that stood out. In terms of its implications for the MENA region, the panel also acknowledged that countries in this region have different institutional capacities, development financing, investment as well as political needs. Therefore, Chinese authorities would have to adjust or re-adjust their strategies according to these dynamics if the BRI is to succeed.

The panel discussed Turkey's geopolitical importance for the BRI and the strong relationship Ankara has with China. One speaker also highlighted the involvement of Turkey in the ancient Silk Road and its vision to revive it. The participants at the panel agreed on the role of Turkey—as a hub connecting Asia, MENA, and Europe—in ensuring the success of the BRI.

After the opening speeches, participants raised important questions regarding the sustainability of BRI and its relevance for the Middle East. Finally, the panellists and the participants concluded that BRI offers opportunities for MENA. Due to political and security differences in the region, however, China would have to be more active and adjust its policies to these dynamics.

Global Significance of Belt and Road Initiative

The speakers emphasized BRI initiative as a new wave of globalization, connecting the world culturally and economically. They noted that the world currently faces a number of developmental economic challenges. Several regions in MENA, Africa and Eurasia, especially landlocked countries, need infrastructure development, for which the IMF does not provide the much-needed funds. The Belt and Road Initiative aims to support the development of these regions in order to enable them to be part of the global economy. About 150 countries across the world have already joined the BRI and many others are expected to sign up. For example, 37 out of 54 African countries signed Memorandums of Understanding with China on BRI development. Following the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) twenty-eight countries signed on to the project.

According to one speaker, the BRI provides a new framework of global governance and inclusive globalization in which all regions and countries in the world can participate. Through interconnectivity, this globalization is mutually beneficial and ensures that all countries, not only the rich nations, receive their share.

A central theme of the BRI, according to this perspective, is the mutual interconnectivity that allows and encourages countries and regions to increase their relations. The pillars of BRI's mutual connectivity include:

- a.** Policy coordination and multilateral and bilateral trade negotiations;
- b.** Facility coordination as in the case of Azerbaijan connecting Chinese railway to Europe via Turkey;
- c.** Promoting trade and commerce;

- d. Financial cooperation and internalisation of R&D; and
- e. People-to-people exchange and civilizational dialogue.

Thus, through the BRI, China is offering physical and communication interconnectivity. Another significance of the BRI is that it aims for the transfer of industries and expertise from industrialised countries, e.g. China, to less industrialised regions of Asia, Middle East and Africa.

Additionally, Belt and Road Initiative serves as a South-South Cooperation platform. BRI offers development financing, know-how and investment to countries in the global south

(Africa, Latin America, and the developing countries in Asia). The South-South Cooperation framework refers to the exchange of knowledge, technology and resource between the countries in the global south and has the potential to accelerate the development of these countries. According to the UN Development Programme, "there is substantive evidence showing that South-South trade and investments has the potential to accelerate improvements in health, education, social welfare, in harnessing knowledge and experience, and in establishing critical partnerships which is instrumental to fast-tracking the Sustainable Development Goals."

Clash of Globalizations

The panel discussed the growing rivalry between the US and China in terms of seeking political and economic influence in strategically important regions of the world. There was a general consensus that the liberal international order led by the US has been declining for at least the last decade. Following the 2008 financial crisis, the international system entered into a period of near-constant flux. The crisis weakened global institutions and governance, leading the West to increasingly embrace unilateralism. This has directly and indirectly to trade and currency wars, retaliatory measures, Brexit, and the collapse of multilateral global institutions including the North American Free Trade Agreement (NAFTA).

American criticism of the North Atlantic Treaty Organization (NATO), and its withdrawal from a number of UN bodies (UNESCO, Human Rights Council, and Population Fund), Paris climate agreement and Iran nuclear deal, among others, signals the beginning of a shifting globalisation. China, in the meantime, provides an alternative form of globalisation through projects, non-interference policies, infrastructure collaboration and inflows of direct investment. The Chinese vision contemplates long-term interests and seeks a more balanced win-win principle with partners.

The BRI —based on integrated communication, energy, logistics, and transport connections across the Eurasian axis reaching to MENA and Africa as a whole — sits at the centre of the Chinese vision of globalisation. Major BRI corridors are envisaged in Central Asia, Europe, MENA, Sub-Saharan Africa, Pakistan and Myanmar to ensure the safe flow of goods, services, energy, and people from and to mainland China. The Chinese bankrolled Asian Infrastructure and Investment Bank (AIIB) provides generous credit to developing countries and emerging powers to encourage them to partake in the BRI.

Several Asian powers including Russia, India and Japan are involved in the initiative via private and/or state companies. However, these powers have different national interests and global visions than that of China and sometimes collaborate with the US, which has a China containment policy as a long-term goal. The ASEAN countries also share mutual interests with the US, particularly in terms of the intention to decrease Chinese influence in the region, specifically in the disputed South China Sea. Despite all of these, China, with its vast population, aggressive economic policy and BRI vision, currently represents the only reliable challenge to American hegemonic power. Participants offered diverging views on whether this will lead to a great-power contestation or even to a larger phenomenon of clash of civilisations.

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BRI Relevance for MENA

Speakers and participants engaged in a discussion over the relevance of the BRI to the countries in the Middle East and North of Africa. The MENA is one of the regions China plans to acquire assets, as well as use, develop and build pipelines, roads and railroads. One of the primary routes of the railroads connecting China to Europe passes through Turkey via Azerbaijan. Beijing is building dozens of railroads in countries across the MENA, such as Saudi Arabia and Iran. China's maritime Silk Road also passes through the Arabian and Red Seas via the Suez Canal to the Mediterranean.

It has been noted that BRI would also increase the interconnectivity between the countries in the region. Turkey as a hub of connecting Asia, Europe, Middle East and Africa both land and maritime has been a case in point. Turkey's geo-political location can turn into a geo-economical advantage.

For centuries, the silk trade had a remarkable place in global diplomacy due to its nature as a commodity connecting the West and East. The trade was initiated by merchant caravans from/to both directions and one of its main routes passed through the Anatolian region. Since 1944, Turkey has aspired to revive that ancient Silk Road, something that was made more possible following Turkic states' independence in Central Asia in the 1990s. However, a Chinese speaker argued that BRI is not a copy of the Turkish dream but rather a synergy that includes projects and strategies that could lead to creating more harmony between Turkey and China.

Another more pragmatic relevance of the BRI is the focus on certain markets. With its many projects in the Middle East, the potential exists for extensive job creation for many young people in the MENA who would otherwise feel excluded and subsequently get involved in political unrest. Through BRI opportunities, governments in the Middle East and North Africa would potentially be able to manage their dynamic populations and avoid conflicts.

Furthermore, speakers raised differences among the countries in the Middle East in relation to the galvanizing BRI opportunities. Some states in the MENA region are more institutional and keen on improving fiscal capacity in terms of infrastructure. Countries like Egypt, Turkey and to some extent Iran have more established state structures and institutions and are seeking to accelerate fiscal transformation in their respective countries, something

that is in line with the Chinese ambitions to support more investment. The Gulf region presents a different set of dynamics however, since, unlike the other Arab states, they are not lacking when it comes to development finance. They are not in need of cheap long-term credit from China, however, they are seeking to alleviate perhaps their greatest vulnerability, namely political instability. For this reason, China's relations with the countries in the MENA requires more balance and its strategies should (re) adjusted to these different dynamics. Paradoxically, this would force Beijing to take a more direct interest in the politics of the region, while seeking to follow its strategy of avoiding interventions and military confrontations.

In regards to the current conflicts in the MENA region, it was acknowledged by the speakers that currently the region serves as an arena for proxy conflicts between Russia and the US. In most cases, China seems to be supporting the Russian position. However, China's plans for a long-term presence in the Middle East will most likely push China to be more active on the political stage and adopt an independent policy orientation. Without being active in the central issues in the Middle East, there is a very little chance of China influencing regional dynamics. The Chinese connectivity initiative and American protectionism will force developing countries, including those in the Middle East, to make difficult choices. However, the question remains how Beijing will play a role given Xi Jinping administration's unwillingness to be drawn into military and political struggles in the MENA.

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BRI and Turkey-China Cooperation

Both the presentations and the discussion made it clear that Sino-Turkish relations are currently at a peak. One speaker has listed the frequent high-level meetings and contacts between Turkey and China between July and September 2018. The main idea is that Ankara and Beijing are on the same page in their view of current globalization being primarily Western-oriented; flowing from the West to the East. Both sides now believe that the BRI will balance both cultural and political globalization.

One of the speakers claimed that Turkish leaders had initially raised the idea of reviving the ancient Silk Road and proposed the establishment of BRI to Chinese leaders. In 2009, Former Turkish President Abdullah Gul has visited China and raised the issue of revitalizing the historic Silk Road with former Chinese President Hu Jintao. In 2012, President Xi Jinping, then Vice-President, visited Turkey and discussed the idea of interconnectivity of roads and railways at the China-Turkey Economic and Trade Cooperation Forum. In April 2012, Turkish President Recep Tayyip Erdogan, then Prime Minister, visited China and discussed the strengthening of the bilateral economic, political and cultural relations. In 2013, China unveiled the BRI, which was viewed by Turkey as being in the interests of both countries. Since then, Turkey has considered the initiative favourable and it has recently inaugurated the ancient Kars-Baku Silk Road route.

The point was raised however, that Turkey has acquiesced to the BRI in spite of its historical distaste for trade imbalances. According to data from the Turkish Customs and Trade Ministry, in 2017 Turkey's trade deficit increased by 37.5 percent. According to one discussant, the Turkish politics do not dwell on the country's trade deficit with China and no active debate on this issue exists among the business community.

Another historical point of tension between Turkey and China is the situation of the Uyghur Muslims. The Uyghur are a Turkic ethnic group in the Xinjiang Uyghur Autonomous Region of China. This Muslim minority is facing a ruthless crackdown from the Chinese Government. According to Human Rights Watch, "The Chinese government's crackdown on the 13 million Turkic Muslims in Xinjiang in north-western China has reached unprecedented levels of repression. Credible academic and crisis monitoring groups estimate that about 1 million Turkic Muslims are being held in political education camps, where they are forced to recite propaganda, sing songs praising President

Xi Jinping and the Chinese Communist Party, and learn to speak Mandarin. Those who resist are punished - in some cases, tortured." A discussant argued that the silence of Turkish policy makers regarding the Uyghur issue in addition to their silence on trade imbalance indicates a political shift towards China, something that other countries in the region may have to face in relation to the BRI project.

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BRI Criticisms and Misconceptions

China's landmark BRI has been subject to criticism since its inception in 2013. Some call it a new form of imperialism, resembling those of Britain and France from 100 years ago. Critics argue that the BRI is selective because most of its agenda is about China's energy security. China is a global manufacturing hub and needs safe, cheap energy to its booming economy. The majority of Belt and Road maritime routes go towards the West through South China Sea, the Indian Ocean and Suez Canal. Likewise, the project's land routes target the West via Central Asia, Turkey and Russia. There is currently discussion of a new route, via Siberia, to Alaska. All of these BRI routes intend to transport manufactured goods from mainland China to the West.

There were additional criticisms concerning the BRI, which the speakers attempted to address:

- 1.** BRI is a debt trap: For the recipient countries, BRI brings the benefit of financing mega projects. However, if a country is unable to repay the development credit financing, that traps the poor or developing countries into debt. One of the speakers suggested that Chinese credit is borrowed to promote the economic and social well-being of the recipient countries. It is a two-way cooperation based on the main principles of contribution and shared benefit.
- 2.** BRI is a smokescreen through which China seeks to extend its power: As a counterpoint, one of the speakers argued that the desired goal of the BRI is to increase global trade and strengthen partnership among the countries in the world.
- 3.** BRI seeks to shape the current economic order: Another speaker contended that the BRI is being implemented within the current existing global economic framework and, most importantly, in a "win-win" spirit.
- 4.** BRI is a Marshall Plan: A speaker counter-argued that BRI is a platform for multilateral cooperation. The Marshall Plan was an instrument of the Cold War, but BRI is a South-South Cooperation in the era of globalisation.
- 5.** BRI is solely about investment in infrastructure: One of the speakers disagreed arguing that infrastructure is only one part of the BRI project. He contended that BRI covers many areas including cooperation on communication, aviation, education, media and development.
- 6.** BRI focuses on resources: The argument against this hypothesis was that China's importation of crude oil in

2017 decreased by 72 per cent from the year before. In 2017, for instance, Chinese oil importation from the Gulf States dropped from 50 per cent to 43 per cent. While Russia became the number one oil exporter to China, Brazil's exports have also increased intensively in the past year. For this reason, oil producing states in the Middle East should not assume that the BRI is primarily about ensuring China's access to energy resources, but rather than the project is primarily concerned with increasing cooperation and interconnectivity.

7. BRI is merely a ploy to look the Chinese look good: While BRI is, in fact, a tool of soft power for China, the details are more nuanced, as explained by the second speaker. There is a hegemonic Western discourse, according to which everything Beijing does is criticised. China is not alone in this situation. Turkey, for instance, belongs to the West because it is democratic and follows the basic foreign policy framework of the NATO alliance. However, Ankara has pursued an independent foreign policy under a strong AK Party leadership leading some in the West, including media, to frame Turkey in a negative light. In short, anything that contradicts the US foreign policy is branded negatively.

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¹ The Baku-Tbilisi-Kars railway was commissioned on Oct 30, 2017, and is designed to connect the Trans-European and Trans-Asian railway networks. This project, which was created on the historical Silk Road, is very attractive for the Central Asian region as it facilitates the access of Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Afghanistan to the European and world markets.

Conclusion

The BRI is a development strategy adopted by the Chinese government in 2013. It is a comprehensive connectivity and cooperation plan that spans over three continents, representing 60 per cent of the world's population and 30 per cent of global GDP. The initiative aims to deepen and expand links between Asia, the Middle East, Europe, and Africa by recreating the ancient Silk Road trade routes through both land (the Belt) and sea (the Road). More than 150 countries have signed a Memorandum of Understanding with China on development cooperation.

The Middle East and North Africa region is integral to the success of BRI. The region's shipping lanes, energy resources, demography, and financial capacity, hold great potential for BRI stakeholders. Chinese companies are building dozens of railroads in countries across the MENA, such as Saudi Arabia and Iran. The BRI's advantage for

MENA is the potential it holds for job and wealth creation, allowing governments in the region more room to govern their dynamic populations and move their societies in a positive direction.

In regards to the political realities in the Middle East, some states in the MENA region (Turkey, Egypt, Iran etc.) are more institutional and keen on improving their infrastructure. The Gulf States are not short of development finance, but are seeking political gains (stability and being a regional actor). Therefore, China's relations with the countries in the MENA needs to be more balanced and its strategies (re)adjusted to these different dynamics. This would lead Beijing to be more active in Middle Eastern politics, thus challenging the status quo of the established order, which has been led by the US.

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