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COMMENTARY

Is the Belt and Road Initiative 2.0 in the Making? The Case of Central Asia

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ABSTRACT
Despite China's claims that the Belt and Road Initiative (BRI) is an economic co-operation initiative that will foster economic growth and industrial development for recipient countries, to create trade and investment opportunities, and promote peace in the world, the perception of the BRI throughout the world is becoming negative. In response to international criticisms of BRI implementation, in 2019, China's President Xi Jinping pledged to deliver a readjusted BRI 2.0 that would generate benefits for all participating countries, not China alone. Moreover, due to the pressure from recipient countries, Chinese authorities and companies have been applying several readjustment measures in their BRI activities. Central Asia is a priority region for China's foreign policy under the BRI. BRI implementation has helped to expand China's economic interests and influence in Central Asia. However, China's push for the BRI implementation is China-centric, rather than a credible multilateral endeavour as claimed by the Chinese government. As shown in the case of Central Asia, the BRI involves a series of bilateral deals. There is no multilateral decision-making process involved in overseeing BRI or making investment decisions.

KEY WORDS
Belt and Road Initiative; Central Asia; China; Chinese investment; International debt

By December 2020, 138 countries had officially signed up for China's Belt and Road Initiative (BRI). These 138 BRI countries and China accounted for 63% of the world's population and 40% of global GDP in 2020. Some of these countries have merely formally endorsed BRI as a concept and pledged to co-operate with China to promote the initiative. However, the official endorsement of the BRI by 138 countries lends considerable credibility to this initiative.

The shifting global geo-strategic environment amidst the rivalry between the USA and China and the COVID-19 pandemic have pushed China to rely more on the domestic market and resources for generating economic growth. Although the new development paradigm of a "dual circulation" strategy emphasises the domestic market, the international side of this strategy is to open up Chinese domestic economy and gain wider international market access for Chinese firms. The BRI is at the heart of international circulation under China's dual circulation strategy. The international market is crucial to

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hundreds of export-oriented manufacturing industries at home, where millions of Chinese workers rely on foreign markets and imports of intermediate goods and materials from abroad.

Under the BRI framework, Chinese firms have invested heavily in the construction of infrastructure projects overseas, ranging from roads, seaports, power plants, and industrial parks to railways. State-owned enterprises have been involved in most of China's global investment abroad under the BRI framework over the years (see Yu 2017, 360). The Export-Import Bank of China and State Development Bank are the two major state-owned financial institutions for providing loans abroad for BRI-related projects. These two banks provided up to US$462 billion in financing overseas infrastructure development projects from 2008 to 2019, almost equivalent to the US$472 billion of development financing provided by the World Bank during the same period (see Ray and Simmons 2020).

The COVID-19 pandemic and related strict border and quarantine measures have, to a certain extent, temporarily suspended construction for some BRI-related projects and thus delayed project completion. Nevertheless, as shown in the case of the completion of the China-Laos Railway, the BRI largely remained on track despite the pandemic. According to China's Ministry of Commerce (2021), Chinese direct investment to the BRI countries modestly increased over 2018 and 2019, to US$18.1 billion in 2020. This indicates that China is still pumping money into the BRI-related projects amidst the pandemic.

While initially centred on infrastructure financing and construction, the BRI's scope has expanded to include areas such as digitalisation and health. Leveraged on the Chinese-made vaccines, China has been actively promoting the "Health Silk Road" region-wide and worldwide since the late 2020. China's effective containment of the pandemic has provided an opportunity for it to promote the Silk Road in health abroad.[1] Chinese vaccines so far have been shipped to 115 countries, with Chinese vaccine manufacturers having exported more than 1.36 billion doses of vaccines by December 2021 under the bilateral commercial contracts (Bridge Consulting 2022).

Although BRI implementation will likely slow amidst the pandemic and shifts in the global geo-strategic environment, it is unlikely to dampen China's determination to push for the BRI. This ambitious initiative is not only important for the Chinese economy and gaining global market access for Chinese firms and goods, but is even more significant for China's political and geo-strategic ambitions.

BRI Implementation: Problems and Readjustment

Despite China's claims that the BRI is an economic co-operation initiative that will foster economic growth and industrial development for the recipient countries, create trade and investment opportunities, and promote stability and peace in the world, the broader perception of China in general and the BRI has become more negative. According to a survey reported by the ISEAS-Yusof Ishak Institute (2020), in the Association of Southeast Asian Nations attitudes towards China have become increasingly complex and more cautious. Most of the Southeast Asian elites surveyed believe that "China is a revisionist power and intends to turn Southeast Asia into its sphere of influence," with 63.6% of respondents having little or no confidence in China's BRI. Moreover, Pew Research Centre's Global Attitude Survey on China (2020) shows that developed nations have increasingly negative attitudes towards China.

There are several major issues and problems arising from China's push for BRI implementation. First, BRI implementation has been weak in terms of compliance with

internationally recognised standards, such as lack of transparency and open bidding (Yu 2019), and labour (Lampton, Ho, and Kuik 2020) and environmental protection safeguards (Council on Foreign Relations 2021). Second, many BRI projects have failed to attract private capital or to win over the necessary support from the local stakeholders. Third, BRI projects lack participation by local companies and workers. Fourth, BRI is not a charitable programme, and the BRI's project financing is based on interest-bearing loans, meaning that borrowing could pose a threat to financial sustainability for borrowing countries. According to Horn, Reinhart, and Trebesch (2019), low-income countries such as Laos, Pakistan, Mongolia, Kyrgyzstan, and Djibouti have encountered huge debt burdens associated with BRI investment.

The China-Laos Railway project is a case in point. This railway line is a poster child of the BRI (Lampton, Ho, and Kuik 2020). After almost six years of construction, the China-Laos railway project connecting Kunming, the provincial capital of China's Yunnan Province, to Vientiane, the capital of Laos, has been completed and began operating in December 2021. The railway's construction has depended on the supply of raw materials and equipment sourced from China. Chinese firms, engineers, and workers have, from the beginning, been involved in project design, technical standard setting, construction, and local training for workers. Laos had almost no experience in building large railway projects, and also has very few skilled rail engineers and construction workers. For example, the machines used for tunnel construction in the China-Laos railway project were manufactured by China Power Construction and Jiangsu Zhongjiao Tianhe Machinery Equipment Manufacturing Company, since Laos's domestic manufacturing industries could not supply most of the raw materials and equipment for the project.

The railway has been the biggest public infrastructure project ever undertaken in Laos. The Lao government has endorsed the railway project, anticipating that it will boost local economic and industrial activities ranging from agricultural production to export-oriented manufacturing and tourism. In addition, the government is keen to leverage the country's strategic location (see Yu 2021). However, for an economically underdeveloped nation, it is questionable what the railway could actually bring to the country in terms of economic and social benefits. First, Laos's overall debt has been exacerbated due to the sharp increase in external debt attributed to BRI projects such as the railway. Second, the railway itself is not a development panacea. The Lao authorities and its corporate and local community will have to work hard to translate its potential into tangible benefits. Following the completion of the hardware infrastructure for the railway, it is essential to manage efficient cross-border processes and procedures. Third, in mid-2022, amidst the COVID pandemic, cross-border travel between China and Laos remained restricted. Freight will thus continue for quite some time to be the main form of traffic for the railway, primarily for the transport of Laos's exports to China, as well as China's exports to Laos, such as steel, machinery, and cement. Thailand's exports may also add to this freight load. Nevertheless, such revenue will not be sufficient to cover the costs of the railway for years to come.

Given the diversity of BRI countries and their individual domestic conditions, China's authorities acknowledge that it is difficult to push for the BRI by replicating China's development model centred on domestic infrastructure development. In response to the international scepticism and criticisms of the BRI implementation, during the second BRI summit held in 2019, Xi Jinping pledged to deliver a multilateral BRI that would generate benefits for all participating countries, and not China alone. The Chinese government and firms have subsequently taken steps to translate Xi Jinping's pledge into concrete measures in pushing for the BRI implementation.

Chinese authorities and companies have applied several readjustment measures in the BRI push, ranging from project refinancing and debt deferment, promoting third-party market co-operation, to a shift of energy investment priority, to more environmentally friendly projects such as wind and solar power. Moreover, Chinese firms' business operations and practices have become more localised due to the pressure from foreign governments and local communities in the past few years, in terms of local job creation and local tax revenue contributions.

The first readjustment to the BRI implementation has been a willingness for project refinancing for low-income and developing countries. Malaysia's East Coast Rail Link (ECRL) is a case in point. China and Malaysia signed the ECRL construction agreement in 2016, and the project was officially launched in 2017 under then Malaysia Prime Minister Najib Razak. Faced with heavy criticism on a lack of transparency and its high construction cost when Prime Minister Mahathir took power, the two countries renegotiated the ECRL contract in 2019. The Chinese side agreed to lower the cost of ECRL construction by roughly 30%, and construction resumed. Yu (2019, 16) argues that the ECRL case reflects the Chinese government's flexibility on BRI implementation, responding to doubts over debt sustainability.

By taking action on the G20 initiative to suspend debt repayment "for the poorest countries," in June 2020 the Chinese government announced a temporary suspension of debt repayment, due by the end of 2020, for 77 developing countries and territories. In addition, it further supported the extension of the G20's Debt Service Suspension Initiative for eligible countries to December 2021 (Ministry of Foreign Affairs of China 2021). Nevertheless, there remain domestic financial constraints to China's flexibility in refinancing and debt reduction. Large-scale BRI contract renegotiation could threaten domestic financial stability, a domestic economic slowdown, and capital flight.

Second, to promote a multilateral BRI, China's authorities are adopting "third-party market co-operation" as a flexible approach in its pursuit of co-operation with other countries under the BRI umbrella. The government has already signed such agreements with 14 developed countries, including France, Italy, Japan, Switzerland, and Singapore, to advance third-party market co-operation on infrastructure financing and construction. Cases of third-party market co-operation between Chinese and foreign companies include: the State Grid of China and Singapore Power collaborating to co-invest in an energy network project in Australia involving the gas transmission line from Northern Territory to eastern Australia; China Communications Construction Group collaborated with a German firm to build the Maputo-Katembe Bridge and Linkroads Project in Mozambique; and China Railway Group co-operated with an Italian firm working on a water supply project in Beirut, Lebanon.

Third, the Chinese authorities have started to incorporate environmentally sustainable objectives into BRI plans. Before 2019, many of the investments in overseas energy projects involved carbon-intensive fossil fuels, including coal. According to a World Resource Institute report, from 2014 to 2017, 95% of overseas energy investments by Chinese state-owned enterprises were in fossil fuels, and 61% of energy-sector loans funded by the China Development Bank and Export-Import Bank of China were channelled into fossil fuels too (Zhou et al. 2018). The Council on Foreign Relations (2021) estimated that 40% of BRI lending for the energy sector in Pakistan went to coal-fired power plants in 2018, which have become a major source of local carbon emissions. Prior to 2019, many of the BRI energy and transport projects were built without conducting proper environmental impact assessment studies (see Yu 2022). This could generate long-lasting environmental consequences for recipient countries.

China has become a world leader in renewable energy production, in terms of installed capacity of hydro, solar, and wind power. It is the largest exporter of solar panels and wind turbines. Given that the Chinese government's plan is to cut domestic coal production and to reduce over-capacity in coal-related equipment manufacturing, Chinese firms and banks are increasingly unwilling to finance and build coal-fired powerplants abroad. Leveraging this turn to renewables, the authorities are promoting the green BRI concept by gradually shifting the focus of its overseas energy investments to more renewable BRI power projects. The share of renewables rose to 57% (or US$11 billion) of China's total energy investment in 2020, compared with the corresponding figure of 38% in 2019 (Nedopil 2021, 3). Changes are being made in BRI arrangements.

For example, in February 2021, the Chinese authorities informed the Bangladesh government that China intended to phase out coal project investment in Bangladesh, including the proposed US$433 million Gazaria 350-megawatt coal-fired powerplant (Green Belt and Road Initiative Center 2021). Given that 70% of all coal-fired powerplants built in the world today are funded by China, this announcement to phase out coal investment in Bangladesh is both symbolic and significant. The Chinese state may need to make similar announcements in other BRI countries as, in response to climate change, several developing countries have plans for promoting energy diversification and restricting new coal-fired powerplants.

However, there are limitations for a clean and green BRI. Some of the data convey a contradictory message from the Chinese side regarding BRI investments. For example, although China made more renewables investment, the share of coal investment in its total energy-sector investment went up from 15% in 2018 to 27% in 2020 (Nedopil 2021, 9). This suggests that there has yet to be a decisive move towards environmentally friendly BRI projects. Chinese firms and banks may be reluctant, but they have not stopped financing and building coal-fired energy projects in the BRI countries. For example, in 2020, China's State Development Bank has financed a coal-fired power plant in Pakistan and the Export-Import Bank of China has funded a new coal investment project in Serbia (Ma, Gallagher, and Chen 2021, 2).

Central Asia in BRI Mapping

Central Asia is a region that comprises Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan. Historically, Central Asia was a key participant in the ancient Silk Road trade and many in these countries are familiar with the concept of Silk Road and tend to be amenable to the BRI. Indeed, the countries of Central Asia form one of the "priority regions" for China's foreign policy under the BRI. The Silk Road Economic Belt – the continental component of the BRI – was launched by Xi Jinping during a speech at Nazarbayev University in the Kazakh capital in September 2013. China's relations with Central Asian countries have been visibly picking up pace in recent years (Yu 2022). The BRI implementation has helped to expand China's economic interests and influence in Central Asia.

Geographically, Central Asia has an indispensable role in the Silk Road trade routes connecting China and East Asia with Europe. Economically, Central Asia is rich in oil, natural gas, and other mineral resources that China needs to power economic growth at home. For example, 21% of China's imports of zinc and lead come from the Central Asia region (Umarov 2020, 3). From a national security perspective, China views Central Asia as crucial to safeguarding its Western Region and Xinjiang in particular. Kazakhstan, Tajikistan, and Kyrgyzstan share a 3,300 kilometre border with Xinjiang, a region the

Chinese government considers its most politically troubled region. Xinjiang is thus a highly sensitive issue in China's relations with the Central Asian states. There are roughly 1.5 million ethnic Kazakhs, 180,000 ethnic Kyrgyz, 50,000 ethnic Tajiks, and 10,000 ethnic Uzbeks living in Xinjiang (Umarov 2020, 6). Central Asians feel a strong ethnic and religious kinship with the Uyghurs. Although the respective governments in the four Central Asian states insist the Xinjiang issue is an internal matter for China, many in Central Asia have criticised Beijing's ethnic policies in Xinjiang and its treatment of the Uyghur minority (Woods and Baker 2022).

Nor are the Central Asian countries politically and socially stable. The unprecedented turmoil in Kazakhstan sparked in early 2022 demonstrates the volatile political and social situation in the region. In Almaty, the epicentre of Kazakhstan's unrest, gunfire echoed through the government buildings and streets. Kazakh President Kassym-Jomart Tokayev called the unrest a "coup attempt" and called on the Russia-led Collective Security Treaty Organization for support. It responded, for the first time since its inception, by sending troops to Kazakhstan to restore public order and safeguard critical infrastructure facilities such as airports. Yet an accumulation of political, social, and economic grievances remain unresolved.

Almaty is the most populous city in Kazakhstan and Centra Asia as a whole. Being just 350 kilometres away from Xinjiang, Chinese leaders watched the developments in Kazakhstan closely, since maintaining stability is vital for access to the Silk Road routes, and the safety of the China-funded projects and Chinese personnel was important. On January 7, 2022, President Xi spoke with President Tokayev, demonstrating solidarity with the Kazakh regime, stating: "China firmly opposes any deliberate attempt by external forces to provoke unrest and instigate 'colour revolutions' in Kazakhstan, as well as any attempt to harm the China-Kazakhstan friendship and disrupt the cooperation between the two countries" (Ministry of Foreign Affairs of China 2022).

China, Kazakhstan, Tajikistan, Uzbekistan, and Kyrgyzstan, together with Russia, are the founding members of the Shanghai Co-operation Organisation (SCO), a political, economic, and security alliance founded in June 2001 that styles itself as "Eurasian." For the past 20 years, China has conducted joint military exercises and military training with Russia, and Central Asian armies under the SCO framework. Chinese security equipment has also been supplied to Central Asian countries.

Although China has become the largest trading partner as well as an important source of foreign investment for Central Asian countries, it is Russia's political and security clout that remains dominant in the region. The five Central Asian countries still have strong historical connections to Moscow, and Russia will continue to be their dominant military partner and security guarantor for the foreseeable future. This means that China is largely reactive to events in the region, as seen in its response to political turmoil in Kazakhstan.

But, with China's growing global influence, the Central Asian countries anticipate reaping economic spillover benefits from China's rapid development. This means these countries' leaderships are keen to participate in the BRI and the benefits offered by an alternative to the conventional Russian domination in the region. The BRI's infrastructure connectivity improvements could be instrumental in facilitating cross-border trade and investment across the Belt and Road countries. Baniya, Rocha, and Ruta (2019) show that BRI-linked transportation projects, through improvement of economic corridors, could increase the total amount of exports by 4.6% among participating countries and by 7.2% when border delay issues are reduced.

A flagship project for overland connectivity under the BRI is the China-Europe Railway Express, with all routes passing through Kazakhstan and heading into Europe.

According to China's Ministry of Commerce (2021), the number of trains on this route increased from 80 in 2013 to 12,406 in 2020, with an increased balance between outbound and return trips. By 2020, the route's cargo shipments had risen to a level of 1.13 million TEUs (Twenty-foot Equivalent Unit).

Although the Central Asian nations have abundant agricultural, energy, and mineral resources, the low level of intra-country and inter-country infrastructure connectivity has limited their development potential. According to the World Economic Forum (2019), Central Asian countries' global rankings on infrastructure readiness show they have lagged behind many other countries. Hence, there is an effort to improve transportation and other infrastructure to overcome the disadvantages of being landlocked, to boost economic growth and to better participate in regional and global trade networks. China is viewed as a much-needed source of foreign investment for improving the region's infrastructure connectivity and developing its manufacturing industries. Numerous China-funded, large-scale infrastructure projects have either been completed or are under construction in the Central Asian region, including highways, bridges, power plants, tunnels, and airport upgrading.

China's Trade and Investment with Central Asia

China's trade ties with Central Asian countries have strengthened over the past decade, boosted by BRI trade routes. In 2019, China's total trade volume with the five Central Asian countries was worth US$46.77 billion, with China enjoying a trade surplus of $5.55 billion (Table 1).[2] China has become the largest trading partner for Uzbekistan, Kyrgyzstan, and Tajikistan and is the second largest trading partner for Kazakhstan. Except for Turkmenistan (which exports large volumes of natural gas to China under the bilateral energy agreement), the Central Asian countries all had trade deficits with China.

Trade with Central Asia accounts for a small fraction of China's total foreign trade, accounting for merely 1% of China's total volume of trade in goods in 2019. However, China is among the Central Asian region's most important trading partners. In 2019, 22% of the Central Asian countries' exports went to China, whilst 37% of their imports came from China. Meanwhile, Central Asia's trade deficit has increased over the years. Energy and mineral resources, and agricultural raw materials still dominate the Central Asian countries' exports to China, whilst their imports from China mainly include China-made machinery, electronics, and equipment. This asymmetrical trade relationship is detrimental to Central Asia's pursuit of industrialisation, and it is not sustainable.

According to the Chinese Global Investment Tracker data, the value of the accumulated volume of Chinese investments and China-funded projects in Central Asia was US$35.97 billion between 2013 and 2021. Kazakhstan is the top destination for Chinese investments to Central Asia. The volume of Chinese investments and China-funded projects in Kazakhstan was worth US$18.23 billion between 2013 and 2021, accounting for

Table 1. Bilateral Trade between China and Central Asian Countries, 2019 (US$ Billion)

Country	Bilateral trade volume	Exports to China	Imports from China	Balance
Kazakhstan	21.99	9.26	12.73	−3.47
Turkmenistan	9.12	8.69	0.43	8.26
Uzbekistan	7.62	2.52	5.10	−2.58
Kyrgyzstan	6.37	0.06	6.31	−6.25
Tajikistan	1.67	0.08	1.59	−1.51
Total	46.77	20.61	26.16	−5.55

Source: China's Ministry of Commerce (2021).

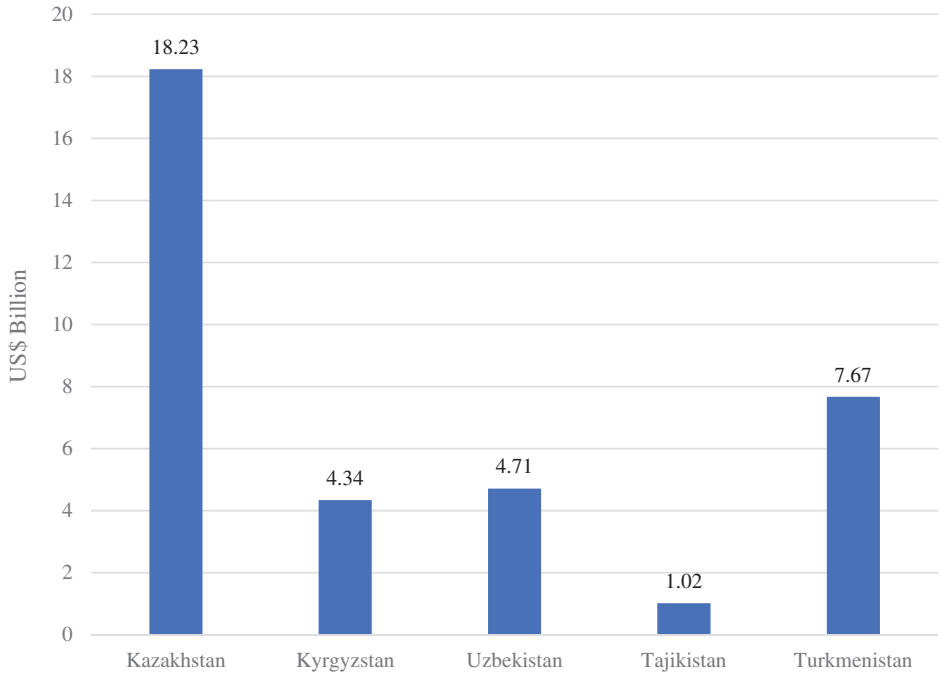

Figure 1. Chinese Investments & Contracts in Central Asian Countries, 2013–2021.
Source: American Enterprise Institute (2022).

over 50% of China's total investment in Central Asia. In contrast, the other four Central Asian states combined accounted for 49.3% of Chinese outbound investment to Central Asia during the same period (Figure 1). Most Chinese investments have been directed into joint ventures in oil, natural gas, mining, and infrastructure construction. For example, the China National Petroleum Corporation (CNPC) is one of the largest foreign investors in Kazakhstan. It has engaged in the acquisition, exploration, and production of oil and gas, as well as in the sale of oil and refined products. In August 2021, CNPC made an investment of US$7.07 billion in the construction of energy infrastructure in Turkmenistan. It has been the single largest investment in Central Asia by a Chinese firm since 2013. Meanwhile, the Chinese firms had invested US$1.02 billion in Tajikistan between 2013 and 2021. For example, in October 2016, PowerChina made an investment of US$170 million in Tajikistan's energy sector. Another Chinese mining firm, Zijin Mining, holds a 75% share in Zarafshon Joint Venture, which operates in Tajikistan's Penjikent Region and mines nearly 70% of the volume of gold produced in the country annually (*Asia-Plus,* January 11, 2020).

Central Asia's economies are overly dependent on the energy and mineral extraction sectors, with Central Asian governments pursuing economic diversification strategies with little progress to date. The five Central Asian states also still all have large agricultural sectors and weak manufacturing industries, in addition to outdated infrastructure facilities and limited exposure to global value chains.

Chinese investment in Central Asia has had limited impact in terms of developing the local workforce via skills training. The fact that Chinese firms have brought many Chinese workers with them indicates that more needs to be done to create more jobs for locals. Indeed, the influx of Chinese workers has generated negative perceptions. The locals' concern about the disproportionate use of immigrant Chinese employees in the

China-funded projects and by Chinese companies provoked anti-China protests of various scales in Kazakhstan and Kyrgyzstan in 2018 and 2019, respectively (see Gerber and He 2022). This was exacerbated by Chinese investment being used to purchase Chinese-made equipment and intermediary goods. During a meeting with CNPC senior management in November 2019, Kazakhstan's President Tokayev expressed rare concern over the low wages paid to Kazakhstani workers employed by CNPC. In addition, he asked for the share of Kazakhstani content in the CNPC's procurement of goods and services to be increased (Office of the Prime Minister of the Republic of Kazakhstan 2019). In addition, publicly available information on the Chinese investments in Central Asia is limited and there is a lack of transparency on specific project details such as financing and loan repayment structure, and operation and management.

Kyrgyzstan and Tajikistan are the two Central Asian countries most indebted to China due to the BRI-related investment. Kyrgyzstan's debt to China accounts for 30.5% of its GDP. Meanwhile, the debts of Tajikistan, Turkmenistan, and Uzbekistan to China account for 16.1%, 13.1%, and 7.5% of their GDP, respectively (Horn, Reinhart, and Trebesch 2019). In contrast, oil-rich Kazakhstan's debt to China amounts to only 1.2% of its GDP (Umarov 2020).

There is the potential for small states like Kyrgyzstan and Tajikistan to find it difficult to keep up the loan repayments to China on BRI projects. For example, Kyrgyzstan owes US$1.7 billion of its total $4 billion foreign debt to China. Horn, Reinhart, and Trebesch (2019) list Kyrgyzstan among low-income countries that have encountered huge debt burdens associated with China's BRI investment. In addition, they report that Tajikistan's debt owed to China was US$1.38 billion, accounting for almost 50% of Tajikistan's total external debt.

Left unaddressed, such issues will make China's relations with these countries more difficult and could deter the Central Asian countries from co-operating fully with China's BRI. They could also potentially jeopardise the BRI by fostering opposition to the China-funded projects. Clearly, anti-China protests sparked in several Central Asian countries reflect both scepticism and a lack of trust among the local community over China's push for the BRI. For BRI's success in Central Asia, China must convincingly demonstrate that the implementation of BRI is a win-win situation.

Central Asia's strategic location at the crossroads connecting Europe and Asia means it is one of the focal points in the contest for regional influence. These states are therefore having to hedge in the face of Russia's and China's influence. Thus, Central Asian countries do not want to be fully drawn into China's development orbit and nor do they want to be seen as passive recipients of China's BRI plan, without proper consultation and communication.

Readjusting BRI in Central Asia

In the face of pressure from the authorities and citizens from abroad, including from the Central Asian countries, for more provision for local manufacturing industries, local jobs, and tax revenue, the Chinese authorities have made several readjustments to the BRI and to project implementation in Central Asia. A Joint Communique of the Leaders' Roundtable of the Belt and Road Forum (BRF) was released immediately after the second BRF in 2019. The Joint Communique emphasised the need for quality of infrastructure projects, debt sustainability, project transparency, and environmental sustainability, and respect for internationally accepted practices, norms, and standards (Second Belt and Road Forum for International Cooperation 2019).

First, there has been a gradual shift of Chinese investment in the region, from the energy and mining sectors to agriculture and industries, with manufacturing and processing plants for raw materials being established in Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. In addition, Chinese firms are working to modernise textiles, cement, steel, and glass factories in Tajikistan, Kyrgyzstan, and Uzbekistan. As well as building local industrial capacity and localising the workforce, Chinese firms are upgrading local skills through training. In Tajikistan, some Chinese companies have increased their local hires and skills training for local workers both onsite and in China. For example, 97% of CNPC's workforce and 80% of Huawei operations workforce are locals (Klev and Yau 2021, 22). In May 2021, during a meeting with the foreign ministers of the five Central Asian countries in Xi'an city, Wang Yi, China's State Councillor and Foreign Minister, announced that China would further support upskilling of the local workforce by setting up a vocational training centre called the "Luban Workshop" (named after a legendary Chinese craftsman) in each of the five Central Asian countries by 2024 (Ministry of Foreign Affairs of China May 2021).

Second, whereas the BRI was earlier centred on large-scale infrastructure financing and construction, its scope has now expanded to include domains such as digitalisation. Leveraging China's digital technology advancement and its leading tech firms, the Digital Silk Road (DSR) is intended to make China a leading international technological power. Although the Chinese government has not provided much detail, under the umbrella of the DSR Chinese tech firms such as Huawei and ZTE are investing in digital infrastructure and related industries across the globe, including 5G cellular networks, fibre-optic cables, big data, cloud computing, artificial intelligence, and satellite navigation systems. By 2019, it was estimated that Chinese companies were engaged in digital infrastructure projects in 80 countries, worth US$79 billion (Cheney 2019, 4). In 2019, Uzbekistan signed a co-operation agreement with Huawei, to launch development of digital infrastructure facilities and surveillance capability for government agencies, including law enforcement bodies. In addition, Uzbekistan used loans from the Chinese government to purchase US$150 million of Huawei technology to upgrade cellular networks (Taliga 2021, 17).

A third and related area is the promotion of health in the Silk Road, including through what is commonly known as China's Vaccine Diplomacy. Central Asia was hard hit by the COVID-19 pandemic, further worsening an already difficult economic situation characterised by corruption, high unemployment, and widening wealth inequality. In response, by mid-January 2022, China had sold and shipped a total of 1.36 billion doses of vaccine to 115 countries. The Central Asian countries received over 37 million doses of Chinese-made vaccines, the majority of which were delivered under sales agreements with the respective countries. Uzbekistan is the largest recipient country of Chinese vaccines in Central Asia. In contrast, Turkmenistan has so far not ordered any vaccine from China. In terms of vaccine donation, only 2.1 million doses of Chinese-made COVID-19 vaccine have been donated with Kyrgyzstan receiving 1.8 million doses and Tajikistan 0.3 million doses (Table 2).

Given China's growing clout in Central Asia, it is hard to imagine the countries in the region achieving future development without co-operation with China. China claims that the goal of the BRI is to pursue high-standard, transparent, shared, green, and sustainable development in partnership with the recipient countries. China's government and firms have made some major adjustments to the BRI and its project implementation in Central Asia since 2019 in response to local demands, and to address the criticism regarding its outreach approach and business practices. However, the BRI in Central Asia has not yet

Table 2. China's COVID-19 Vaccine Delivery to Central Asian Countries (Million Doses)

Country	Total delivered	Purchased	Donated
Uzbekistan	26.99	26.99	0.00
Kazakhstan	4.50	4.50	0.00
Kyrgyzstan	4.15	2.35	1.80
Tajikistan	2.30	2.00	0.30
Turkmenistan	0.00	0.00	0.00
Total	37.94	35.84	2.10

Source: Bridge Consulting (2022).

become an initiative based on high standards of environmental and financial sustainability transparency, or as an example of the shared development promised by China. By and large, BRI-linked projects continue to lack transparency. Key financial details of many BRI-linked infrastructure projects have been kept from public oversight, including the terms of their loan structure and the length of lease. Furthermore, the Central Asian countries are vulnerable to debt distress related to the BRI projects. As shown in Central Asia, the smaller the country and the closer it is to China geographically, the more it will be indebted to China. The terms of leases and agreements raise important issues, illustrated by the case of Hambantota port in Sri Lanka, where a Chinese firm acquired the port in exchange for debt relief. This sounded an alert for the Central Asian nations.

Conclusion

Central Asia plays an indispensable role in connecting China with the vast area sometimes designated as "Eurasia." China's relations with Central Asian countries have been visibly picking up pace over the recent years. These nations are situated in prime locations in relation to overland trade routes linking East Asia and Europe. Access to Central Asia is thus vital in guaranteeing the passage of goods on the Silk Road. BRI implementation has helped to expand China's economic interests and influence in the region.

In light of China's asymmetrical economic relations with Central Asian countries, these countries will need to maximise the potential for economic and infrastructure development benefits of the BRI while minimising threats to national sovereignty and the risks of social backlashes to China's dominance. Central Asia's strategic location means it is one of the focal points in the contest for regional influence among the great powers, notably China and Russia, meaning a need for political hedging in dealing with them.

China's push for the BRI in Central Asia has met with challenges and resistance. Many BRI projects are costly and lack transparency as well as proper consultation and support from the local community. Due to existing high debt stress in several regional countries, attributed to the financing for the BRI-related projects, it is difficult for China to win the hearts and minds of locals on its BRI. These issues could potentially jeopardise the BRI by fostering strong opposition to the China-funded projects under its umbrella. They could also deter the Central Asian countries from co-operating fully with China's BRI in the future.

One recent response has been for Chinese firms to take a more localised approach in pushing for the BRI in Central Asian countries due to the pressure from the local governments and the local community. Nevertheless, the problems remain. China's push for BRI implementation is based on a China-centric approach, rather than being a credible multilateral endeavour as is sometimes claimed by the Chinese government. As shown in the case of Central Asia, the BRI involves a series of bilateral – rather than multilateral –

deals. Multilateral decision-making in overseeing the BRI or making investment decisions is almost non-existent.

Thus, the anti-China protests sparked in several Central Asian countries in 2018 and 2019 reflect both strong suspicion and resentment among the local community in the region over China's BRI push. Despite its attempted readjustment of the BRI's implementation, China has yet to convince the Central Asian countries that BRI can be a win-win situation.

Notes

1. Nevertheless, in terms of vaccine donation (in contrast to commercial sales) abroad, according to Lowy Institute's (2021) vaccine donation data, China is the second largest COVID-19 vaccine donor after the USA. By 2021, the USA had donated 91.9 million doses of vaccines abroad; China's vaccine donation was 38.9 million doses.
2. It is difficult to estimate the actual bilateral trade volume, since the data of the Chinese and Central Asian countries do not match. The data discrepancy between China and Central Asian countries' customs figures may be due to official corruption and the existence of a sizeable shadow economy. Karrar's study (2019) points out the movement of people, goods, and capital across borders, and the checkpoints' negotiation, which is referred to as the emergence of an informal economy in Central Asia. The informal economy is embedded in the state.

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