



EFSAS

EFSAS STUDY PAPER

No. 1 | January 2022

Guarding the Belt and Road

**Chinese Exposure and Security Risk Management
Strategies in South Asia**

Guarding the Belt and Road: Chinese Exposure and Security Risk Management Strategies in South Asia

Introduction

The Belt and Road Initiative (BRI), formerly known as the ‘*One Belt, One Road*’ initiative, was announced by the Chinese President Xi Jinping in 2013. China has thus far framed the BRI as a politically neutral and development-focused endeavor that does not seek to interfere in the domestic affairs of recipient countries. Regarding the BRI, Xi has stressed that “*all countries should respect each other's sovereignty, dignity and territorial integrity, each other's development paths and social systems, and each other's core interests and major concerns*” (quoted in OECD, 2018). This focus on political non-interference positions the BRI in opposition to development aid provided by organizations such as the World Bank, the IMF, as well as Western governments, making BRI investment particularly interesting for countries with questionable human rights records.

The reception of the BRI has been ambiguous. By early 2021, 139 countries have become formally associated with the BRI, accounting for 40% of the global GDP, with the number of de-facto participants likely to be even higher (Sacks, 2021). Chinese foreign direct investment (FDI) through the BRI has been particularly pronounced in developing economies in South- and Southeast Asia as well as throughout Africa. The BRI’s investment focus on developing economies has evoked skepticism concerning China’s true intentions. In a piece for the Australian Lowy Institute, Anthony Kleven (2019) contended that China’s investment focus on resource-rich but cash-strapped economies in Africa “*exhibits a pattern of exploitation and one-sidedness akin to the former colonialism of Western powers*“. In South Asia and India in particular, China is accused of seeking to transform its infrastructure investments into military bases to encircle India (Hassan, 2019). The BRI, it is implied, carries a distinct security dimension that seeks to expand China’s global influence.

While understandings of the BRI’s security dimensions diverge, a frequently ignored analytical component is how economic expansion through the BRI exposes Chinese investments and workers to political volatility elsewhere. The vast majority of BRI-associated projects are controlled by Chinese State-owned enterprises (SOEs) that almost exclusively employ Chinese workers. This has resulted in a dramatic increase in the presence of Chinese workers abroad, with almost 200,000 Chinese workers working in Africa alone (China Africa Research Initiative. n.d.). The concentration of BRI projects in developing economies frequently exposes Chinese workers to high levels of personal risk. In Pakistan, for instance, Chinese workers have emerged as targets for militant groups opposing the construction of the China-Pakistan Economic Corridor (CPEC). In Myanmar, pro-democracy protesters attacked Chinese nationals and businesses following the 2021 coup d’état after the Burmese military, also known as Tatmadaw, used China-supplied drones against protesters (Funaoile, Bermudez Jr., & Kurata, 2021). Another complicating factor in many BRI recipient States is the growing presence of Chinese private security contractors (PSCs) (Legerda & Nouwens, 2018). The often poorly defined mandates of PSCs have led to clashes between Chinese PSCs and local

populations, undermining the public support for Chinese investments (Nantulya, 2020). China's growing global economic presence through the BRI has thus been accompanied by new security challenges that require Beijing to develop risk management strategies.

This paper discusses the Chinese framework(s) for security risk management in Beijing's BRI projects in South Asia. Following a brief discussion of the most influential BRI projects in the region, the paper examines how China's growing presence in South Asia is accompanied by a growing exposure to political insecurity elsewhere, most notably in Myanmar and Pakistan. Finding that China has responded to these security challenges with a pragmatic approach, the paper concludes that an expanding security presence of China in South Asia may be an inevitable byproduct of the BRI even if China would want the world to believe that it is not an original objective of it.

The BRI in South Asia: projects and concerns

South Asia has developed into one of the BRI's most pivotal investment spaces. The announcement of the BRI in 2013 has had a highly stimulating impact on Chinese FDI in South Asia, specifically in the energy and transport sector (see Table 1 below).

Table 1. Chinese investment in selected South Asian countries in US\$ billion, 2005-2020.

Country	2005-2013	2013-2020	Largest investment sectors (in US\$ billion)
Bangladesh	3.77	26.14	Energy (11.23), transport (8.13)
Bhutan	n.a.	n.a.	n.a.
India	16.17	21.09	Energy (5.95), metals (1.55)
Maldives	n.a.	1.23	Transport (0.8), real estate (0.43)
Myanmar	4.48	5.7	Energy (3), transport (1.39)
Pakistan	10.94	49.68	Energy (36.7), transport (10.63)
Sri Lanka	7.33	9.93	Transport (4.07), real estate (2.3)
Total	42.69	113.77	Energy (56.88), transport (25.02), real estate (2.73), metals (1.55)

Source: China Global Investment Tracker (n.d.)

The investment concentration in these two sectors in particular illustrates South Asia's continued struggle with underdeveloped and underfunded public infrastructure systems that reduce regional trade connectivity (De, 2014). Energy shortages also undermine growth opportunities, with distortions in the power sector costing Bangladesh, India, and Pakistan between 4% and 7% of their respective annual GDPs (Aziz & Ahmad, 2015; Zhang, 2019). The investment of Chinese SOEs in the South Asian real estate market capitalizes on the dramatic surge in urban land prices, a result of South Asia's demographic trajectory and restrictive urban housing and zoning policies (Banerjee & Duflo, 2019). The expanding

regional demand for adequate public infrastructure consequently allows Chinese SOEs to directly respond to market demands that exist irrespective of the presence (or absence) of Chinese investment. As such, Chinese economic expansion through the BRI responds to investment shortcomings that continue to plague South Asia today.

Table 1 further indicates that Chinese investment behavior in South Asia is not homogenous – rather, different countries have engaged with Chinese investments to differing extents. FDI has specifically expanded in Bangladesh and Pakistan while only marginally soaring in Myanmar and Sri Lanka. Despite the strained ties between Beijing and New Delhi, India too has remained a major destination for Chinese FDI. China’s growing investment in Bangladesh, Myanmar, and Pakistan embodies China’s comparatively close politico-economic ties with these countries. Since 2000, these three actors have also been by far the largest export markets for China’s growing arms industrial sector (see Table 2 below).

Table 2. Top five destinations of Chinese arms exports, 2000-2020.

Destination	Total value of arms exports in million US\$
Pakistan	8777
Bangladesh	2886
Myanmar	1699
Algeria	1024
Venezuela	629

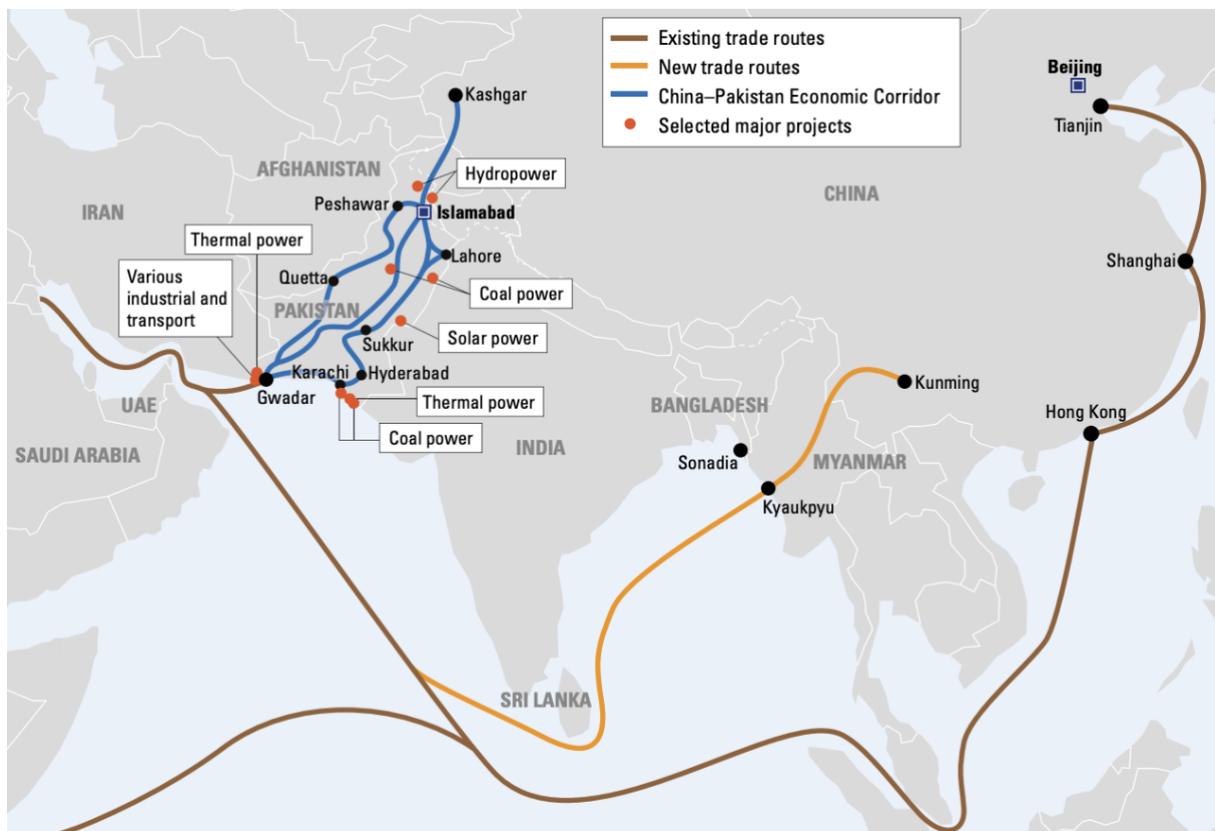
Source: Stockholm International Peace Research Institute (2021)

BRI investment has thus been specifically concentrated in countries that China has had comparatively close relations with prior to the BRI. This does not come as a surprise given that countries with higher degrees of previous engagement are more likely to be receptive towards a growing Chinese economic presence in the future, making use of the communication channels that have been established previously. Within South Asia, then, some countries are slightly more essential to Chinese FDI than others.

The BRI possesses both a continental and a maritime connectivity component and South Asia is key for both. Three continental corridors running through South Asia are part of the BRI’s ‘Belt’ and are designed to connect China’s comparatively isolated inland regions to global markets via China-funded port projects that constitute part of the BRI’s ‘Maritime Silk Road’. The biggest corridor linking the continental belt to the maritime road is CPEC, connecting Xinjiang in western China to a deep-water port in the Pakistani city of Gwadar. Gwadar lays adjacent to the Arabian Sea and in close proximity to the Strait of Hormuz, a waterway that is key for the supply of Middle Eastern energy resources to global markets. A full completion of the port in Gwadar, in combination with a completion of associated pipelines and connectivity networks, would allow China to directly transport energy resources from the

Middle East to western China, reducing the dependence on the maritime transport route. Valued at a total of 70 billion US\$, CPEC is the BRI's flagship project in South Asia (Notezai, What Happened to the China-Pakistan Economic Corridor? , 2021). The intent to shorten transport times and reduce the dependency on maritime choke points that China has comparatively little control over, most notably the Strait of Malacca, also seems to motivate Beijing's investment in the China-Myanmar Economic Corridor (CMEC). CMEC connects the city of Kunming in China's southern Yunnan Province to the Bay of Bengal via a China-funded port in Kyaukpyu, Myanmar. As is the case in Xinjiang, this enhances the access Yunnan Province has to global import and export markets, thereby deepening its integration into global supply and value chains. CMEC and CPEC consequently reconfigure the global connectivity of China's inland regions (see Map 1 below).

Map 1. New Connectivity networks created by the BRI



Source: Gordon, Tong & Anderson (2020)

Notably less influential in what Mayer and Zhang (2019) have conceptualized as the 'corridorization' of South Asia has been BCIMEC (Bangladesh-China-India-Myanmar Economic Corridor). Kunming has been designed to serve as the Chinese component of BCIMEC, with BCIMEC running through Kyaukpyu, Sonadia in Bangladesh, and Kolkata in India (Yhome, 2017). The development of BCIMEC has been hampered by the strained relations between India and China as well as the relations between Bangladesh and Myanmar, hampered by the movement of Rohingya refugees to Bangladesh (Anwar, 2020). The relative

failure of BCIMEC indicates that BRI investments are not linear processes but are shaped by the relations between recipient countries and China as well as the bilateral ties between varying recipient countries.

In their respective domestic contexts, South Asian BRI projects have not been without controversy. China has frequently been accused of engaging in *'debt-trap diplomacy'*, seeking to engulf recipient countries in sovereign debt that small countries are incapable of servicing. The takeover of the Chinese-funded port in Hambantota in Sri Lanka by a Chinese SOE is often used as an exemplification, seemingly embodying China's intent to create unsustainable debt structures and ultimately take control over investments, perhaps with the motivation to utilize them as military outposts in the future (Kanwal, 2018). In addition to untransparent financing practices, Chinese investments have also been criticized for threatening ecological diversity and undermining local livelihoods by prioritizing Chinese workers and Chinese suppliers (Pal, 2021). Support for the BRI in recipient States is consequently not universal and may shift over time.

The financial volume of China's BRI investments in South Asia and the centrality of South Asia's geographical proximity to inland regions in China ultimately attributes South Asia and South Asian actors a key role in the long-term success of the BRI. The BRI is notably not necessarily a zero-sum game: Chinese investments can yield long-term benefits for the populations of countries that have thus far struggled to secure international investment. At the same time, the BRI is not an altruistic campaign by China: while seeking to project an image of Beijing as benevolent, the prioritized usage of Chinese SOEs also makes the BRI a market-finding endeavor. In total, Chinese SOEs contract more than half of all BRI projects in number and more than 70% in project value (Zhang & Yin, 2019). Regardless of how China's growing presence in the region is ultimately interpreted, the presence is undeniably expanding. This increasingly inserts China into the domestic politics of South Asian countries.

Chinese exposure and risk management strategies

Political and economic expansion has historically been a double-edged sword for any expanding power. Material, political and territorial expansion for the European empires of the past allowed them to amass immense wealth and expand their project power capacities on a global level. Expansion concurrently expanded the political issues and threats these political actors had to address, including the threat to nationals and assets located abroad. The emergence of new issues and dynamic threats can subsequently be viewed as an inevitable byproduct of expansion and expansionism, regardless of how benevolent this expansionism may be (or may be portrayed to be). For China, Xi's announcement of the BRI translates into the implicit revocation of the so-called *'24-character strategy'* formulated by Deng Xiaoping. Deng, who rose to power following the death of Mao Zedong in 1976, initiated China's Reform Era and famously stated that China was to rise if it was to *"[o]bserve calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership"* (quoted in Latham, 2020). The reign of Xi and especially the BRI embody the end of Deng's dogma: through the BRI, China has

begun to actively claim leadership. In Myanmar and Pakistan, this newly acquired mantle of leadership comes with its own complications.

Due to its involvement in CMEC and its potential role in BCIMEC, Myanmar occupies a central role in China's BRI structure in South Asia. The bilateral relations between both countries have historically been complicated as China has often played an active role in Burmese domestic politics. After what was then called Burma attained independence from Great Britain in 1948, the Chinese Communist Party (CCP) of Mao lent significant political and strategic support to the Communist Party of Burma (CPB) throughout much of the 1950s, 1960s, and 1970s, enabling the CPB to maintain insurgencies against both civilian and military governments in Myanmar (Ramachandran, 2021). Besides this ideological element of exporting communist revolutions throughout Asia, China has also supplied arms to ethnic armed groups in Myanmar, especially along the Burmese-Sino border, which has contributed to an institutionalized anti-Chinese sentiment in the Tatmadaw (Yhome, Understanding China's response to ethnic conflicts in Myanmar, 2019). China's historical involvement in the country has thus complicated China's role in Myanmar as anti-Chinese sentiment has remained pervasive throughout large parts of Burmese society (Zin, 2012).

Under Deng and his successors, China has adopted a strategy that has been characterized by flexibility rather than ideological discipline and alignment. China improved its ties with various factions within Myanmar throughout the 1980s and 1990s (Than, 2003) and also enjoyed close ties with the quasi-democratic government of Aung San Suu Kyi, who served as the chairperson of the National League of Democracy (NLD) and was Myanmar's de-facto leader between 2016 and 2021. The Kyi government played an active role in making Myanmar a primary recipient of BRI investment. Myanmar's approach towards the BRI in its initial phases embodied the ambiguous nature of the relations between Naypyidaw and Beijing: while Myanmar's economic isolation meant that it economically largely relied on Chinese investments, these investments were not necessarily welcomed by either the population or the Tatmadaw due to the prevalence of anti-Chinese sentiments and suspicions (Myers, 2020). Yet, the relatively positive working relationship between China and the NLD ensured a degree of stability that was pivotal to ensure the rollout of Chinese investments and the protection of Chinese workers.

Beijing's reaction to the 2021 military coup in Myanmar indicates that pragmatism defines its contemporary risk management strategy in the country. Despite its comparatively close relations with the NLD, China refused to condemn the coup that toppled the NLD, describing it as a '*cabinet reshuffle*' (The Straits Times, 2021). In the face of opposition from Western countries as well other Asian actors, China's tacit political support for the Tatmadaw provided the junta with access to arms, funding, and some level of de-facto legitimacy (Myers, China Is Hedging Its Bets in Myanmar, 2021). China's implicit support for a political actor that has been historically often opposed to China illustrates that Beijing has adapted its policies and shifted its support based on a pragmatic reading of the situation on the ground. For China, the paramount interest in Myanmar following the coup was and is the security of Chinese investments and Chinese nationals currently present in the country. Concerns for their security are likely exacerbated by Myanmar's long history of anti-Chinese violence and anti-Chinese

pogroms. The attacks of pro-democracy protesters on Chinese nationals and businesses in the months following the coup were one of the main motivations for the military imposing martial law in Yangon in March 2021 (South China Morning Post, 2021), indicating China's political leverage over the Tatmadaw. China is likely to support the Tatmadaw for as long as the Army is the political force most likely to be capable of protecting Chinese assets in the country. This pragmatic orientation in policymaking translates into a willingness to legitimize and support groups that engage in human rights abuses as long as these factions can provide more security to Chinese investments than other groups. The prevalence of pragmatism, however, also means that Chinese backing may shift over time. China's growing involvement in these domestic processes does not just enhance public opposition to China's economic role in the country but also threatens the possibility of finding solutions to the political conflicts shaking Myanmar today.

It is notable here that Chinese security risk management responses have thus far made use of local allies rather than Chinese PSCs. The domestic security sector in China has been growing rapidly throughout the 21st century, with more than four million Chinese citizens, mostly demobilized former military and police personnel, now being employed by private security companies (Nantulya, 2020). A 2021 report by the Center for Advanced Defense Studies found that Chinese PSCs were active throughout Southeast Asia, including in Myanmar, presumably in the protection of BRI projects (Goldberg, Kearns, Peyronnin, Spevack, & Vargas, 2021). So far, there is little evidence of these PSCs playing an active role in supporting the military operations against protesters in Myanmar, with the State-funded *Global Times* (2021) reporting that the Chinese embassy in Myanmar has implored local police forces to protect Chinese businesses against protesters. If attacks on Chinese assets continue, China may nevertheless increasingly make use of Chinese PSCs. Through either the growing use of PSCs or the growing support for the Tatmadaw, Beijing runs the risk of undermining its narrative of non-interventionism. Moreover, the pragmatism underpinning its security risk management strategy does not make this strategy politically neutral – rather, it aligns China directly with the Tatmadaw. This alignment is likely to further make Chinese assets the target of protesters, reflecting the growing exposure to security threats elsewhere.

The security ramifications of China's emergence as a stakeholder in national conflicts are even more visible in the case of CPEC. CPEC links the city of Kashgar in Xinjiang with the port city of Gwadar in the Pakistani province of Balochistan, enroute also passing through Gilgit-Baltistan (see Map 2 below). Gilgit-Baltistan is part of Pakistan-administered Jammu and Kashmir, which continues to be claimed by India.

Map 2: CPEC's route through Pakistan



Source: BBC (2015)

Following the announcement of the BRI in 2013, militancy in Balochistan has emerged as one of the key threats to Chinese assets in the region. The Pakistani government has fought a decades-long insurgency in Balochistan, most notably against the Balochistan Liberation Army (BLA). According to the Center for International Security and Cooperation (CISAC) at the University of Stanford, the BLA seeks “*independence from Pakistan and to rid the region from foreign exploitation and intervention*” (CISAC, 2019). The origins of the Baloch insurgency lay in a Pakistan-specific context as Baloch militants oppose the privileged role of ethnic Punjabis in Pakistan’s political system, with BLA militants engaging in the targeted killings of Punjabi settlers in Balochistan (Dawn, 2011). The origins of the conflict between the BLA and the Pakistani government have thus relatively little to do with Chinese nationals and Chinese infrastructure investments.

China’s collaboration with the Pakistani government through CPEC, however, has resulted in Chinese investments and nationals being increasingly seen as political stakeholders in the Baloch conflict, rendering them targets for attacks. For Baloch nationalists, the lack of Baloch input into the planning of CPEC epitomizes the marginalization of Balochistan at the hands of the Punjabi elite (Washiyama, 2020). China’s underlying alignment with these elites has evoked a view of China as an “*accomplice in the ‘colonisation’ of their [the Baloch people’s] land*” (Gordon, Tong & Anderson, 2020, p. 25). In May 2019, BLA militants attacked a high-end hotel in Gwadar that Chinese business affiliates were staying in, killing five members of the hotel staff (Notezai, 2019). Attacks on Chinese targets ramped up in 2021: in April, militants attacked a hotel in the Baloch capital of Quetta that the Chinese ambassador

was staying in at the time. Although the ambassador was not in the hotel when the attack took place, it still cost the lives of four people (France 24, 2021). In August 2021, a detonation close to a car carrying Chinese workers resulted in the death of two Pakistani children in Gwadar (The Print, 2021). In the past years, the BLA has shown a growing capacity to attack high-value targets, exposing Chinese nationals to increased risks and putting growing pressure on the Chinese government to protect Chinese workers abroad.

Anti-Chinese attacks have not been restrained to Balochistan either. Violence against Chinese workers in Pakistan occurred as early as 2007, when gunmen killed three Chinese nationals close to Peshawar in the province of Khyber Pakhtunkhwa (Shah, 2021). Khyber Pakhtunkhwa has been the site of the largest attack on Chinese targets to date: in August 2021, a suicide bomber targeting a bus of Chinese workers enroute to a construction site killed 13 people, including nine Chinese nationals (Ahmad & Tian, 2021). The perception of Chinese nationals and projects as an extension of an oppressive central government consequently has direct security ramifications for Beijing.

The greater extent of security exposure in Pakistan relative to Myanmar has seen China employ a more direct risk management strategy that involves the growing deployment of Pakistani units to safeguard Chinese investments. While Chinese PSCs are overtly visible in Myanmar, this is less so the case in Pakistan as Pakistan is home to a highly regulated private security market, with legislation prohibiting foreign PSCs from operating on Pakistani soil (Legerda & Nouwens, 2018). China's capacity to make use of its growing private security sector is thus more restrained in Pakistan than it is in other BRI recipient countries. The existence of PSC-skeptical legislation engenders a need to rely on either Pakistani PSCs or support from Pakistani authorities. In Pakistan, Chinese authorities have successfully lobbied for a reconfiguration of Pakistan's interior security priorities: in August 2016, the Pakistani Ministry of Defense announced the creation of a Special Security Division, comprising of 9,000 members of the Pakistani Army and 6,000 paramilitary forces, that was tasked with "*protecting Chinese workers and projects under CPEC*" (Khan, 2016). Additionally, provincial administrations have deployed police units to protect BRI investments (2,600 police officers in Sindh, 4,200 in Khyber Pakhtunkhwa, and 10,000 members of a Special Protection Unit in Punjab), raising the number of Pakistani security staff directly tasked with protecting BRI projects to almost 32,000 (Legerda & Nouwens, 2018). It also appears likely that Chinese PSCs will start operating in Pakistan if the security situation is not sustainably improved, potentially under the guise of joint ventures with local authorities (Wolf, 2020). The creation and deployment of new security units within Pakistan illustrates that CPEC has direct security implications for both China and Pakistan, highlighting that growing security exposure emerges as a byproduct of economic expansion. In the case of Pakistan, the growing prowess of Islamist terrorist groups within the country may further increase this exposure in the coming years.

CPEC has also had key implications for the triangular relationship between China, India, and Pakistan as the corridor passes through parts of Pakistan-administered Jammu and Kashmir. The construction of CPEC through the disputed territory in Gilgit-Baltistan has been the central factor in India's opposition to the BRI, which has come to undermine projects such as BCIMEC. To be sure, Indian authorities had already expressed hesitancy to engage with the

BRI before CPEC was announced in April 2015. In March 2015, the Foreign Secretary of India, Jaishankar, suggested that,

“[t]he key issue [in Asia] is whether we will build our connectivity through consultative processes or more unilateral decisions [...] we cannot be impervious to the reality that others may see connectivity as an exercise in hard-wiring that influences choice”.

Even prior to CPEC, then, India viewed the BRI as a Chinese attempt to influence the political choices of smaller regional actors through economic incentives. The announcement of CPEC, however, transformed the BRI from a connectivity issue into a national security issue for Indian authorities. Jaishankar’s rhetoric on the BRI shifted following the CPEC announcement, with Jaishankar directly referencing the Kashmir question as India’s main concern: *“CPEC violates Indian sovereignty because it runs through Pakistan-occupied Kashmir [...] the issue for us is a sovereignty issue”* (quoted in Pant & Passi, 2017, p. 88). This change in rhetoric indicates the centrality of the Jammu and Kashmir conflict for India’s strategic thinking vis-à-vis the China-Pakistan axis: as CPEC would change the strategic situation in Pakistan-administered Jammu and Kashmir, CPEC came to embody a direct challenge to India’s proclaimed territorial integrity. CPEC investments consequently complicated the strategic dimensions of the conflict over Jammu and Kashmir by increasingly inserting China as a stakeholder in the conflict.

The political volatility of security environments elsewhere threatens to emerge as one of the key obstacles for the BRI in South Asia. To be sure, domestic pressures negatively impacting the future perspective on Chinese projects are not idiosyncratic to South Asia. In Southeast Asian countries with significant ethnic Chinese populations, the growing presence of Chinese workers and infrastructure projects has produced anti-Chinese backlash and generally heightened ethnic tensions (Lam, 2020). In Malaysia in particular, BRI investments and project BRI-related corruption charges have become a focal point of domestic political conversation, contributing to the ousting of Prime Minister Najib Razak in 2018 (Doig, 2019). The perception of Chinese investments being tied to the practices of corrupt national politicians does not just complicate the social position of ethnically Chinese communities but also the future viability of Chinese investments: while imperfect, many countries in South- and Southeast Asia are still democratic, granting the population some capacity to elect a government that is less open towards Chinese investments. The alignment with domestically unpopular leaders and factions may thus threaten the extent of political support for Chinese investments in the years and decades to come.

Considering China’s operational focus on ensuring the security of its assets, a volatile security situation may also be one of the factors limiting Chinese economic engagement in Afghanistan following the takeover by the Taliban. In both Myanmar and Pakistan, domestic strife has significantly undermined the capacity of China and recipient countries to deliver projects on time while raising pressures within China to ensure the security of Chinese investments and workers. This domestic volatility would be even greater in Afghanistan given the Taliban’s incapacity up until this point to provide effective governance. Although much has been said about China’s alleged willingness to extend CPEC to also incorporate

Afghanistan, Beijing's experience in Pakistan in particular makes it seem unlikely that China would insert investments and Chinese nationals into a security environment that is significantly less stable than both Pakistan and Myanmar. China will only invest in countries that it feels are sufficiently secure and where it can support actors that can support the safety of both the projects and the workers. This pragmatic focus on stability dominates China's risk management strategy in both Myanmar and Pakistan. That said, China could increase its support for the Taliban if the group manages to successfully consolidate control over Afghanistan.

Lastly, the future trajectory of the BRI will also be shaped by pressures within China. Following the outbreak of the COVID-19 pandemic, China's GDP contracted by 6.8% in the first financial quarter of 2020, the first contraction in national GDP since Deng's Reform Era (Pal & Bhatia, 2020). As the domestic economy contracts, FDI has not been as much of a political priority: a 2021 report by the Oxford Business Group highlights that infrastructure projects connected to the BRI have been negatively impacted by the pandemic, resulting in delays and project interruptions. While the law firm Baker McKenzie (2020) notes that specific components of the BRI, most notably the Digital Silk Road and the Health Silk Road, have persisted and expanded in spite (and perhaps because) of COVID, the significant interruption of global supply chains is likely to hamper Chinese investments abroad for some time to come. While China has handled the economic crisis recovery comparatively well, it appears likely that the investment priorities of SOEs will initially lay with domestic rather than foreign markets. The impact of the pandemic highlights that the future development of the BRI is unlikely to be linear: instead, it will be shaped by various and partially unpredictable factors that will require BRI policy to be flexible over time.

Conclusion

This paper has analyzed how the BRI exacerbates China's security exposure abroad and how China has sought to manage these security challenges. In South Asia, Beijing has thus far made use of its investment relations to leverage its influence with local authorities to enlist local security forces in the protection of BRI projects. There is potential for this to change in the future, including through the growing usage of Chinese PSCs or the creation of hybrid units that include both PSCs and local security forces. China is still comparatively new to playing a more active security presence beyond China, meaning that the international community is likely to see some dynamic changes in how China manages its risk exposure abroad. The development of risk management strategies must take place in transparent legal frameworks that clearly demarcate the mandates of PSCs in accordance with adequately developed national legal frameworks that clearly make foreign PSCs subject to national law. Furthermore, the international community as a whole must strive for the establishment of an international legal framework that enhances the regulation of globally active PSCs.

The main takeaway from this paper is that China's growing security exposure is a somewhat inevitable byproduct of politico-economic expansionism. It ultimately matters relatively little whether China intends the BRI to have security implications or not: even if it is assumed that this is the case, this does not mean that these implications do not exist in practice.

In the future, China, BRI recipient States and external actors will have to keep a close eye on how different stakeholders manage these relations on the ground.

References

- Ahmad, J., & Tian, Y. L. (2021, July 14). *Pakistan bus blast kills 13 including Chinese; Beijing blames bomb* . Retrieved from Reuters: <https://www.reuters.com/world/asia-pacific/blast-hits-bus-northern-pakistan-killing-8-including-4-chinese-nationals-sources-2021-07-14/>
- Anwar, A. (2020). South Asia and China's Belt and Road Initiative: Security Implications and Ways Forward. In A. L. Vuving, *Hindsight, Insight, Foresight: Thinking about Security in the Indo-Pacific* (pp. 161-178). Honolulu: Daniel K. Inouye Asia-Pacific Center for Security Studies.
- Aziz, R., & Ahmad, M. B. (2015). *Pakistan's Power Crisis: The Way Forward*. Retrieved from United States Institute of Peace: <https://www.usip.org/sites/default/files/SR375-Pakistans-Power-Crisis-The-Way-Forward.pdf>
- Baker McKenzie. (2020). *Understanding How COVID-19 Alters BRI*. Retrieved from Baker McKenzie: <https://www.bakermckenzie.com/-/media/files/insight/publications/2020/03/covid19-bri-short-report.pdf>
- Banerjee, A., & Duflo, E. (2019). *Good Economics for Hard Times: Better Answers to Our Biggest Problems*. Penguin Books.
- BBC. (2015, April 22). *Is China-Pakistan 'silk road' a game-changer?* . Retrieved from BBC: <https://www.bbc.com/news/world-asia-32400091>
- Center for International Security and Cooperation. (2019). *Balochistan Liberation Army* . Retrieved from Center for International Security and Cooperation: <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/balochistan-liberation-army>
- China Global Investment Tracker. (n.d.). Retrieved from American Enterprise Institute: <https://www.aei.org/china-global-investment-tracker/>
- China-Africa Research Initiative. (n.d.). *Data: Chinese workers in Africa*. Retrieved from China-Africa Research Initiative: <http://www.sais-cari.org/data-chinese-workers-in-africa>
- Dawn. (2011, June 28). *Settlers — caught in crossfire*. Retrieved from Dawn: <https://www.dawn.com/news/640059/settlers-caught-in-crossfire-2>
- De, P. (2014, July). *Strengthening Regional Trade and Production Networks through Transport Connectivity* . Retrieved from United Nations Economic and Social Commission for Asia and the Pacific : https://www.unescap.org/sites/default/files/140903_Regional%20Connectivity_Prabir%20De_Final2.pdf
- Doig, W. (2019, January 15). *The Belt and Road Initiative Is a Corruption Bonanza* . Retrieved from Foreign Policy: <https://foreignpolicy.com/2019/01/15/the-belt-and-road-initiative-is-a-corruption-bonanza/>
- France 24. (2021, April 22). *Deadly car bombing in Pakistan targets hotel hosting Chinese ambassador* . Retrieved from France 24: <https://www.france24.com/en/asia-pacific/20210421-deadly-car-bombing-in-pakistan-targets-hotel-hosting-chinese-ambassador>
- Funaoile, M. P., Bermudez Jr., J. S., & Kurata, K. (2021, May 6). *Tatmadaw Deploys Chinese-Made UAVs*. Retrieved from Center for Strategic & International Studies: <https://www.csis.org/analysis/tatmadaw-deploys-chinese-made-uavs>

- Global Times. (2021, March 18). *To leave or not, Chinese companies are torn in the face of West-incited attacks amid Myanmar political upheaval* . Retrieved from Global Times: <https://www.globaltimes.cn/page/202103/1218843.shtml>
- Goldberg, C., Kearns, M., Peyronnin, H., Spevack, B., & Vargas, S. (2021). *Zoned Out: A Comprehensive Impact Evaluation of Mekong Economic Development Zones*. Retrieved from Center for Advanced Defense Studies: https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/60d3a8ea4aca5737732bd24c/1624484100387/MekongEDZ_Final.pdf
- Gordon, D. F., Tong, H., & Anderson, T. (2020, September). *Beyond the Myths – Towards a Realistic Assessment of China’s Belt and Road Initiative: The Security Dimension*. Retrieved from The International Institute for Strategic Studies: <https://www.iiss.org/blogs/research-paper/2020/09/beyond-the-myths-of-the-bri>
- Hassan, G. (2019, April 22). *India’s BRI Conundrum* . Retrieved from Centre for Public Policy Research: <https://www.cppr.in/articles/indias-bri-conundrum-%EF%BB%BF>
- Jaishankar, S. (2015, March 2). *Speech by Foreign Secretary at Raisina Dialogue in New Delhi (March 2, 2015)* . Retrieved from Ministry of External Affairs, Government of India: https://mea.gov.in/Speeches-Statements.htm?dtl/26433/Speech_by_Foreign_Secretary_at_Raisina_Dialo
- Jones, L., & Hameiri, S. (2020, 19 August). *Debunking the Myth of ‘Debt-trap Diplomacy’: How Recipient Countries Shape China’s Belt and Road Initiative*. Retrieved from Chatham House: <https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy>
- Kanwal, G. (2018). Pakistan's Gwadar Port: A New Naval Base in China’s String of Pearls in the Indo-Pacific. In N. Szechenyi, *China’s Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region* (pp. 11-16). Center for Strategic and International Studies.
- Khan, R. (2016, August 12). *15,000 troops of Special Security Division to protect CPEC projects, Chinese nationals*. Retrieved from Dawn: <https://www.dawn.com/news/1277182>
- Kleven, A. (2019, May 6). *Belt and Road: colonialism with Chinese characteristics* . Retrieved from Lowy Institute: <https://www.lowyinstitute.org/the-interpretor/belt-and-road-colonialism-chinese-characteristics>
- Lam, A. (2020, August 15). *Domestic Politics in Southeast Asia and Local Backlash against the Belt and Road Initiative*. Retrieved from Foreign Policy Research Institute: <https://www.fpri.org/article/2020/10/domestic-politics-in-southeast-asia-and-local-backlash-against-the-belt-and-road-initiative/>
- Latham, A. (2020, July 24). *Offshore Balancing: A Grand Strategy for the China Dream* . Retrieved from The Diplomat: <https://thediplomat.com/2020/07/offshore-balancing-a-grand-strategy-for-the-china-dream/>
- Legerda, H., & Nouwens, M. (2018, August 16). *Guardians of the Belt and Road: The internationalization of China’s private security companies*. Retrieved from Mercator Institute for China Studies: <https://merics.org/en/report/guardians-belt-and-road>
- Mayer, M., & Zhang, X. (2021). Theorizing China-world integration: sociospatial reconfigurations and the modern silk roads. *Review of International Political*

- Economy*, 28(4: European Political Economy of Finance and Financialization), 974-1003.
- Myers, L. (2020, May 26). *The China-Myanmar Economic Corridor and China's Determination to See It Through* . Retrieved from Wilson Center: <https://www.wilsoncenter.org/blog-post/china-myanmar-economic-corridor-and-chinas-determination-see-it-through>
- Myers, L. (2021, September 10). *China Is Hedging Its Bets in Myanmar* . Retrieved from Foreign Policy: <https://foreignpolicy.com/2021/09/10/china-myanmar-coup-national-league-for-democracy/>
- Nantulya, P. (2020, October 8). *Chinese Security Contractors in Africa*. Retrieved from Carnegie Endowment for International Peace: <https://carnegieendowment.org/2020/10/08/chinese-security-contractors-in-africa-pub-82916>
- Notezai, M. A. (2019, May 30). *Will Balochistan Blow Up China's Belt and Road?* . Retrieved from Foreign Policy: <https://foreignpolicy.com/2019/05/30/will-balochistan-blow-up-chinas-belt-and-road/>
- Notezai, M. A. (2021, February 16). *What Happened to the China-Pakistan Economic Corridor?* . Retrieved from The Diplomat: <https://thediplomat.com/2021/02/what-happened-to-the-china-pakistan-economic-corridor/>
- OECD. (2018). *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape*. Retrieved from OECD: <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>
- Oxford Business Group. (2021, January 28). *Has Covid-19 prompted the Belt and Road Initiative to go green?* . Retrieved from Oxford Business Group: <https://oxfordbusinessgroup.com/news/has-covid-19-prompted-belt-and-road-initiative-go-green>
- Pal, D. (2021, October 13). *China's Influence in South Asia: Vulnerabilities and Resilience in Four Countries*. Retrieved from Carnegie Endowment for International Peace: <https://carnegieendowment.org/2021/10/13/china-s-influence-in-south-asia-vulnerabilities-and-resilience-in-four-countries-pub-85552>
- Pal, D., & Bhatia, R. (2020, May). *The BRI in Post-Coronavirus South Asia*. Retrieved from Carnegie India: https://carnegieendowment.org/files/Pal_Corona_BRI4.pdf
- Pant, H. V., & Passi, R. (2017). India's Response to China's Belt and Road Initiative. *Asia Policy*, 88-95.
- Ramachandran, S. (2021, March 25). *China and the Myanmar Junta: A Marriage of Convenience* . Retrieved from Jamestown Foundation: <https://jamestown.org/program/china-and-the-myanmar-junta-a-marriage-of-convenience/>
- Sacks, D. (2021, March 24). *Countries in China's Belt and Road Initiative: Who's In And Who's Out* . Retrieved from Council on Foreign Relations: <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>

- Shah, S. (2021, July 15). *History of attacks, accidents involving Chinese nationals working in Pakistan* . Retrieved from The News: <https://www.thenews.com.pk/print/864462-history-of-attacks-accidents-involving-chinese-nationals-working-in-pakistan>
- South China Morning Post. (2021, March 15). *After attacks on Chinese businesses, Myanmar imposes 'full martial law' in Yangon* . Retrieved from South China Morning Post: <https://www.scmp.com/news/asia/southeast-asia/article/3125424/after-attacks-chinese-businesses-myanmar-imposes-full>
- Stockholm International Peace Research Institute. (2021, December 15). *SIPRI Arms Transfers Database*. Retrieved from Stockholm International Peace Research Institute: https://armstrade.sipri.org/armstrade/html/export_values.php
- Than, T. M. (2003). Myanmar and China: A Special Relationship? *Southeast Asian Affairs*, 189-210.
- The Print. (2021, August 21). *Suicide bomber attacks bus carrying Chinese nationals in Balochistan, 2 children killed* . Retrieved from The Print: <https://theprint.in/world/suicide-bomber-attacks-bus-carrying-chinese-nationals-in-balochistan-2-children-killed/719710/>
- The Straits Times. (2021, February 2). *Myanmar coup just a 'Cabinet reshuffle': Chinese state media* . Retrieved from The Straits Times: <https://www.straitstimes.com/asia/east-asia/myanmar-coup-just-a-cabinet-reshuffle-chinese-state-media>
- Washiyama, Y. (2020, July 24). *Balochi Militants Take Aim at Chinese Interests* . Retrieved from The Diplomat: <https://thediplomat.com/2020/07/balochi-militants-take-aim-at-chinese-interests/>
- Wolf, S. O. (2020, March 10). *The Growing Security Dimension of the China-Pakistan Economic Corridor* . Retrieved from Italian Institute for International Political Studies: <https://www.ispionline.it/en/publicazione/growing-security-dimension-china-pakistan-economic-corridor-25316>
- Yhome, K. (2017, February 10). *The BCIM economic corridor: Prospects and challenges* . Retrieved from Observer Research Foundation: <https://www.orfonline.org/research/the-bcim-economic-corridor-prospects-and-challenges/>
- Yhome, K. (2019, April). *Understanding China's response to ethnic conflicts in Myanmar* . Retrieved from Observer Research Foundation: <https://www.orfonline.org/research/understanding-chinas-response-to-ethnic-conflicts-in-myanmar-49759/>
- Zhang, D., & Yin, J. (2019, July 2). *China's Belt and Road Initiative, from the inside looking out*. Retrieved from Lowy Institute: <https://www.lowyinstitute.org/the-interpreter/china-s-belt-and-road-initiative-inside-looking-out>
- Zhang, F. (2019). *In the Dark: How Much Do Power Sector Distortions Cost South Asia?* Retrieved from South Asia Development Forum, World Bank: <https://openknowledge.worldbank.org/bitstream/handle/10986/30923/2111540v.pdf>
- Zin, M. (2012). Burmese Attitude toward Chinese: Portrayal of the Chinese in Contemporary Cultural and Media Works. *Journal of Current Southeast Asian Affairs*, 31(1), 115-131.



EFSAS

EUROPEAN FOUNDATION FOR
SOUTH ASIAN STUDIES
EXCELLENCE, GENUINENESS & AUTHENTICITY

January 2022. © European Foundation for South Asian Studies (EFSAS), Amsterdam.