

THE STRATEGY OF THE SLEEPING DRAGON

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High-speed railways in Indonesia and Nigeria, the Port of Piraeus in Greece, a wind farm in Chile and ‘Colombo Port City’ in Sri Lanka – what do these grand infrastructure projects have in common? Firstly, the unimaginable sums they cost. And secondly, a single source of funding from which these projects were built.

Sri Lanka is an island in the Indian Ocean, separated from the Indian subcontinent by a mere 50 kilometres. Since its discovery by Europeans in the early 16th century, the island was a colony – first of the Portuguese, then of the Dutch, and finally of the British. All those years it was known as Ceylon, in the European manner.

In 1972, the country gained independence and changed its name to Sri Lanka. Until the mid-2000s, like many other former colonies, it was plunged into a series of civil wars. Once the country had recovered from the chaos, it became clear that it now had to find its own ways of attracting investment.

But what could Sri Lanka actually offer the world? Tea, textiles, precious stones – these are all minor commodities that don’t generate much profit. But what is truly valuable is its ideal geographical location. The island lies at the crossroads of the world’s busiest maritime trade routes, connecting Asia, America, Europe and the Middle East.

So, when the civil war in Sri Lanka ended, the authorities decided to focus on developing its ports. And China decided to invest in this project – the party lent Sri Lanka \$8 billion to build the Hambantota port in the south of the island.

Consequently, in 2017, the agreement was revised, and China acquired a 70% stake in the port and the right to lease it for 99 years. However, Sri Lanka’s debt still remains. The lease agreement relieved it of only \$1 billion of the \$8 billion.

Why does China need Sri Lanka’s loss-making port? There is speculation that this is how China is establishing a strong foothold in the Indian Ocean – both commercially and militarily. This, in turn, throws a spanner in the works for India, which traditionally regards the Indian Ocean region as its sphere of interest.

But as if that were not enough, in 2020 the Sri Lankan authorities selected a Chinese company to modernise the country’s main port – Colombo. Initially, the project was being handled by the Indians and the Japanese, but when Sri Lanka got a new president, the contractors changed too. The Chinese spent \$1.4 billion on developing Colombo, and in return received the right to use 62 hectares of land on a 99-year lease, similar to the arrangement at the port of Hambantota.

Both projects are examples of ‘debt trap’ diplomacy, whereby China grants generous loans to less affluent countries, knowing full well that they will be unable to repay the debts, and then takes possession of their assets, effectively leasing them for free.

But the Sri Lanka situation is only part of the bigger picture – all because, over the last few years, China has been implementing the ‘Belt and Road’ initiative.

In 2013, Beijing announced the launch of the global “Belt and Road” initiative (hereinafter referred to as BRI). The essence of the initiative is to build a unified network of trade routes linking Asia, Europe, Africa and South America.

For China, as the project’s initiator, the BRI is needed to achieve global dominance by creating new markets for its own goods and investments. And, where appropriate, it may well be possible to establish military bases there too. All the more so given the vast scope of the project, which spans 151 countries.

Over the next 30 years, Beijing plans to build several major economic corridors. To this end, China is handing out loans left, right and centre – from Kenya to Laos – whilst also constructing railway lines and international ports itself.

In 2022, trade between China and the ‘Belt and Road’ countries amounted to around \$1.35 trillion, accounting for almost 30% of China’s total foreign trade. The total turnover of Chinese enterprises involved in these projects is nearly \$640 billion; they have paid over \$4.4 billion in taxes and duties in foreign countries, creating 330,000 jobs.

It all seems wonderful: infrastructure is being developed in these countries, which would be unlikely to have appeared there in the near future without outside help; the budget is being replenished by taxes, and people are finding work. But China's 'concern' is far from altruistic.

This is what Western critics of the initiative have latched onto: they say it is inhumane, and that there are signs of neo-colonialism. But is that the whole story? Clearly not.

The West, led by the US, sees China's project as an attempt to shift the global balance of power in its favour. Over the last few years, China has spent around \$85 billion annually on overseas projects, whilst the US has spent \$37 billion.

Some experts even compare the Belt and Road Initiative to the Marshall Plan – a US project under which they invested trillions of dollars in Europe's economy, and then brought it into their sphere of influence.

Of course, the creators of the Belt and Road Initiative themselves deny all accusations of expanding Chinese influence, but we know that there is no such thing as altruism in the global economy. The West, led by the US, views China's initiative as an attempt to shift the global balance of power in its favour. Over the past few years, China has spent around \$85 billion annually on overseas projects, compared to \$37 billion for the US.

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Of course, the creators of the BRI themselves deny all accusations of expanding Chinese influence, but we know full well that there is no such thing as altruism in the global economy and geopolitics.

There are spheres of interest and limited resources that must be fought for if you want your economy to grow and your population to live in comfort. And in this respect, China's progress is something to be envied.

Conclusion. China's 'Belt and Road' strategy, often referred to as a 'debt trap', is an example of cynical geopolitics in which there is no room for altruism. Despite the obvious benefits for partner countries in the form of road and port construction, job creation and tax revenue, the price turns out to be high: the loss of control over vital assets and the establishment of long-term strategic dependence on Beijing. Western accusations of neo-colonialism ring hollow, given their own colonial past and the experience of the Marshall Plan. The key issue here is not moral considerations, but the struggle for spheres of influence. China has simply proved more adept at offering quick fixes, deferring the reckoning that falls on others in the form of a loss of control over their lands and ports. China's increased activity is a new reality with which the world will have to come to terms.

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