



## PERSPECTIVES

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### The Second Belt and Road Summit

by Roie Yellinek

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**EXECUTIVE SUMMARY:** On April 25-27, 2019, Chinese President Xi Jinping convened a second summit of leaders and representatives from around the world to discuss his signature program, the Belt and Road Initiative. Xi's keynote address revealed his take on Beijing's trade struggle with the US as well as his approach to the concerns of poorer countries that lie along the initiative's route.

The first Belt and Road summit, held on May 14-15, 2017, was attended by 29 heads of state. The second summit, which was held on April 25-27, 2019, was attended by 36 heads of state as well as more than 5,000 individuals representing many countries and leading international organizations. Participants included Antonio Guterres, Secretary General of the UN, and Christine Lagarde, Chairman of the International Monetary Fund.

It is also instructive to note who chose not to participate. The absence of leaders from India, South Korea, and Japan, all of which are geographically close to China, could imply indifference on their part toward the initiative, but could also indicate fear. India, for instance, is apprehensive about the China-Pakistan corridor that is being built into the initiative's framework. That corridor raises serious concerns in New Delhi about the strengthening of Beijing's alliance with India's number one enemy.

There was no senior Israeli representative at either summit, but that is not surprising. Ever since the founding of the People's Republic of China, the Chinese have consistently preferred the Arab side over the Israeli in the Middle East conflict. It can be assumed that the Chinese wish to make the initiative – at least publicly – easy to digest for the Arabs, Turkey, and Iran, the latter two of which are important allies for Beijing. The improvement in relations between Israel and the Gulf states over the past two years has not changed Beijing's

approach on this issue. Both Turkey and Iran have become more hostile toward Israel and prefer to see it outside the initiative.

The US did not send an official representative to the summit, but American concerns loomed large. In his keynote speech, Xi addressed the central issues at the heart of the US-China trade struggle. He announced that he would reform the Chinese economy, address the problem of subsidies that hurt competition between the countries, promote the protection of intellectual property of non-Chinese companies operating in China, and expand opportunities for non-Chinese investors to operate in the local economy. He also referred to difficulties raised by Trump in connection with China's currency devaluation.

The rest of Xi's remarks were directed toward participating countries. One critique of the initiative concerns what has been dubbed the "debt trap." A debt trap occurs when a rich country (China in this case) offers a poorer state long-term loans or financing on very favorable terms to promote infrastructure (or, indeed, anything else). The borrower country is tempted by the offer, though in many cases it knows it may not be able to meet the final payment. If the poor country is unable to meet the terms, it can find itself mortgaged to the rich country for a very long period to repay the debt. In Sri Lanka, for example, after the government failed to repay loans it had taken to build a seaport in the city of Hambantota, the port area was transferred to China for 99 years.

This concern (among others) has already prompted at least seven countries to withdraw from the initiative. In order to calm this anxiety, Xi said in his speech that the initiative's projects would have "financial sustainability" – i.e., each project will examine whether the partner countries will be able to meet their commitments. In addition, he announced that projects and plans included in the initiative will be committed to high standards of sustainability and quality of construction. This comment was meant to ease concerns in many countries about the initiative's implications for local environments.

Xi's keynote address gave an indication of the difficulties Beijing expects to face when implementing the initiative and provided an inkling of how it plans to address them. His remarks also made clear that the battle the American president has been waging with Beijing since his rise to power is taking its toll. The Chinese understand that in order to continue the relationship, adjustments will need to be made. Israel is currently outside the initiative, but its leaders must always remember which superpower stands with Jerusalem and which consistently supports Jerusalem's worst enemies.

*Roie Yellinek is a doctoral student in the department of Middle East Studies at Bar-Ilan University, a fellow at the Kohelet Policy Forum and the China-Med Project, and a freelance journalist.*