Center for Strategic and International Studies

“Competing Visions: How Infrastructure is Reshaping the Eurasian Supercontinent”

Featuring a Panel Discussion with CSIS Experts:
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JONATHAN E. HILLMAN: Good morning. Welcome, everyone, including our viewers watching online. I’m Jon Hillman, director of the Reconnecting Asia Project at CSIS.

Just two administrative items before we get started. First, I’d like to ask everyone to silence their phones. And second, in the case of an emergency, you can look for me and follow me out through the exits here. We also have a stairway behind you leading down to the front door.

We’ve got a pretty unique event for you today. It’s a conversation between nine of our directors, appropriately sized for the geographic area that we’re focused on, the Eurasian supercontinent. It’s a massive area, home to more than 60 percent of the world’s population and nearly two thirds of the global economy.

No one thought more strategically about this part of the world than Dr. Brzezinski, whose legacy lives on at CSIS in a number of ways, including through the Reconnecting Asia Project. As he wrote two decades ago, Eurasia is the chessboard on which the struggle for global primacy continues to be played.

That struggle continues today. And while the Eurasian chessboard was dominated by military moves during the 20th century, it has become a focal point for fierce economic competition during the 21st century.

Across the region, a contest is under way to build new roads, railways, ports and other new connections. In a few minutes, our panel will discuss that contest, its drivers and implications for the region and for the United States. But as a precursor to their discussion at the strategic level, I’d like to show you just very briefly what this competition looks like on the ground.

And so, briefly, I’d like to show you three of the more than 2,100 projects that we’re tracking at ReconnectingAsia.CSIS.org. On that website, you can explore a database of infrastructure projects. You can see new connections as they emerge. You can see who’s involved with these projects. And you can also read insights from a growing network of scholars.

And the three projects I’d like to show you today are all bridges, actually. Now, throughout history, plenty of wise people, from Isaac Newton to Pope Francis, have said the world would be a better place if we just built more bridges. Well, that is happening across Eurasia, both figuratively and literally. And these emerging links could preview a more economically dynamic region in which commerce, people, ideas move faster than ever before.

But the outcome is far from clear, and there are darker potential paths as well. It’s worth noting that the Soviet leader Nikita Khrushchev had a slightly different view of bridges. He once said, and I quote, “Politicians are the same all over. They promise to build bridges even when there are no rivers.”

And I’d like to start off with this first project, which is an area – in an area that Khrushchev knew well, Russia’s far east. And there is an actual river here separating Russia from China. Less than half a century ago, Soviet and Chinese forces clashed along this border. But today their top officials talk about a strategic partnership and about linking their signature economic visions, China’s Belt and Road and Russia’s Eurasian Economic Union.
But as this project suggests, that rhetoric has outpaced progress on the ground. One of this bridge’s main commercial purposes is to carry iron ore from Russian mines into China. Started when commodity prices were higher, it has been delayed multiple times over the past decade. So it’s a reminder that even high-profile projects can be constrained by broader economic trends.

Other key projects are improving connectivity within states. Earlier this year, India completed its longest bridge, located in its northeast near China. The project reduces travel time between two Indian cities from six hours to one hour. And that’s good news for anyone traveling between those areas, whether you’re driving a passenger vehicle or something slightly larger. Several Indian newspapers have reported that this bridge has been designed to handle tanks as well.

And so this is also part of a broader strategic shift toward developing India’s border areas. For decades, many of these areas were left relatively undeveloped. But since 2006, India has built 27 of what it calls strategic roads in these border areas. And over the next five years, it plans to build another 46.

One last bridge, which was completed earlier this year and illustrates how even relatively short links can have outsized importance – so if we zoom out a bit, you can see that this is part of a new rail line connecting Iran and Azerbaijan. And if we zoom further out, you can see that it’s part of a much broader transport corridor called the North-South Transport Corridor, which combines maritime and ground links to connect St. Petersburg and Mumbai and a series of cities in between. This effort was started in 2000, and only one link remains to be built within Iran. Trial runs suggest that it could be twice as fast as existing routes.

Now, of course, each of the 2,100 projects that we track face challenges. For example, new overland routes may struggle to compete against maritime shipping, which is slower but considerably less expensive. Risks exist at each step of the planning process, from financing to construction to operation. Customs and other frictions at the borders could also impair movement. But it’s undeniable that the landscape is changing. There is a shift toward greater connectivity, and that could have far-reaching economic, political and even strategic consequences.

And so to help us understand that shift in the stakes, I’d like to invite our panelists on to the stage. Thank you.

MATTHEW P. GOODMAN: OK. Well, thank you, Jon.

Welcome, everyone. My name is Matthew Goodman. I hold the Simon Chair in Political Economy here at CSIS and I oversee, in a pretty light-touch way, the Reconnecting Asia Project that Jon is in charge of. And I’m delighted to have you with us and to have eight of my colleagues up here.

I’m told that this is not the largest panel we’ve ever had at CSIS, but it must be close. And so – but these guys are all pros, so we’re going to be tight and disciplined and try to answer every question in less than three minutes. I told them that if they don’t want to use words, they can use interpretive dance as well. So you may get some Silk Road art as well in this panel.

So let me just quickly – you have all the detail. I think many of you know my colleagues, so I don’t need to go in detail. I’m just going to go down, starting with Heather Conley, who’s the director of our Europe Program; Jon Alterman, the Middle East Program; Bulent, who runs our Turk – Bulent Aliriza, who runs our Turkey Project; Olga Oliker, who runs our Russia and Eastern Europe Program;
OK, hands up if you notice that we’re organized from west to east along this panel. (Laughter.) Has anyone figured – OK, Liza (sp) figured it out, but she set it up.

So the one person we don’t have, unfortunately, is Victor Cha, our Korea director. He wanted to be here, but he couldn’t be. So I’ll try to channel the Korean perspective here as well. They’re a big player in this story.

OK, so we have about – the usual kind of hour, hour and a quarter in this case maybe, up here on the panel to go through a few questions. And then I’ll invite all of you to participate as well. So here we go.

I want to start with history and geography, because this project was inspired by Zbig Brzezinski’s interest in the intersection of history, geography and strategy. And so, among other things, on our site you’ll see a series of historical maps. And here’s the kind of – the basic laydown of the old Silk Road, or really the flurry of trading routes that existed in the, you know, Han/Hellenic period that began to emerge across this land mass.

I want to then put up two other maps, going to the year 1497. That’s the year that Vasco da Gama set sail from Portugal and found a new route by sea around Africa to the East Indies. And that transformed this story, because it shifted these land-based trade routes to a maritime-based model, which has continued to this day. So for 500 years we’ve really been on a maritime-based commerce story ever since. And that has obviously huge implications for international relations and strategy as well.

The next map I want to show is plus or minus 1869. That was the year that the Suez Canal was opened. And that transformed, again, commerce and allowed the laydown of new routes – and, you know, telegraph lines and other things are mapped here – but shows that there was a huge change in this story from 1869.

By the way, 1869 was also the year, coincidentally, that the transcontinental railway in the United States was completed. And that was the inspiration later for the Trans-Siberian Railway. So this is – that was a kind of significant year.

OK, enough of me. I want to bring in the directors. Just – we’re going to go down the line, and I’m going to ask a broad history question, which is, given all that backdrop, from your country or region – in Heather’s case, for example, from your perspective – what is the sort of historical perspective on connectivity across this land mass? Is there a conscious – was there a consciousness about your connections, not specifically through infrastructure, but just generally? So Heather.

HEATHER A. CONLEY: Well, Matt, thank you so much. What a great challenge you have given us all today. I don’t often talk about da Gama and 1497 and its impact.

But I think what’s so interesting about where we (are centered ?), Portugal, a great Mediterranean power, in the 1400s King Manuel sent da Gama on a great exploration, a great – the European age of discovery. And this was a very courageous journey for da Gama, who started out with
170 in his crew. By the time he made it back, it was only 50. It was very dangerous. It was very slow. Part of the journey, not only of making it to India, but was mapping out the African coast, which, again, was also an important part of that age of discovery.

As da Gama made his journey to India, he did encounter and had some clashes with traders, other traders, who we’re not sure who this new person was. There was also, in some ways, religious overtones to this. King Manuel had wanted a religious overtone to this. And da Gama encountered Muslim traders along this path, and eventually in India discovered an entirely new religion of which he was unfamiliar with.

So this age of discovery encouraged, set off in some ways an element of competition, because da Gama returned to India in 1502, and this is where the competition began. There were more intense clashes with the traders that were already along that route. And finally, 20 years later, da Gama became a viceroy of India. So what does that, in some ways, da Gama’s journey, tell us historically? It’s about the courage to discover new things; that you begin a competition, if you will. You are new. You are eager to enter that competition. And then, in some ways, how do you use that competition to then assert your own great-power dominance?

So this was obviously an extraordinary opportunity for Europe to create new markets, new trading opportunity, and very much was a great-power moment for Portugal.

So let’s fast-forward 300 years later, and let’s look at the Suez Canal. This is a description of some cunning French diplomacy. And actually it started 100 years earlier. Napoleon very much wanted to block another great maritime power, Great Britain, from its dominance. So French surveyors went to look at the Suez Canal and miscalculated, didn’t have the right math, and decided they could not create this canal to connect the Mediterranean and the Red Sea. And then, in 1854, Napoleon III decided to resurrect this idea and sending a French diplomat, Fernando de Lesseps, to see if, in fact, a manmade canal could connect the two, the Mediterranean and the Red Seas. British officials described this as flagrant robbery. This was a competition, and France wanted to block, in some ways, Great Britain’s maritime power.

This also signaled a role for technology. In 1863 there was a shortage of labor, which was going to prevent the canal from its creation. Technology came, and steam- and coal-powered shovels and dredges allowed the canal to be created. And so, in some ways, we see where that age of discovery, a big, bold vision, creates a competition which creates, again, great powers to try to use trade in some ways as that leverage. It creates enormous connectivity. And there was enormous economic potential that Europe explored and exploited, but it had other great-power competition elements to it, and I think, in some ways, set off an enduring competition, particularly over the Suez Canal that we watched, certainly, throughout the Cold War as well.

So my three minutes are up, and I’ll pass it to Jon.

MR. GOODMAN: Super. Thank you, Heather.

I forgot to mention that there will be a test at the end of the session today. (Laughter.) So please be sure you got all those dates down. Seriously, this is great. And really it is unusual here at CSIS, but it’s – we’re having fun.

Jon, what about the Middle East?
JON B. ALTERMAN: I’m going to talk just about the Gulf rather than the whole Middle East. In 25 countries, there’s enough for me to cover my day job. I don’t have to do it here.

The Gulf itself had this long history of having a trade orientation partly because there’s not a lot to sustain you in the Gulf. And so this was a region that was always orientated toward trade, generally in the Indian Ocean basin, when da Gama came to India, that also created a reason for the Portuguese to come to the Gulf. The Portuguese came to the Gulf in 1507, interestingly, just about the time that Iran became Shia.

And this began foreign interest, foreign presence in the Gulf, resistance to foreign pressure in the Gulf, which – foreign influence in the Gulf – which we have seen for the last 500 years. And so this whole orientation of the Gulf has always been about outsiders, insiders, foreign pressure, domestic pressure, who should really dominate. This has been there for as long as Iran has been Shia. It is deeply embedded in how the Gulf relates to the world, how the Gulf sees itself, how the southern part of the Gulf relates to the northern part of the Gulf. So the international – the trading piece, the foreign-power piece, is deeply embedded.

For a long time it didn’t matter, right. So through antiquity, the Chinese came and helped establish Iranian porcelain and all those kinds of things. The great Chinese explorer Zheng He came in the 15th century but didn’t stay. It wasn’t until the Portuguese came in 1507 that did stay, and then the Portuguese were pushed out and the Ottomans came in, that the Gulf became this place where people went back and forth. But it didn’t matter strategically to anybody. The Gulf was a convenience. There wasn’t a huge amount of money in the Gulf.

It’s when oil came in that the Gulf became a big deal strategically. As I say, the Gulf started off being involved, sort of oriented toward Asia, largely toward India. Interestingly, it was Asia that destroyed the Gulf economy right around World War I, when Japanese industry came up with cultured pearls. That absolutely destroyed the pearling industry, which was the core of employment in the Gulf for a hundred years.

But even so, it didn’t matter on the geostrategic level. It was with the Cold War, with the sense of oil as a strategic commodity, that suddenly the Gulf mattered to everybody. And the Gulf mattered a lot to everybody. It matters not just to the United States because the United States imports oil from the Gulf. It matters to the United States because U.S. allies import oil from the Gulf. And the whole U.S. system, the whole way the U.S. sees the international system working, relies on this.

I think we saw it when the U.S. and Britain cooperated to overthrow Mohammad Mossadegh in Iran in the 1950s, the handoff from the U.K. to the U.S. in the Gulf in 1971. But this was at the core of our alliances, the core of how we saw the world working, because energy came from the Gulf and it took a region which already was ambivalent about foreign influence, which already felt that foreigners were there too much, and suddenly made it a global issue. And I think that image has carried forward to the present day.

MR. GOODMAN: Great; lots more to explore there.

But Bulent, talking about bridges, Turkey is kind of literally the bridge between Europe and Asia. So give us that perspective historically.
BULENT ALIRIZA: Absolutely. What’s the old adage, geography is maps and history is chaps? And certainly Turkey has both in abundance, and with great relevance to this project. Location, location, I think, is the third one – location, location, location. And Turkey is absolutely uniquely located; exactly, Matt, as you say, where Asia ends and Europe begins, and vice versa.

There’s another adage, which is that Turkey is an Eastern country if you come from the West and a Western country if you come from the East. I mean, it is absolutely defined by its geography. But it’s also very much defined by its history. We’ll get to this in the second phase, but, you know, Turkey obviously sees itself as the indispensable link in any effort to revive the old Silk Road that used to go through Anatolia, or Asia Minor it used to be.

It also wants to tap into Turkey’s rich historical legacy. And this is particularly relevant in the case of this government, which has tapped into not just the Ottoman legacy, but also beyond that, all the way to the Turkish nation’s ethnic roots, which go back, funnily enough, to Central Asia. It’s all part of the strategic goal of raising Turkey’s regional and global profile in international relations. And we can get to that.

Let’s go back to the two dates that Matt mentioned. In 1497, the Ottoman empire had just captured, four decades before, what was Constantinople, what became Istanbul, and thus destroyed Byzantium, the eastern Roman Empire. At its height, the Ottoman empire ruled the area from across the entire Middle East, from the Iranian border to that of Morocco, but also all the way to Central Europe, to the edge of Venice and Vienna. And it had inherited from the Byzantines the stewardship of the Silk Road from China to Europe. However, Vasco da Gama’s move was inevitably going to undermine it. But nonetheless, it did – because of its location, it remained an indispensable link for those who wanted to use the land route.

In 1869, when the – excuse me – the Suez Canal was built, Egypt was still technically Ottoman territory, even though the British and the French had taken the lead in this project. But it was declining. It was unable to keep up with the wave of modernization and industrialization in Western Europe, and it was pretty much shut out of the great developments that were being ushered in through the Industrial Revolution and was steadily losing its territories. Defeat in the First World War led to the loss of its remaining imperial possessions in the Middle East and the emergence of the modern Turkish republic in 1923. That date is significant because of the Vision 2023 project that Turkey has that dovetails with the OBOR project.

Now, China is obviously the main driving force of the current efforts, and the Turks have been opening up to China, just like to Russia, in the post-Cold War era, even to the point of talking about joining the Shanghai Cooperation Organization. And that process involves playing up the historic links to the Chinese, which have not always been good. Like I said, the Turks trace their origin back to the region between the Altai and Tarbagatai Mountains in Central Asia, bordering China. The Turks claim that the very first of the many Turkish states in history was established there, between the Ili and Chu Rivers in the Tarim Basin.

Another part of the great Turkish historical narrative is that the conflict with the Chinese prompted the construction of the Great Wall, to keep them out, and then led to their migration to the west, with all its implications for world history. Various Turkish states then established themselves first across Central Asia, then Asia Minor and beyond.
Although the modern Turkish republic looked west, and as part of that process joined NATO and eventually sought to become a member of the EU, after the breakup of the Soviet Union almost three decades ago it began to look east again with the revival of links to the four Turkic states in Central Asia that emerged out of the carcass of the Soviet Union – Uzbekistan, Kazakhstan, Turkmenistan and Kyrgyzstan, as well as Azerbaijan, the one Turkic state west of the Caspian and the Caucasus.

During that period, the story was that the Central Asians told the Turks, you left on horseback, and now you came back in planes.

The strengthening of economic strength of the Chinese is of more recent vintage. But having recently overcome the problem caused by Ankara’s support for the Uighurs of Xinjiang, Turkey is eager to cooperate with Beijing in linking its energy and transportation infrastructure development within its borders and in its immediate region to the ambitious super-continental infrastructure plans. But we’ll get to that in the second phase.

MR. GOODMAN: Great. Thank you, Bulent. Yes, we will. And I do want to talk about the current vision, because Turkey has an interesting perspective on this today.

Olga, another country that straddles Europe and Asia – in fact, I’ve stood on the line between Europe and Asia west of Yekaterinburg and, as one does, kissed my wife, which is what one is supposed to do on that line. So I have seen that expanse connecting the two continents, subcontinents. What’s the Russian perspective on all this?

OLGA OLIKER: All right. So if we go back in time all of these hundreds of years, Heather told a story about discovery, but the other side of discovery is conquest and colonialism. And for Russia, the maritime aspect of this doesn’t actually come in until a bit later. So if we’re looking at the end of the 15th century, great powers like Russia were the actors. Smaller states, like countries in Central Asia and smaller duchies and so forth in Europe, were acted upon. It was a bit of a fight for a while there on who was going to grow up to be a great power and who was going to grow up to be a colony.

So 1497, all this maritime stuff is almost irrelevant to Russia. Moscow is on the move. It’s gaining control of that’s going to be the core of European Russia. It has become the seat of the Orthodox Church in 1310. It defeated the Golden Horde and thrown off Mongol domination. It conquered Novgorod in 1487 and Vyatka in 1489. And this is the base from which Moscow then continues to expand, both to the east and the west, and to Siberia and to Lithuania and to what’s now Ukraine.

And by 1860, water starts to enter into it. Moscow has fought several wars with Turkey in order to get access to the Black Sea. It’s made inroads into the North Caucasus. But most of its imports are still coming in through ports in St. Petersburg and Odessa, so still in Western Europe. Trade in China has begun, but it’s flummoxed by geography and distance. You’ve got a situation where the traders are journeying for something like three years each way. Russian traders are selling guns, opium needles, pots, wool, leather, tobacco, mirrors – sorry, wool, leather and mirrors. They’re taking home tobacco, tea, rhubarb, fireworks, silk goods, paintings. And this trade is going through Central Asia.
So, you know, it’s a lot of these things. We talk about the Silk Road back in the day. This is a different – this is also the Silk Road. It’s also interesting to look at the relationship with Japan at this point. At this point in time, Sakhalin Island is under joint Russian and Japanese control, and Russia is pouring convicts and exiles into it. It later gets traded to Russia for the Kurils; so, you know, echoes into today.

As of 1869, Russia has also recently annexed about 400,000 square miles of Chinese territory. It does this in order to prevent British expansion, because, following Russia’s loss in the Crimean War, Russia and Britain are fighting it out in Central Asia over territory and control. Russia is annexing territory that had been Turkish. The Brits are moving in from India and the Middle East.

So overall, you know, this is a picture of Russia expanding as a land-bound colonial power looking for access to sea routes and looking for trade.

MR. GOODMAN: Excellent. I didn’t think we could do Russia in three minutes, but that’s impressive.

OK, turning a little further east, Rick – India; been around for a while as well. What’s its perspective?

RICHARD M. ROSSOW: Sort of been around. But, you know, of course, looking back over the last 500 years, I kind of break up India’s trading history into three different periods – you know, first when India was an offensive trading partner; the second when they were sort of a conquered entity; and the third when they were more playing defense than anything.

The first period, at the time that da Gama had arrived, much like almost every foreign entity’s interest in trading with India, he died in India. At the time he arrived, India was a major trading partner in the region. You see elements of this all across the Indian Ocean, but particularly when you look to India’s east, across Southeast Asia. A lot of the – you know, apart from finding, you know, coins and things like that, but you find that they exported, almost as much as anything, culture and religion – Hinduism, signs of it all throughout; Buddhism, signs all throughout. So clearly the trading links were very strong.

But, you know, India did not exist as an entity per se. I mean, during that first period of the 500 years we’re looking at, there were major and minor kingdoms, some of which were very pro-trade-oriented. Other ones were a lot more inward-looking; so difficult in that first period to say that there was a common national interest in trade per se, but individual kingdoms, you know, engaged in trade as they saw fit.

And so, you know, again, you see a lot of examples of that. I mean, if you travel up and down the west coast of India, for instance, and you can find a prominent Jewish enclave in Kerala, you know all up and down. There are so many different – but then, with da Gama’s arrival and Portugal’s interest in India, you know, you began to see the Western powers taking a much stronger interest in India.

And, you know, Portugal arrived, France arrived, and had a number of colonies across India that were primarily used for trading. But then, of course – (laughs) – then the big entity arrived. British arrived, first as a trading outpost, and really tried to cut off India’s trade links that they had with the rest of the world, and really dominate the trade with India, bringing out natural resources and trying to sell back into India finished goods that were made in Great Britain.
So that was the second period there where India’s existing links had suffered quite a bit, and the U.K., and to a lesser extent Portugal and France, tried to dominate India’s trade links.

Then, with throwing off the British yoke, as they call it sometimes, you saw this third phase, the dawn of India’s independence in ’47. And, you know, one of the real elements of Nehruvian socialism, the real economic policy they developed at that time, was trying to give India a period where they could build up their own industries again, really cutting off trade links, very high customs duties, and really focusing on trying to stimulate and spark the growth of domestic industries so that, at a time in the future when Indian industry was more competitive, they could reestablish those trade links, and hopefully do so on par with others.

We’re still waiting for that day to come, and that’s a good lead-in for talking about the here and now.

MR. GOODMAN: Thanks so much, Rick.

OK, Amy, Southeast Asia; a relatively new concept as a group, but the countries, again, have been around, have a long history. What’s their perspective?

AMY SEARIGHT: Yeah. Southeast Asia had strong trade and economic linkages to Europe as well as to East Asia; to Europe through India and South Asia and the Middle East, really going back to antiquity.

So Portugal’s successful bypassing of the traditional trade routes didn’t really mean all that much for Southeast Asian traders. It mostly just changed the middleman from the Ottomans to the Portuguese and other Europeans.

The most consequential change that Portugal really instigated was the slow encroachment of European colonialism to Southeast Asia, beginning with the conquering of Malacca in 1511. Colonialism was pretty limited in its extent for some time; began to pick up around the time of the Industrial Revolution in the 1830s. And the opening of the Suez Canal in 1869, again, didn’t – wasn’t all that consequential for Southeast Asia in terms of its economic and trade flows.

But around the same time, we saw – we see a real uptick in colonialism in the region. And as the region became more and more carved up by colonial powers, the economies were increasingly forced to produce goods for the imperial metropoles. So trade and economic integration among Southeast Asia countries or, you know, entities really kind of broke down and they became more outward-focused. And Southeast Asia to this day is dealing with that legacy in its aspirations to create a much more integrated ASEAN economic community.

MR. GOODMAN: OK, thank you; very succinct – again, a lot of detail below that, but we can maybe come back to that.

OK, Chris; again, another country that I think has some sense of history – (laughter) – and interested in what China’s view on all this has been.

CHRISTOPHER K. JOHNSON: Thanks, Matt.
Trying to think about the question you asked us, which was sort of what was your country or region’s thinking on connectivity, I would say, in the period you asked us to look at, China moved in a direction of travel that sort of started with deep ambivalence, moved toward deep suspicion, and wound up with sort of fear and outright rejection of the concept.

You know, in 1497, by then they had already burned the – Zheng He’s fleet. All historical records of his voyages were eliminated. The fight between the sort of eunuch class that Zheng He represented and the ruling classes and fear of the rise of merchants as a threat to the emperor and the emperor’s retinue was something that really came into play in those late 1400s period.

So basically, when da Gama did his voyage, the Chinese were completely unaware, or at least not caring that much about it. And I think then, if you fast-forward to 18 – the Suez Canal period, at that point you’re already getting well into what the Chinese refer to as the century of humiliation by that point. And so you have this sort of deep sense of rejection.

And so, from my perspective, I think that’s what makes the modern Belt and Road Initiative such an interesting factor, is that you’re really not just going back hundreds. You’re going back, you know, much further than that to a period where they were welcoming the idea of this connectivity and trying to drive it. And that’s really the parallel, I think, between the two periods.

MR. GOODMAN: Super. Well, again, we’re going to come back to China, I think.

OK, Mike; not to save the last for least or least for last, but you are the geographic extreme of this geography. So what about Japan?

MICHAEL J. GREEN: Japan, the land of pirates and thieves, as early European explorers described it. The story of Japanese strategic thinking about the Eurasian continent begins around 720 with the publication of Nihon Shoki, which was the Chronicles of Japan, which described Japan’s identity vis-à-vis the Eurasian and Chinese land mass, the land of the rising sun. China is the land of the setting sun. China had an emperor. Japan had an emperor. It was very much about power, status and hierarchy.

But ultimately the oceans protected Japan. Even when the Mongols tried to invade, their fleet, of course, was destroyed by the famous Kamikaze, divine winds. It was the arrival of the West and, of course, Commodore Perry in 1853 that awoke Japan to the importance of controlling the seas and a maritime power, much later than the British, but very much focused on controlling the seas until the collapse of the Qing empire, which drew Japanese strategic thinking towards control of the continent, because European-Russian encroachment on China would be encroachment on Japan. So a maritime power, a fairly new maritime power, gets drawn to the continent, competes with Russia and Europe, and even the U.S., building railroads in Manchuria and North China for infrastructure hegemony.

But well beyond that, you’ve probably seen the Tibetan flag. And it looks vaguely like the rising sun. That’s because two Japanese spies, dressed as Buddhist monks, went to Tibet in the Meiji period to foment Tibetan nationalism, to outflank the Qing, create nationalism within Eurasia. And, of course, it all ended with tragedy with the Second World War, a war really fought about control of China and the continent by Japan, a maritime power, against American-Britain maritime powers.

And so, after the war, the Japanese instinct was very tentative, very hesitant, until the return of Chinese power in the 1990s. And suddenly Japanese strategic thinking about the Eurasian land mass is
Prime Minister Hashimoto announces the new Silk Road Initiative in the mid-1990s, opens to Russia. Abe opens to and Koizumi opened to India, to ASEAN. The trade ministry starts talking about east-west infrastructure connectivity to counter north-south Chinese connectivity. And so, in some ways, it’s a very different Japan and a very different world, but it’s a reawakening of some of the same competition with some of the same power games.

MR. GOODMAN: Fantastic. Well, it wasn’t deliberate, but ending with a real historian was, I think, a good move.

Again, you can see these guys know a lot more than they’re saying, because I insisted that we at least average three minutes, which I think we did. So please follow up with them, read their stuff, read Mike’s book, and you’ll get a lot more of the detail and nuance on this set of issues.

OK, let’s fast-forward to today. And then, you know, again, our project, Reconnecting Asia, is about infrastructure. Hard infrastructure is what we’re mapping. We’re also interested in soft infrastructure, the connections of customs, systems and legal systems, and even the people to people and trade and other things that flow over the infrastructure.

Each of the countries and regions represented up here is playing in this game of – new great game, as I call it, of building infrastructure across this region. And I’d like to, sort of in different groups this time, ask folks about your country’s or region’s perspective on this and why you’re doing it and what its significance is, economically and strategically, for your country or your region.

So I’m going to start with Chris, because he really – China started all this. I mean, they, with their Belt and Road Initiative, I think, have sort of been the most visible, at least, player in this picture. Actually, before we were up here, I was saying – when I said that we were going to align west to east, somebody said that we should be aligned by size of population or economy, and Chris should have had a much bigger chair.

But seriously, Chris, so tell us in three minutes what Belt and Road is all about. Is the spectrum of motivations that people are looking at from, you know, providing public goods, through developing, you know, their near abroad – to stabilizing their near abroad to controlling it to more strategic objectives? Where does this initiative fall in that spectrum?

MR. JOHNSON: Thanks, Matt.

I guess the place to kick off is that it is not the Chinese geostrategic plan to dominate the region or global trade patterns. We did a study on this now – it’s been a couple of years now – trying to look at it from a different perspective, because there’s been plenty of work done about how dangerous the neighborhood is they’re trying to do these projects in; issues with regard to financing and, you know, Chinese capacity to manage a project this big. We stipulated all that in our study.

What we were trying to get at was where did this thing come from? Why does it matter? And should the U.S. be concerned? And I think that – or at least aware. And the three kind of main conclusions we draw, which I think still hold very much true, is that first it was an effort by Xi Jinping when he came in as China’s new leader, and a group around him, to create an overarching framework for what, prior to that, had been a very messy alphabet soup of organizations that were sub-regional in nature.
So you had, you know, the Shanghai Cooperation Organization, the BRICS entity, cooperation with Africa in the FOCAC. You know, Xi Jinping’s view was we need an overarching vision that links all of this together. And so that was the starting point, I think.

Secondly, it really is mostly about economics, despite, you know, a lot of other things that you will see. And it’s about exporting Chinese overcapacity, to a large degree, especially the land portion of it. And that’s because, you know, Chinese leaders, post the global financial crisis and the huge stimulus package that came in 2009, they understand that the local economy, the indigenous economy, can no longer absorb the level of investment it’s been absorbing for decades now, and this needs to go somewhere else. And that’s been a critical piece.

And then I think third, and probably most importantly, you know, we’re about to have the 19th Party Congress here in a few weeks, where our expectation is Xi Jinping will become even stronger, really consolidate power. This is his foreign-policy baby. This is his signature program. And therefore, it is too big to fail. And so I think we will see a renewed energy on the program coming in his second five-year term. And we’re already beginning to see – Chinese Central Television just ran this six-party documentary series on major-country diplomacy under Xi Jinping. Belt and Road was a major feature. And I think we’re going to see them double and even triple down on the project going forward.

MR. GOODMAN: Great. Fantastic. And again, we’ve – Chris and his team have done a lot of work on Belt and Road. We’re, in Reconnecting Asia, also looking at this. And please go to the site and you’ll see a bunch of our collective works there on this topic.

I didn’t mention that we have on the screen now the – sort of our version of the Chinese broad vision of infrastructure connectivity across this land mass. And we have similar visions for each of the countries up here, so we’re going to go through these.

Let me turn now to Rick and Mike, or Mike and Rick, maybe in that order, who are the two countries – represent the two countries that are probably most challenged by the Belt and Road, or feel a sense of competition, and ask – you both hinted at, from the historical perspective, how that feeds into today’s vision. But, you know, Mike, what are – what is Japan thinking about this and doing about it?

MR. GREEN: You know, China’s sudden emergence as a major development assistance provider, infrastructure funding and financing provider, you know, came as a shock to Japan, which had the privileged position in Asia as co-lead in the Asia Development Bank, second-largest contributor to the – you know, the World Bank and IMF. And this led immediately to a negative reaction. So the Japanese government strongly opposed the Asia Infrastructure Investment Bank; opposed One Belt, One Road.

It’s interesting, because there are polls that – of elites in Japan that show that actually a plurality think it was a mistake to oppose AIIB, for Japan to oppose it. And this was Genron NPO, a polling group in Japan. And when asked why the lead answer, half the respondents said that the international financial system was no longer led by the U.S., that U.S. leadership had been broken. There was going to be a new multipolarity and more competitive dynamic. And Japan had to work with the U.S., but also had to find a way to shape China’s infrastructure by joining. So the debate is unfolding.
At the same time, when Xi Jinping gave his speech in Shanghai two years ago at the CICA – I won’t spell out the acronym; it would take another hour – but the CICA speech, where, with all the Eurasian neighbors, from, I guess, Turkey to Korea, Xi Jinping said Asians have to take care of Asian security; there should be no more blocs in Asia, which is the exact language Gorbachev used in ’85 in Vladivostok to try to create a multilateral resistance to American alliances; almost exactly the same language.

So at the same time, the Japanese instinct is to try to join and shape this. And Japan has said it will participate in Belt and Road now. There’s a clear, you know, sphere-of-influence dimension to what China is doing. And the response is what Abe calls the diamond, India, Australia, U.S., maritime powers cooperating, but also working through the World Bank, Asia Development Bank and Japan’s own $100 billion pledge to create high-quality infrastructure, to press the Chinese to be more transparent, and also, you know, reinforcing this east-west infrastructure line to counter China’s north-south infrastructure. Foreign Minister Kono just gave a speech about an open Indo-Asia-Pacific infrastructure vision, with India very much in mind as a partner.

MR. GOODMAN: And that’s a good segue into Rick, but just to say – just to highlight the competitive aspect of this. You mentioned the quality infrastructure plan of Japan. When it was announced, it was touted as a $110 billion plan, which seemed like an interesting number to pick. And that’s because the AIIB was going to be capitalized at $100 billion, and so they wanted to show that they were going to be doing a little bit more. The Japanese plan has since been boosted even further.

But Rick, Mike mentioned India. What’s – how is India looking at this? Traditionally it’s been more focused on internal connectivity, in the recent past, but it’s also kind of interested in its eastern connections by sea and maybe north by land.

MR. ROSSOW: Yeah. The – first, you know, India’s perspective on connectivity, you know, you’re right. I think sometimes when you hear Indian leaders talk about things like look east and act east, it gets us very excited, you know, because we want India to become more integral in partnership with Japan and Southeast Asia. But in practice, the country itself really isn’t – doesn’t have well-developed infrastructure.

So in a practical way, building those domestic connectivity for India is very critical. If you look at a map of India, and if you broke it down kind of, you know, state by state, the states in India that are actually more productive tend to be on the west coast – Gujarat, Maharashtra and others – very poorly connected with the states on the east coast, like Bihar and West Bengal. So if you had these roads and other types of infrastructure built connecting eastern India with Southeast Asia, there would be parts of India that are actually least competitive, for a country that has a massive trade deficit with the world.

So India, I think, needs to focus – and I think the leadership in practice focuses more on domestic connectivity. They have these monster projects, partially funded by the government of Japan. For instance, the Delhi-Mumbai Industrial Corridor, which is the largest infrastructure project that the government of India has ever undertaken, which is dedicated freight rail, these industrial townships built along the sidelines for it, with ports, LNG ports; I mean, a lot of infrastructure that goes along with it.

Apart from domestic connectivity, the other major project that has gotten new prominence under Prime Minister Modi is skipping SAARC. SAARC is an institution. Any club that has India and Pakistan is not really going to function terribly effectively. So India has really shunned SAARC, which
was a non-functioning entity anyways, and instead is looking to develop stronger infrastructure ties with its other neighbors, with whom they feel China had started to make political inroads – Nepal, Bhutan and others, Bangladesh in particular.

Probably no two big countries on earth – I’m interested if people have other opinions on this – have done more to kind of tie themselves and lash themselves together than India and Bangladesh have done in the last couple of years. And it’s great that it’s driven by a real political imperative in India, where, you know, cutting through Bangladesh and connecting those northeast Indian states that are almost entirely cut off from the mainland – the BJP thinks that they can actually start winning some states up there, and they’ve done so. So getting more direct connectivity through Bangladesh, and including Bangladesh, is a political priority; one of those few times that good foreign policy is perfectly aligned with good domestic politics.

But with China, you know, India is willing to play with China in some of the projects; AIB, some of the work being done with the BRICS. But Belt and Road has – it’s become a real sore spot and problem area between the two. India actually is probably the loudest, the most outspoken country in terms of raising concerns about the way that Belt and Road is being conducted.

I mean, for India directly, you know, the China-Pakistan economic corridor is one of the first projects that’s supposed to begin moving, which cuts through the slice of Kashmir that Pakistan occupies and India continues to claim. So India claims that it’s causing a debt trap for the countries that engage. They say that it’s being done without consultation with neighbors, which is a direct concern. They skipped the summit meeting.

And even though it’s not a part of the Belt and Road summit, I’m sure a lot of you followed this recent border standoff that India and China had. Interestingly, you know, it was not a border that India shared, right. It was a border between China and Bhutan. India sent troops to stop Chinese infrastructure development in another country, whether you say it was in Bhutan or in China.

So I think that’s a pretty loud and clear signal to Beijing too that Delhi does not like the fact that other countries aren’t being consulted. So this is one of those rare instances that India is probably standing up more for what we consider the Western rule of order than a lot of other countries are.

MR. GOODMAN: Fantastic; lots in there again.

Amy and Jon, I’m going to pair you, because you represent regions that both are recipients of some of the largess from China, Japan and others, and also – but also have your own visions. ASEAN has a vision. Tell us about the perspective from Southeast Asia.

MS. SEARIGHT: Sure. Yes, ASEAN does have a vision. It’s clear that ASEAN countries need a lot of infrastructure. The ADB estimates that about $60 billion per year are needed in investment in road, rail, power, water and other critical infrastructure. And, of course, there’s not that kind of capital within the ASEAN countries or ASEAN as a collective. So ASEAN very much depends on external capital.

So it’s been talking about connectivity, by which it means largely physical infrastructure, although there’s also a soft infrastructure component of trying to ease trade barriers and have more harmonization of things that would promote trade and investment integration. They see connectivity as
a critical enabler for the very strong goal they have for greater economic integration within ASEAN and with other partners.

So ASEAN put forward a master plan on ASEAN connectivity. They put out their first master plan in 2010, and last year they put out a new master plan, 2025. And yet this connectivity plan is much more aspirational than really concrete in practical terms or strategic. And by this I mean that there’s no implementing framework to ensure that projects are prioritized across the region and to ensure that they are mostly promoting intra-ASEAN connectivity.

And it’s very interesting that ASEAN has not, in any way, approached China in the One Belt, One Road Initiative as a collective and spoken with one voice about how it wants – how it wants China to prioritize investments. They’ve never even put out a statement on OBOR, which I think is quite interesting. So individual countries, of course, have been dealing separately with China, along with the ADB and Japan and other external partners, to get funding for specific projects.

And the final thing I want to say is that, you know, when it comes to – they’re all eager to get Chinese funding for projects and are working with the Chinese in an array of infrastructure projects. But you do hear a lot of complaints in the region, maybe growing complaints – complaints about corruption, about local officials skimming off the top of these projects.

And in countries like Laos and Thailand, where they’re building – China’s helping to finance a high-speed railroad that will link Kunming down through Laos to Bangkok, there’s a lot of complaints about how high the interest rates are that Chinese has negotiated. Many Thai economists, for example, have argued that they could do much better on the international market for that kind of project. And China also demands a lot of land on each side of the railroad, and that also has come under a lot of complaint.

And finally, there’s a real concern within ASEAN that these OBOR-led projects may be much more – China may be much more focused on creating land links with mainland Southeast Asia, tying individual countries directly to China, than really focusing on projects that would benefit maritime Asia. So there’s a little bit of a concern that this could lead to a bit of a divide between mainland and maritime Southeast Asia and ASEAN.

So finally, just to wrap – so again, it’s very economic in motivation of these individual countries, but it’s very decentralized. And ASEAN has not been a very good strategic player in this space, although it’s very good at using the connectivity buzzword in any and all documents and conversations.

MR. GOODMAN: Great. Thanks.

By the way, several people have used the acronym OBOR. And for those who aren’t watching it that closely, that stands for One Belt, One Road, which is what China used to want us to call their initiative. They now want us to call it Belt and Road Initiative, BRI, though they still call it the same thing in Chinese. So that’s interesting.

OK, Jon, same question.

MR. ALTERMAN: There’s tremendous excitement in the Gulf about China fitting the Gulf into its strategic picture, because I think there’s tremendous anxiety in the Gulf today. They produce
energy. They kind of have one crop. And the United States cares less and less about it. And if you’re in the Gulf and you’re a mono-crop economy, that’s really disturbing, because the Gulf’s relied on U.S. strategic assurances for three quarters of a century.

So the fact that China, A, is a genuinely growing market for energy, as opposed to Europe – Europe is going down; the U.S. is flat, and the U.S. is importing less and less as it produces more – the idea that you have a great power that actually cares about the Middle East is tremendously reassuring. And so there’s been sort of this scramble among Middle Eastern countries to be relevant to the Belt and Road Initiative. In some ways, they already are.

Now, as China looks to the Middle East, Iran seems like a very interesting country, because Iran is a source of energy that the United States can’t turn off if it wants to in case of hostilities. And as they look at all the other countries in the Gulf, they see these are all countries in the pocket of the United States. So it’s actually important, if you’re going to hedge against U.S. hegemony, you need a country like Iran.

Iran, by the way, is a country which, because of its isolation for so many years, is perceived to be a country which, from a Chinese perspective, offers tremendous opportunities for investment. So the Chinese are interested in investing in Iran. Iran, which is desperate to integrate with the rest of the world after its years of isolation, is really, really happy that China wants to invest. It’s planning these railroad networks that extend up from the really extensive set of ports that China has on the Gulf that go into Europe, that can go into Russia, that can go into Central Asia. So Iran is very interested in building infrastructure. And the Chinese are happy to help that. And frankly, the Indians are happy to help that kind of Iranian integration with the rest of the world.

That’s on the sort of the U.S. isn’t sure what it wants – is that really a good idea? It’s probably not a good idea – side. On the gee, that’s a great idea side, there are a quarter million Chinese who live in Dubai. Dragon Mart is a mall that’s a mile long, right. And the United Arab Emirates has become a sort of front-office showroom for China to operate throughout the Middle East, Africa, and to some extent Europe. It’s easy to get to Dubai. All the manufacturers have representatives there. You can ship things into Dubai. It’s a very active port.

So there’s a way in which China’s vision of the Middle East, China’s vision of its expansion to Africa, is intimately tied into the Middle East. And without China deciding they want to link in that way, for economic reasons they have linked that way. And if you’re in the United Arab Emirates and you’re interested in how to expand your trade, the way to expand your trade in the United Arab Emirates is you build deeper ties with China, because they’re the people who are making stuff and they’re the people who are investing.

So there’s a way in which this is growing organically anyway. And the fact that China may be focusing energy on it makes people all the more enthusiastic to figure out what is the strategy so we can get the Chinese to invest more. And that’s true on both sides of the Gulf. It’s true on the Iranian side, where they’re desperate to integrate more into the world, and it’s true on the Arab side of the Gulf, where they say we have to diversify our economies. We’re not just going to be energy producers. Take advantage of our period as energy producers to keep the Chinese interested, but we have to have a more diverse society, and we’re going to have the Chinese help us do it. So there’s a spectacularly open door to working with China.
I think, from the Chinese perspective, the question is, well, yeah, it’s important for energy reasons, but economically it’s still relatively small. I think their challenge is how do they become genuinely strategically important to China instead of, you know, not much more than a rounding error when you look at China’s global trade patterns.

MR. GOODMAN: Fantastic.

OK, now I’m going to batch Olga, Heather and Bulent and – because you all are involved in this game, have some ambivalence about aspects of it.

And so let me start with Olga. Obviously, Russia has been in the infrastructure business for a long time. A hundred years ago last year, the Trans-Siberian Railway was completed. It’s – Russia seems to have an interest now, mostly in north-south, you know, all-roads-lead-to-Moscow sort of infrastructure connections, and the softer side, the Eurasian Economic Union; isn’t doing as much on the hard side.

But how is Russia looking at this? And how is it looking at the Belt and Road as a potential source of collaboration or competition?

MS. OLIKER: Great, thanks. So, for Russia, a lot of this, not all of it, but a lot of it is about resource extraction and sale and it’s about controlling trade routes, at least to some extent, both to improve Russia’s capacity to sell resources, but also in the hope that by building infrastructure in certain ways you can have a certain amount of influence. This hasn’t worked very well for Russia, but it is something Russia doesn’t seem to be quite willing to give up.

I mean, surely, if you just build a pipeline that only goes, you know, between two countries and, you know, if you have more options, they have fewer options, you’ll have more influence, is a guiding principle that Russia tries to do. It rarely works that way.

Russia is also hampered by the fact that a lot of the infrastructure inherited from the Soviet Union isn’t in great shape. And that’s the “all roads lead to Moscow” infrastructure. I mean, that’s how the Soviet Union was built. So Russia would like to strengthen all of this and it would like to keep all the roads going through Moscow, but the resources to implement have gone up and down over time and the capacity to implement, and corruption plays a role in all of these things, meaning that although there are big plans, they don’t always come to fruition.

Now, China is crucial to Russia’s planning. There’s a lot of hope for Chinese energy imports. And there’s a lot of hope for indeed economic and trade ties throughout East Asia, but China is where it’s developed. China is where there are agreements, where there are plans, where there are pipelines. And here, you get into the Belt and Road, One Belt, One Road, and the question of Russia’s relationships through the Eurasian Economic Union with many of its former Soviet neighbors and whether these compete.

And I’ll come back to the Eurasian Economic Union, but what I will say is, first, Russia would love the Belt and Road map that was put up earlier because a lot of roads lead through Moscow on it, so that’s nice. But generally, I think Russia’s attitude towards Belt and Road is it’s vague enough that we’ll worry about it later, in the meantime we’re going to say it’s great, it sounds good, it’s completely in line with everything we’re doing, and then kind of in the long run you’re going to have to see how it actually evolves.
I’d also say that Russia’s relationship with Turkey also has a substantial energy trade component as well as a substantial influence, kind of is there room for this to be a new power nexus component.

So Eurasian Economic Union – idea is to tie countries that historically have links to Russia, because they were part of Russia’s empire, to Russia more closely. You know, the challenge with this is you’ve got a bunch of countries that when they enter into economic agreements tend to violate them fairly soon after entering into them, so this is a union composed entirely of countries like that. So, you know, kind of regardless of what you think about its parameters, you have to accept a certain amount of deviation. And again, as the Belt and Road moves forward, we’ll see how it evolves.

I also want to very quickly turn to the Central Asian states because I feel like they should get a voice in all of this, too. And their basic perspective is, the more infrastructure linking us in, the better, the more options we have, the better, we don’t like being tied into one or another trade partner. They recognize certain limitations. I think watching how this evolves and especially watching how Uzbekistan’s role evolves, because we’re seeing Uzbekistan’s government with a new change in government, we’re seeing a certain amount of domestic openness, possibly external openness. Uzbekistan has been fairly closed off for a lot of years. If that opens up, if Uzbekistan starts playing a regional role, that’s going to be something really interesting to watch.

I’ll close.

MR. GOODMAN: Great. Yes, the Central Asian dimension of this is really interesting. And it’s the – again, had a chance to go there last year to the Kazakh-Chinese border and see some of the activity under Belt and Road, but also to see some of the tension that is sort of inherent between Russia and China. Because, you know, if you think about Kazakhstan and, you know, Russia’s interest in connecting at north-south and China’s interest east-west, there’s sort of a set of interesting issues there.

Heather, so Europe obviously has its own dense, you know, infrastructure network, but it also has a plan, the Trans-European Network – the Trans-European Transport Network – which has the acronym, probably is French or something, T-E-N, TEN-T – and, you know, is also the terminus, Europe is also the terminus of a lot of the Belt and Road activity, the roads and rails and so forth. But Europe’s trying to extend in different directions – east, north, south – so give us a European perspective on this story.

MS. CONLEY: Absolutely. Well, I think for me the snapshot of this is the fact that the Chinese firm COSCO, as a major stakeholder in the Greek port of Piraeus, has tripled the size of this port. And when I recently asked a Greek colleague of mine what impact has this had, he said, well, of course, this makes sense our Chinese colleagues are taking that vessel traffic directly from the Suez Canal up to Piraeus and then by road and rail into Western Balkans and throughout Europe, it makes perfect sense.

So, from our historic question, Portugal and France, of course, are two members of the 28-member European Union that has developed a very well-thought-out transportation network, the Trans-European Transport Network. It consists of nine corridors. Four of those are north-south, but five of those do extend into the Eurasian land mass and maritime periphery. Two corridors go beyond the European Union into Ukraine. One extends into Turkey. So clearly, it goes beyond this.
And in 2015, the European Union created a coordination mechanism with the Chinese. It’s called the EU-China Connectivity Platform, and that is to create connectivity between the Trans-European Transport Network and the Belt, Road Initiative. I would almost argue that on the eve of the EU’s digital summit that will be held tomorrow in Tallinn, there’s actually a 10th corridor and that’s the digital economy and digital connectivity.

In addition to the EU-China dimension, China has also embraced a new format which we call the 16+1. It’s 16 European countries, primarily Western Balkans, Central European. It is not an EU structure, interestingly enough, which has caused a little friction, but that’s another, again, I think investment tool for China’s investment in the Western Balkans. Again, if you have that transportation need through the port of Piraeus and up, you’re going to have to extend that.

You know, the European Union has grown increasingly concerned about the nature of China investment with EU officials calling for what we in our American terminology would call a CFIUS review, like, to review national security implications of this investment. And I think there is certainly a concern, to Chris’s point, about overcapacity, so you now see EU officials really concerned about that, the quality of EU-China trade.

I would be remiss, like Olga, not to mention what I call the age of rediscovery of the Arctic. And CSIS has a longstanding Arctic research project. You may have missed the news last month, but the Silk Road Fund, Belt, Road Initiative has now gone north and now includes Arctic projects. And we’ve certainly seen where China has increased its economic and commercial activity across Northern Europe, particularly in Russia and the Yamal Peninsula, very energy focused. COSCO takes a transpolar voyage every year to test that proposition. And, of course, President Putin has called for the Northern Sea Route to be the new Suez Canal. So don’t limit your ambitions to just Europe. Go north, the Arctic is going to become, I think, a more interesting construct for where Europe and certainly China’s Belt, Road Initiative will meet.

MR. GOODMAN: One belt, one road, one circle, I hear they want us now to call it. Incidentally, that lets me say one thing about Korea, which is that if you – we don’t maybe have our Korea map teed up, but if you look there, you’ll see that Korea has an ambition to exploit that northern route, the Arctic route to Europe. And so Korea’s an interesting player in this, they have an interesting connection to Central Asia because Stalin relocated a lot of Koreans from eastern Siberia to Central Asia, and so there’s a diaspora of Koreans in Central Asia. And Korea is actually quite active there in addition, obviously, to the Middle East and other places, building power plants and so forth. So that’s my Korea attempt to channel Victor Cha.

So, Bulent, last, but not least. Turkey has a Vision 2023 as you mentioned. It’s a bridge. You see all those lines running across the bridge. Tell us about Turkey’s perspective on infrastructure.

MR. ALIRIZA: Yeah, I’ll get to that in a minute. But just following on from what Olga was saying, you know, there is a north-south corridor development that Turkey is very much involved in, even as it seeks to build on its pre-OBOR, pre-BRI initiative’s involvement in the revival of the Silk Road, which is very much tied to its rediscovery of its ethnic brethren in Central Asia and the Caucasus, up to the breakup of the Soviet Union. And that’s exemplified by the development of what became the Baku-Tbilisi-Ceyhan pipeline to take Azeri oil west, down to Ceyhan through Georgia instead of Azeris using either the Russian route, you know, the old Soviet system which the Russians wanted them to use, or the Iranian alternative.
But having done that, they went ahead and actually expanded their energy relationship with Russia. And in addition to the overland routes that brought gas to Turkey ever since the 1980s, they’ve built the Blue Stream pipeline north-south underneath the Black Sea, which made Turkey even more dependent on Russian energy. Two-thirds of Turkish energy comes from Russia, so, you know, Turkey’s keen on this. And it’s also recently agreed to host the South Stream or what was the South Stream project which came – Turkish stream, which Bulgaria, under pressure from its NATO and West European allies, abandoned. So Turkey’s very much willing to develop its relationship with Russia in spite of this process.

Now, it’s also developing, as I said before, its relationship with the Chinese. And President Erdogan, previously prime minister, who’s been ruling Turkey for the past decade-and-a-half, is very keen on now on developing a relationship with China, so are the Chinese. They had meetings, very warm meetings both at the G-20 summit in 2015 and ’16, ’15 was in Turkey, ’16 was in China. Or was it the other way around? I think ’16, ’17, I think. And they – no, ’15, ’16. And then Erdogan visited, went there for the OBOR summit. And clearly, he’s hoping that there’s going to be Chinese financing available for Turkey, wants to go ahead and do it anyway.

There’s a very ambitious plan called one vision, 2023 Vision, which sees Turkey developing a whole series of railways and dual-carriage highways and developing its ports and tunnels, the bridge across the Bosporus, which, as Matt said, exemplifies the connection between Asia and Europe. This is in fact the third bridge. So there is a dovetailing of what Turkey wants to do anyway within its borders, very ambitious, and what the Chinese want to do. And we’ll see how it develops and how the U.S. reacts to it.

MR. GOODMAN: Great, terrific. Well, I think our average has bumped up to about four minutes now. So we need to in the last question that I’m going to ask, and then I’m going to turn it to all of you, we need to get down to two minutes each. So this time I’m going to go this way from Mike down the line and just quickly ask people about the U.S. stake in all of this from your country or region’s perspective. You know, what is the U.S. role in all of this? Do we care about the U.S.? Does your country care about the U.S. participation? What does it want out of the U.S.?

I mean, the U.S., the problem for the U.S. is we don’t have 110 billion (dollars) or a trillion dollars to spend on infrastructure connectivity in Eurasia. It would be nice if we spent some of that in Washington, D.C. (Laughter.) But seriously, we do bring some other things to the table. We bring, you know, great companies, we bring the rule of law, we bring our role traditionally in the multilateral development banks and other international organizations that help shape a lot of the standards around infrastructure investment. And so in theory, we could do a lot, but at the moment we’re not doing a lot. We did send someone to the Belt and Road Forum in May, a senior official in the White House, but beyond that we don’t seem to have a compelling, at least, strategy or narrative on this topic. And does that matter?

So, Mike?

MR. GREEN: So the Japanese government in a perfect world would like the U.S. to also, you know, pledge $100 billion in infrastructure. We just don’t do that. The last time we did was around 1910 when we were competing with Japan and Russia and Europe. And the State Department organized a consortium of the leading bankers in New York to build an American railroad to keep China open. And the bankers went, saw no value proposition and lent all their money to the Japanese. As Homer Simpson would say, “Doh!”
So it’s not in our budget and it’s not in our strategic culture in many ways in this part of the world. So failing that, I think the next best thing and a very important thing from Japan’s perspective would be to solidify the maritime and developed part of Asia through the Trans-Pacific Partnership, TPP. But, of course, we pulled out of that. So we’re not scratching the itch.

The other thing we could do is work together to reinforce high-quality infrastructure in the soft area where we’re very good, as would be Australia and Canada and others, and that would be to support good governance in many of these countries. And that’s an area where the U.S., Japan, Japan and Korea in particular, maybe Indonesia and India even, could be stepping up and doing more with the U.S., Europe, Canada, Australia. But, of course, that’s the soft side of governance and not as satisfying.

The last thing I’d say is, ultimately, while we’re not doing what I think our allies would like in this area as a government, you know, I’m still convinced the maritime domain is going to be the more important one for some time to come in terms of economic integration of Asia in the world. The super containers, the Arctic route, all of these things are going to keep the maritime domain more important. But this Eurasian piece is increasingly important. History is returning, and I think we’re not satisfying what the Japanese at least would like to see.

MR. GOODMAN: Great, terrific.

Chris?

MR. JOHNSON: Thanks. Real quickly, I think just two main points. Mike made an interesting reference earlier to the idea in Japan that it was a mistake to oppose the AIIB, it was a huge mistake by the U.S. to oppose the AIIB. We’re still, I think, sort of suffering under that. And I think that has follow-on implications because, you know, in the same way that in the last administration there was a general sense a few years ago that, say, in Southeast Asia, you know, China was scoring own goals and, you know, ruining that. Well, if you look at that map now it’s a lot friendlier toward China. And likewise, I think this has a lot of potential in that area.

You know, look, we know China’s not going to be 100 percent successful with this thing. They have huge problems with regard to capacity and so on. Let’s say they’re 40 percent successful with this initiative, it still creates a massive alteration of these patterns.

And then I guess I was just really struck running through all of our conversations today and two points that Heather made that were really interesting to me, you know, the idea of digital connectivity and then, secondly, a growing concern about Chinese industrial policy. So perhaps – and this is obviously a huge issue here in the states right now – so perhaps one way to get the U.S. government to get organized and get off the sidelines is to think about this in that context, how you cannot separate Belt and Road from Chinese broader industrial policy.

MR. GOODMAN: Yeah, good points.

Amy?

MS. SEARIGHT: Well, in terms of U.S. interests in Southeast Asia and connectivity, of course, the big impact is that many of the – most of the planned projects in infrastructure are mainly
linking Southeast Asia to China and this could have an impact over the long term for U.S. businesses in terms of their, you know, their competitive edge. So China could get a bit of a strategic advantage over the United States as all the roads and railroads and most of the shipping routes will be increasingly focused on China.

In the broader sense, you know, the United States certainly benefits from an increasingly interconnected and integrated Southeast Asia as a region. You know, the United States is very supportive of the ASEAN economic community, and if there are infrastructure projects that are needed to continue to link these countries together so that they are economically vibrant and more integrated and that gives them a bit of strategic independence, that’s all in the broad U.S. interests. But how the connectivity is laid down I think does have a strategic impact.

So in terms of what the United States can do, I mean, you know, as everyone has said already, the United States doesn’t have many resources to bring to bear on the issue, but perhaps it could do a little more to work with Japan, for example, to encourage links that are not just the north-south links that China is promoting, but east-west links across the region and continue to strengthen maritime links, which is really important for a lot of these countries to continue to have an economic hedge against China.

And U.S. companies could get involved on the services side in areas such as engineering and managing infrastructure and those sorts of things. And perhaps U.S. financial institutions and long-term investors could also help fund some bankable projects, particularly because, as I mentioned before, the Chinese concessionary loans are not that cheap.

MR. GOODMAN: Rick?

MR. ROSSOW: Well, I think India would love to see the United States sharing its voice and publicly raising concerns about China’s ulterior motives in these projects. And in fact, they got, I think, a little bit more forward-leaning language in the joint statement when Prime Minister Modi came to meet President Trump than what they’d seen in past outreach.

You know, obviously it’s tough to prove ulterior motives, so the United States has been a bit hesitant. But at the same time, we’ve got a whole sea of boiled frogs from Sri Lanka to the South China Sea, so it may be less difficult to prove that over time.

Also, you know, as a country we need a big, strong India. I mean, ultimately, we’ve got these two poles of power, two monster countries in Asia. Every single day, India is falling further and further behind, both in economic power and military power. If these infrastructure projects that India has planned for itself give India the tools to be more competitive economically long term, it’s certainly good and in U.S. interests.

Another issue that India continues to press the United States on, and this gets back to the China-Pakistan Economic Corridor, is, what ultimately is going to happen if Chinese investment in Pakistan creates a more vibrant economy? Of course, as Americans you’re always hoping and dreaming that economic opportunity is going to drive a country away from supporting terrorism, but in practice that doesn’t always happen. And India’s whispering in our ear or yelling in our ear this is not good, this is going to give Pakistan more tools to hurt us, it’s going to be a pawn for Chinese interests as we grow stronger. So that’s another perspective anyway that India continues to press the United States on.
But, you know, ultimately, it comes back down to the point, what does the United States have in our toolkit that can help India in its own interests of building internally, building locally and without that big development bank, but the private sector? You know, and, Matt, you had mentioned it. The private sector in the United States is the main tool that we need to figure out how to leverage. Frankly, though, it’s not up to us to learn to leverage.

I mean, the big obstacles to more investment in infrastructure from the private sector is in India’s own hands, things of ease of doing business, contract sanctity and enforcement. If these things get ironed out, I mean, you know, from somebody who worked in the life insurance business for a while, huge pools of capital, you’re looking for stable returns you can count on. India’s interest rates are higher than almost any place you’re going to find on earth. But it’s still, you know, you just can’t trust that the money’s going to be repatriated at some point. So, if India overcomes its own domestic obstacles, the private sector would come in there willingly and fill the coffers with the infrastructure dollars that India needs.

MR. GOODMAN: That’s right. And when people say we don’t – the U.S. doesn’t have money, remember we do have trillions of dollars of investable, you know, pension funds, insurance funds and others that would happily go into this business if they thought they could get a return.

MR. GOODMAN: Olga?

MS. OLIKER: OK. So to start with U.S. interests and, again, to echo the challenge of limited U.S. policy right now, historically – always the recourse, if you don’t know what current policy is, talk about history – historically, the U.S. dogs in the fight on Russia in Asia, Central Asia, in Asia have been commercial and political, but both sets of interests, I would argue, are limited and have been limited, which has led to a certain vacillation of policy that said for many years successive administrations supported to varying degrees efforts by post-Soviet states that warned Russia to develop alternative trade and pipeline and so forth routes to those that go through Russia. You know, all roads leading to Moscow again. This was driven by politics, not commercial interests. I mean, full stop, right? There’s no question of that. I don’t know that anybody is focused on that in kind of looking east. There’s certainly still some focus on that looking west with pipelines and trade through Europe.

There’s less concern about Russian rapprochement with China. There are people who are very worried, but I don’t know that I see them in this administration, to a lesser extent Japan because the rapprochement is fits and starts anyway. Overall, while Russia has been looking to build trade, build relationships, you know, to a certain degree build infrastructure in the rest of Asia, this is so nascent that it’s almost completely discounted by Western scholars of Asia.

I mean, if you’ve noticed the folks on that end of the table don’t talk about Russia very much and that’s pretty typical.

MR. GOODMAN: And vice versa.

MS. OLIKER: Well, you know, Russia talks about all of it, right? And I will also say that – so from Russia’s perspective, and then I also want to go to the Central Asian states, again, Russia would like to build some sort of capacity in Asia. And that means it wants the United States to stay out of its way while it does it. Well, a lot of Russian policies about countering the United States, that’s not historically what it’s been in the Asia realm. You know, kind of this idea of, yes, if you could break
the Japanese away from the United States that would be great, but for what purpose isn’t quite clear other than, you know, to make Russia more influential and more important. And with Japan, it’s not as though Russia is going to have the upper hand any more than it does with China.

So it’s – it’s what – I mean, I think one of the reasons Russia has made such minor inroads is that it doesn’t have a very clear vision. And that means that really it just wants the United States to stay out of it, which the United States is comparatively likely to do going forward, so a win for Russia.

Central Asian states looking for balance with an increasing recognition that the United States, which has always been an uncertain partner in this game, is probably backing out. We’re going to – just to pitch an event we’re having next week, we actually have Russian scholar Ivan Safranchuk who’s going to come to talk about his research into how the Central Asian states are looking at their foreign policy going forward. So October 4th in the afternoon, check it out.

But, you know, kind of from a perspective of what should U.S. policy be, I don’t, you know, I don’t see that the United States does have really strong interests in preventing any of this infrastructure. You know, the policy towards Russia has been this weird mix of we want to integrate them and we want to limit their influence all at once. This isn’t going to build a lot of influence. It might do a certain kind of integration in the East rather than the West. I don’t know that that’s harmful to U.S. interests.

MR. GOODMAN: OK, good, provocative thought.

Bulent?

MR. ALIRIZA: You know, the U.S.-Turkish relationship, which extends all the way back to the Truman Doctrine 70 years ago, it is in doldrums. I mean, I can’t find a better word. I mean, they’re going through the process of saying that there is an alliance, but it’s got many, many, many problems. One reason is because it was essentially an alliance that was directed against the Soviet Union, both the U.S. and Turkey were confronting the Soviet Union in different ways, one at the macro-geostrategic level, the other one very much feared the Soviet Union in the region. And that continued all the way through the 1990s when the U.S. after the Cold War and it backed the Turkish effort to build this pipeline, which was, you know, the opposite of what Russia wanted.

Now, the relationship continues, but the problems are accumulating. I don’t have time to get into them. And I’m not too optimistic that they’re going to be eradicated between Washington and Ankara in the near future. So where does Turkey’s relationship with Russia and, to focus on today’s topic, its involvement with the Chinese in the OBOR, BRI initiative fit in into the U.S.-Turkish relationship? Well, frankly, I don’t know where the U.S. stands on this. It does not oppose it, it does not support it. It’s watching from the sidelines.

But from the Turkish point of view, getting involved with the Chinese and certainly getting involved with the Russians is very much a function of its problems with Washington. And I think that that’s going to continue for the foreseeable future until the U.S. comes out with a policy as to how it reacts to this.

One final point. Even if the U.S. was to say that it doesn’t like it, I don’t really think that it has much leverage vis-à-vis Turkey. So for the foreseeable future, we’re going to continue with what we have.
MR. GOODMAN: OK, great.

Jon?

MR. ALTERMAN: I did a report that came out last spring that Matt helped me release called “The Other Side of the World” that looks at China, the United States and the Middle East. And for the United States, I think the question is, how much do we really care about how this region is ordered? I mean, do we want to invest in sustaining multilateral security relationships, multilateral economic engagements that mean that the world is – that the world as a whole is operating according to laws and rules that the United States basically supports? Or do we not care if China comes in and pursues what seems to be the Chinese preference, which is bilateral relationships – P.S., bilateral relationships where China is always the stronger party?

I think we have to decide. And what, you know, what I see the U.S. government doing increasingly is saying, well, we want to deal with the rest of the world through bilateral relationships because we’re going to be the strongest party. I think we have a choice. There’s a choice and it manifests itself in the Middle East as we see China having expanding interests in the East. It manifests in other parts of the world. But I think this whole question really comes down to a question of strategy for us of, do we want an ordered world where we help set the rules, or do we not care if or do we have a preference for bilateral relationships where you’re always doing a one-on-one tie?

I think the Middle East and this Belt and Road Initiative is a precise example of how that’s unfolding, what the implications are and what it would mean not only for us, but for our allies who, by the way, also rely on energy from the Middle East, our allies in Asia in particular and in Japan and Korea, and have a keen interest in how we want the world to be ordered. We have to figure it out.

MR. GOODMAN: Great, another provocative thought to have us chew over.

Heather?

MS. CONLEY: Well, I think it’s instructive that the last time the United States had a major investment into – infrastructure investment into Europe was 70 years ago with the Marshall Plan. And I think it’s instructive, again, to understand that. So the United States had an overarching, positive policy ambition and that was containment and it was a bipartisan understanding of the imperative of that policy. It had the economic means, which was the Marshall Plan.

The Marshall Plan, the secret was we portrayed it as great generosity to Europe. It was to solely and wholly benefit American companies after the war to increase their economic opportunity. And third, there was a security component to it and that was the entrance of NATO as it began. That, sort of that trifecta, if you will, of you have a vision, you know what you want and it’s important, it’s a national imperative, you give yourself the economic means which benefit the United States and American companies – that is, of course, always our self-interest – and you create a security architecture that can support that ambition. That’s the threesome that we need here, and we can’t get it on the cheap.

MR. GOODMAN: It’s worth pointing out the Marshall Plan in today’s dollars is worth about a hundred billion dollars, plus or minus, so, you know, by comparison, Belt and Road is a much bigger ambition at least.
So, OK, fantastic, lots more to cover, but we actually did really well in that round. We got ourselves to, I think, the two-minute mark there, so really appreciate that.

OK. I’m going to turn it open to the floor and ask people if you have a question to raise your hand. The microphone will come. Please identify yourself and ask a question. If you have a specific question for somebody, regionally, geographically, please do that. Otherwise, it can be a general.

And the lady right here. Hold on a second. Can you identify yourself, please? Thanks.

Q: Lisa Usmah (ph) from George Mason University. I’m from Pakistan originally. Thank you so much for this discussion.

And my question is, like, with the last segment of the discussion that we just had. So a lot of you are talking about there is a grand infrastructure development plan, which is the hard infrastructure in Asia and Europe. We’re talking about the U.S. interests, what the U.S. can do. So as the panelists – and you also mentioned what the U.S. can do or influence on the soft side, which the OBOR plan is totally lacking developing those support institutions. If I ask the panelists about, like, one or two concrete steps what the U.S. can begin to do in that direction. Thank you.

MR. GOODMAN: OK, thanks. Can you pass the microphone to the gentleman in the front and we’ll take him in a second? But would anyone like to – sorry. Would anyone like to take on that question of what the U.S. can concretely do?

MR. ROSSOW: I mean, I have one thought. And this is from a lot of conversations with my friends in the Japanese government that are helping fund some of the projects, you know, within India. When there are viable projects out there, sometimes the U.S. private sector is a little slow to learn about them or see what’s really happening on the ground. So I think in the India context, I actually think trade missions is something that I think it’s – it’s kind of a tired old – it puts people to sleep sometimes talking about trade missions when they get organized.

But at the same time when there’s real things happening on the ground, it’s so difficult, you know, to know from this side of the ocean what’s taking place there, a lot of companies that haven’t gotten engaged in these projects, don’t know the bids that are on offer, things like that. So that’s one thing that can be done. I think trade agreements are terrific to lash them together, too, but trade missions, especially in the Indian context where a trade deal is probably not in the cards.

MR. GOODMAN: Anybody else want to take that on?

MR. GREEN: Well, I mentioned soft infrastructure investment in terms of governance. And I think the budgets for State, AID and others for promotion of good governance, rule of law are, you know, on the chopping block. So that would be one thing we could do differently.

I mentioned TPP. I don’t see TPP coming back in the next year or two. But Matt and I, I think, are in agreement, it’s not dead yet. And that is a, quote/unquote, “trade agreement,” but, you know, most of it is about behind-the-border issues, disciplining state-owned enterprises and so forth. That’s
another way to make sure that there are standards and rules, transparency that will, you know, shape the whole region, not just the countries in TPP.

And then the World Bank, the Asian Development Bank do have a role and, of course, we’re very important in that. The World Bank has mechanisms Bob Zoellick introduced to allow co-lending and so forth in Asia. We can get into the technical details, but I think there are ways we could reinforce the role of the current development banks.

And in fact – Matt, correct me if I’m wrong – but I think so far all of the AIIB loans have been joint with the ADB and World Bank –

MR. GOODMAN: (They’ve had (?) a couple of them, (I suppose?).

MR. GREEN: The big ones, the big ones. So that’s sort of the model I think that we and others who care about the World Bank and the ADB can, you know, energize more.

MR. GOODMAN: I agree with all of that.

But, OK, this gentleman here and then we’ll go there.

Q: Hello. My name is Saad Bashir, I’m a student at Georgetown University.

So my question is more specifically on the China-Pakistan Economic Corridor that some of you guys have mentioned. Looking at the geographic position and strategy behind there, as, Rick, you were mentioning, that as the U.S. gets more involved with India, that has also got Russia more involved with Pakistan as you see from the joint military exercises last December and a number of other things that are going on.

So in that specific region, when you’re looking at the Gwadar Port, which is one of the deepest warm-water ports in the region, when you’re looking at Chinese investment and the corridor that can bring in trade from there, how do you think that this specific corridor can affect international trade routes specifically since it might be able to get natural resources through Pakistan instead of the Strait of Malacca in Southeast Asia? So how is China, India, Southeast Asia, how are all these trade routes affected by the development of the China-Pakistan Economic Corridor?

MR. ROSSOW: I think that specifically it’s going to be pretty modest. India doesn’t get a lot of trade. You know, most of South Asia has cut itself off from each other. There isn’t a whole lot of inter-regional trade there, so, you know, it may contribute, you know, dramatically perhaps to what China and Pakistan do back and forth. But the question is, too, I mean, what does Pakistan have that China wants? So it may end up being one-way trade, which typically results in a backlash at some point, too.

So I think, you know, there’s a narrative that I think there’s a lot of merit to, which is, you know, is this really about those trade routes? Is it going to dramatically pump up trade in the region or even between the two? Or is it, you know, just to tie the economies together and hopefully carry forward that way? I think the latter has a lot more merit than assuming that the China-Pakistan corridor is going to have a dramatic boost to trade.
The rest of the region is cut off from each other, I don’t see it happening so much there. So if there is a bump, it’ll probably be, you know, purely bilaterally, at least initially.

MR. GOODMAN: Chris, do you have thoughts about how China sees the Pakistan link?

MR. JOHNSON: Yeah. I think what’s interesting about it is, in a lot of ways, and I think it’s not by coincidence, that it was really the first rollout. They see it as a bit of a testbed for how this whole project can either succeed or fail. Because, you know, when you look at it, you sort of say to yourself, well, you know, I defy you find $5 billion of decent investment in Pakistan, much less 50 (billion dollars).

But when I talk to the Chinese about their thinking on this, and you mentioned Gwadar Port, you know, they now seem to understand that, you know, you can’t just plop a port or a rail station or something in the middle of nowhere and then hope that’s going to, you know, generate its own. What they’re talk about is you then have to build the rail links, the shopping malls, the housing, you know, all that and that’s how you can perhaps get into those larger numbers.

And so it’ll just be in interesting incubator to watch and see. I’m not sure it’s going to be successful, but that’s how they’re thinking about it. And I think that is a different way to think about it, so we should be open-minded.

MR. GOODMAN: Right. And then you get into the challenges. That connection part is really important to make those ports viable. But, you know, going through disputed territory, having, you know, construction workers being shot at – which has happened, people have been killed in fact – right, it’s a challenging environment on top of all the usual infrastructure challenges.

The gentleman in the back.

Q: Thank you very much. And thanks enormously for the panel and all those insights. My name is Mac Darrow from the United Nations human rights office.

I just want to go to one area where there seems to be a competing vision or competing priorities at least, and that’s on – in fact, the last comment goes directly to it – and that’s on the area of environmental and social sustainability, and the entrance of China into the mix is a particular issue in that connection.

So perhaps a question for Chris is, one sees with, you know, potentially a – with mega infrastructure projects the drive to get – to get it built, to get it done quickly itself being inimical to taking on these issues in a serious way, and perhaps in the climate of competition between the various finances for mega infrastructure, a tendency to drive down standards potentially, perhaps in the multilateral development banks we’re seeing now to some extent. So I just wanted to ask you about that question and how you see the role of China playing out in particular in that connection. Thanks.

MR. GOODMAN: Chris?

MR. JOHNSON: Sure, and I want to get my colleagues in on it. I think, you know, we – it’s been a running theme through our commentary today, which is this issue of, you know, good, quality infrastructure and is that what China provides. And, you know, there have been – all you have to really, I think, look at as a microcosm of the future of the Belt and Road is what’s happened in Africa,
right, where the Chinese railroad projects and other things, they are grossly, you know, uneconomical, they cost a ton of money, they create an indentured servitude relationship in a lot of ways, and there’s a massive backlash.

So one question is – and the sense I get from some Chinese contacts who are very much involved in this, they also have studied those problems down there and are trying to fix it. But the issue, I think, is, when you have Chinese SOEs who are the main providers of the construction work, you know, on these projects and so on and they don’t have an incentive to necessarily think about these issues, they just need to get paid, it’s a huge problem. And I think it makes opportunities for Japan and India and others who think differently.

MR. GOODMAN: Yeah, I was going to say – I mean, to be – to echo something Chris said, I mean, when I was in Beijing earlier this spring, a Chinese scholar raised this concern about the African investments in particular being seen as a kind of new neocolonialism or something. And China’s, I think, increasingly sensitive to this challenge and I think they’re trying to up their game there.

And then in the AIIB as well, sort of the motto of the AIIB is to be a lean, clean and green organization – lean meaning efficient, clean meaning no corrupt and green, obviously, environmentally sustainable. And I think they’re under the spotlight to deliver on that. And I think Jin Liqun, the president, is actually really committed to those things. I think the question is whether in practice, because of the competition, as you say, standards are going to be, well, at a minimum, different. I mean, and that’s one problem, is that everybody’s doing this in a very different way. And to me, there’s a place for an international conversation about what should be the appropriate environmental and social standards and trying to, kind of through the MDBs or something, to come up with a set of principles there. So I think it’s a good question.

MR. JOHNSON: Just one amplifying bit on that. You know, I think the issue to look at is AIIB, of course, is being held as the, you know, the good child. The Silk Road Fund is a lot of where the dirty mitts are happening, so that has to be watched as well.

MR. GOODMAN: Right, right, right. And the policy banks, like the China Development Bank and China Ex-Im Bank are not probably aspiring quite yet to those standards.

But, Heather?

MS. CONLEY: Well, I was just going to reflect, it’ll be interesting to watch as China really pursues its investment strategies within the EU European countries, whether that’s ports, refineries, rails and roads. The environmental standards are high in Europe. They need to focus on this as perhaps giving China the real tools of how you work in high-standard countries.

What I fear, though, and this is my concern about the 16+1 process, where perhaps it’s a – it is a question mark about standards, where the clean may be in question because of corruption. We have seen there have been Chinese construction of a Polish highway, quality was not necessarily up to the standards there. So I think this is, again, this is an experiment we need to watch.

It’s also, I would argue, within the G-7 context. Here you have value-based countries that need to start setting standards. We want these rules, we want the highest standards, and making that, in some ways, you know, the price of investing in our countries and doing business with our companies. We have to demand more of ourselves so we can demand more of others.
MR. GOODMAN: Yeah. I think, unfortunately, the Trump administration hasn’t shown much interest in that activity yet, but maybe they will come around to that.

I think that, you know, there’s a bunch of these unintended consequences of this seemingly innocuous activity of building roads and bridges – who could object to that – and social, environmental impact is one thing. There’s debt sustainability that’s been alluded to, concerns about, you know, whether Pakistan or Laos or other countries can really afford, because China says it’s expecting to be paid back for most of these projects, so that raises questions about debt.

There are procurement questions about whether these are going to be open processes and whether we need sort of standards there. And we’ve had conversations about that here and are looking into those issues. So there are a number of things around what seems like a fairly kind of mundane economic activity.

The gentleman over here has been very patient.

Q: Thank you. Bill Zarit with the Cohen Group. And thank you, Matt. Well, thank – this is a terrific program. Thank you everybody. And thanks, Matt, for what you’ve been writing on BRI. It’s been very helpful to us.

I guess my question would be more focused to Chris. The Chinese – we’ve talked about how the BRI has an economic focus, an intensely economic focus. We haven’t really mentioned the military side or maybe I missed it, but especially in the Gwadar Port which is actually going to be a nice naval base for our Chinese friends. Is that not that significant so that doesn’t come up? Is this a one-off thing? Do you think there’s going – there are going to be more military aspects to BRI?

MR. GOODMAN: And maybe Rick has a thought on that, too.

MR. JOHNSON: Yeah. I don’t – I don’t – I think it’s a, as I mentioned at the top of my commentary, I think it’s a misnomer to characterize it as military activity. However, what you’re seeing is the idea of, you know, their own version of kind of places, not bases, right? And it requires a lot of nuance because the String of Pearls, that’s all nonsense. But what we are seeing the development of is what you might call pre-position, logistical refitting stations, you know, these sort of things and those are going to continue to develop.

And I think one of the big stories – and maybe this is a good transition to Rick – is, you know, when the Chinese navy begins to operate above the water, they’re already doing so under the water in a really huge way in the Indian Ocean, that’s going to cause a lot of friction and concern. And the stations that are being built are designed to facilitate and amplify that.

MR. ROSSOW: Yeah, that’s kind of – I guess I was speaking a little bit too much in code, and you pointed that out. I mean, to mention the boiled frogs across Asia, right, Gwadar is clearly one that India points out they expect is, right? They’re not announcing it as a military establishment, but India’s concern is that that will become part of the narrative, you know, later on.

Similar as to why Gwadar probably will not become a primary commercial hub – there’s lots of other better commercial hubs they could have chosen as the point of entry to the water – this doesn’t make as much sense as some of those others. So, you know, again, you know, it’s got a lot of strategic
minds wondering, you know, why pick that? And there’s a lot of good reasons why they would beyond commercial there.

So I was speaking a bit too much in code, but I think you hit on two things that I was alluding to in my remarks.

MR. ALTERMAN: So when I’ve come across Chinese in the Middle East, which I’ve done a fair bit and come across more, I think it’s important to understand that, in my view, they’re trying to figure out what military footprint they need.

I still remember a conversation I had with a Chinese diplomat in Algeria, a sort of young, sarcastic 20-something who looked at me and said, how about you do security, we do business? Right? And I think there is still a desire to avoid having military bases everywhere, to have a huge troop presence, to alienate people, to do all those kinds of things. The Chinese realized when they had to evacuate more than 30,000 people out of Libya, when they had to get more than 5,000 people out of Yemen, you’ve got to do something to protect your people.

But to my mind, they’re still trying to figure out what they want their model to be. They’ve seen our model, right? So first, they’ve seen the European colonial model; they’re not going to do that. They’ve seen the U.S. multilateral, troops all over the world, blue-water Navy, we do everything wherever, two-front war, all that stuff. I don’t think they want to do that. I think they think – I think that they believe they can refine their global military model which will do what it has to do and not cost them more than it has to cost.

MR. GREEN: I think there’s more design, intelligent design than that, although I think they’re still, you know – what is it, Chris – feeling the pebbles across the river or whatever, because, you know, overreaching will create, you know, counterbalancing.

But we talked about Gwadar. Sri Lanka is an interesting example, massive, massive Chinese infrastructure investment and bribes to the previous Sri Lankan government. A new government came in promising to correct all that and couldn’t because the contracts were written by American lawyers. And so now the current Sri Lankan government has to basically live with them and is in a position of balancing between the U.S., China, India. When a destroyer does a port call, they try to get an American. So it really has, in a way, blunted what a new Sri Lankan government thought its options were strategically. It gives power projection, but also for the Indian navy and to a considerable extent for the U.S. Navy, it broadens the chessboard, it puts us off balance.

If our – you know, if some in our Navy or Marine Corps say our answer to the South China Sea is offshore denial or, you know, denying China access beyond the first island chain, well, they’re going to make – they’re trying to make that harder for us. I think there’s much more military and competitive shadows to this than purely commercial.

But what I agree is I think the Chinese are still not sure how much they can do without causing what they don’t want, which is the other major powers, India, the U.S., Japan, Australia, to do what the Japanese proposed, form a quad, begin actually, you know, collective security to deal with the Chinese threat. In that sense, I think they’re still testing the waters.

MR. JOHNSON: Yeah, I mean, just to put a period on it, I think that’s striking running through all these comments is the further afield you get away from their immediate neighborhood, they more
challenge they face, you know. And I think a key comment that I’ve heard Jon make many times in joint things we’ve done, you know, if you ask guys in the Gulf, you know, let’s say Iran tries to close, you know, the Gulf, they know what the U.S. Navy will do. What the hell would the PLA navy do under such a circumstance if they were there providing some kind of a security presence? So, again, the further afield they get, the more challenged I think they become.

MS. CONLEY: But I would say it’s interesting. Last year we saw Chinese-Russian military exercises in the Eastern Mediterranean, this year it was the Baltic Sea. I wouldn’t have suspected to see that in the Baltic Sea.

MR. JOHNSON: Well, you opened up a can of worms.

MS. CONLEY: Sorry. (Laughter.)

MR. GOODMAN: We could obviously – we could – no, no, not you, I meant the gentleman who asked the question.

So there’s a gentleman way in the back there and then I saw a gentleman here earlier. Sorry, apologize.

Q: Thank you. Thank you for the discussion. This one’s for Dr. Oliker, specifically about –

MR. GOODMAN: Can you identify –

Q: (Name inaudible) – from Leidos. Thank you.

My question is, how has Russia’s recent economic isolation from the West changed or shifted their infrastructure priorities specifically with respect to the idea that infrastructure spending in the East could help offset some of the revenue lost as a result from the sanctions or for other reasons?

MS. OLIKER: So I would say that the sanctions, the limitations on trade with Europe, which has long been – EU having long been one of Russia’s – Russia’s biggest trade partner, has led them to hope for more in terms of trade in Asia. But in terms of infrastructure, most of the infrastructure was already there. So it’s – the Russians are trying to do both. They had an – you know, the notion they’ll rely more on Asia was something they were trumpeting. They haven’t had that much success actually getting that much of a boost out of the Asia – basically out of China buying more is really the bottom line. And, you know, rapprochement with Japan and inroads in Vietnam, et cetera, et cetera, all of this was moving slowly before 2014, it’s still moving slowly.

It was also already, you know, already there. So the idea that Asia can make up for Europe makes a great talking point, but doesn’t seem to have made sense. In terms of infrastructure, it’s had no impact at all because the infrastructure that’s being built was already being built, it’s still being built.

MR. GOODMAN: Great. OK, this gentleman.

Q: Thank you, Mr. Goodman. This is Rui Yani (ph). I work for an infrastructure –

STAFF: Can you please stand up?
Q: Sorry?

STAFF: Can you please stand up?

Q: OK. Thanks, a beautiful discussion here. I appreciate it.

I just want to build on the question the gentleman had regarding the quality of the work that’s being carried out on these large infrastructure projects. There is also the dimension of sustainability of the entire system. Now, learning from Ottoman Empire, Soviet Union, the systems that push outside their boundaries without taking care of having a solid domestic base internally – democratization, private sector, genuine private sector – and trying to push outside the boundaries, history has shown us – Germany – it doesn’t last long. So is there any that model in – that discussion comes into your model when you talk about these visions, the long-term visions, et cetera? Do you think it’s sustainable?

MR. GOODMAN: Who wants to take that on? That’s a good, broad question.

MR. GREEN: Let me – we have limited time and Chris should definitely weigh in. But the Belt and Road is – a lot of that is about state-owned enterprises that are not competitive, finding new markets. You know, how sustainable in the long run is that in China’s political economy? I think it’s a very good question. I don’t think we know, and Chris should weigh in. But I think that’s – there’s – this is not built on solid ground necessarily in Chinese domestic political economy –

MR. GOODMAN: No pun intended.

MR. GREEN: – for the long run. And also, you know, there will be learning. I think China will, you know, we worry about governance and transparency. I think increasingly in China, you know, people will want accountability. And so this is not a linear strategy that we can project 10, 20, 30 years down the road. I think it’s an excellent question.

MR. ALIRIZA: You referred to the Ottoman Empire, but actually it lasted six centuries. So, you know, the Soviet Union might not have lasted a century, but the Ottoman Empire did. And one of the reasons for that was that, you know, it had a very sophisticated way of allowing local groups to rule themselves except when they got out of control and when they would send in armies. And through that process, they actually managed to keep an empire on three continents for a very long time.

I think the – I’m not a Chinese expert, but the challenge for the Chinese is that they’re obviously, you know – it’s obviously that trade follows the flag. In this case, they’re, you know, promoting economic projects as part of their effort to expand their influence. And I’m not sure it’s going to succeed as well as they hope it will. But certainly with respect to the Ottoman Empire, it was a success story for the duration of those six centuries.

MR. GOODMAN: Yeah, how long you define sustainability.

No, hold on because I’m – maybe follow up after if it’s OK because we don’t have much time.

Chris, do you want to say –
MR. JOHNSON: Just real quickly, I mean, I think this is really where the domestic politics gets added in. So, you know, we’re about to have this major Party Congress. The major unfinished business of the first term of the current president is the progress on economic reforms that were mooted early in his term.

I think what we’re going to see, and we see evidences of this already, is a serious effort to transition, to cut loose the dead wood and the SOEs. And frankly, you know, a large – to a large degree, Belt and Road is a way to keep these guys on life support while they get through that transition. And so it doesn’t mean necessarily that that’s the long-term sustainability approach.

MR. GOODMAN: Got it. OK. I really would like to entertain more questions, but we’ve – it’s been a full two hours and we’ve reached the appointed hour.

Let me – before I ask you to join me in thanking the panelists, let me just say about our project, Reconnecting Asia, that there are kind of – there’s one – there are a couple of $64,000 questions that we’re looking at. One is a sort of more specific one about these projects that we’re collecting data on, these 2,000 projects so far, and growing, about which of these projects is really economically viable and which is not, and which are being built for the right reasons, which aren’t, and which ones are sustainable, which are going to have real economic development impact and trade impact. So that’s sort of a core question that we’re trying to get to the bottom of as we collect this data and analyze.

I mean, the other uber-question is the one about the maritime versus land connections. I mean, is the – is this new connectivity particularly across these land areas going to reverse the historical trend of the last 500 years and return us to more of a pattern of trade across land? And, you know, not probably fully displace maritime, but is there going to be a major shift in that balance because the economics has changed? I think that’s another big question about this and certainly one that would have interested Zbig Brzezinski who, as I said, was the inspiration for this project.

Please, first – before I – because you’re going to start clapping and then I’m not going to say anything else, let me say please come to the Reconnecting Asia website. You can sign up, at the bottom of every page is a little place where you can sign up as a partner. We’re looking for partners because we want data and we want insight, and so we welcome individuals and organizations who have some of that to offer us and help us build this sort of organic platform.

But now please join me in thanking the panelists here. (Applause.)

(END)