

## COVID-19 AND ITS IMPACT ON CHINA'S BELT AND ROAD INITIATIVE

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**Abstract**

*The whole world is fighting with corona virus. Saving lives is looking like one and only priority for every country. In this time of Crisis, trade has become least prior for the world. IMF has already forecasted negative economic growth for most of the countries, the upcoming time for global trade is not going to be great. China's ambitious project the Belt and Road Initiative (BRI) is also going through a bad phase due to the viral outbreak. In this paper, we would look into the different aspects of Belt and Road initiative. We need to understand to what extent the Viral outbreak and its consequences will impact the Belt and Road initiative. We would look into the different dimensions of China Pakistan relationship along with its other projects running under the initiative. How it will impact in different regions of the world? What possible advantages or disadvantages can China have from this and how China can boost it or make it worse. In the current situation, when the whole world is pointing fingers at China and it is being held responsible for spreading the disease, it will be very interesting to see how China responds. China can use BRI to expand its economic diplomacy throughout the world. Will China re-structure this ambitious project and make it viable for the entire region or it will lose its remaining credibility?*

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**Keywords**

*BRI, CPEC, Covid-19, China, Diplomacy*

### INTRODUCTION

The whole world is shaken by the outbreak of the Corona Virus. Covid-19 has impacted almost every sphere of world's affair and world trade is certainly not an exception. Belt and Road initiative (BRI) is china's most ambitious project ever. It is considered as president Xi Jinping's brainchild. It aims at increasing china's influence and focuses on improving connectivity and cooperation among countries of the entire continent. It further aims at building infrastructure projects funded by Chinese investment all around the world. China's total trade with its BRI partners was 9.27 trillion yuan (1.34 trillion dollars) last year. Chinese foreign ministry says that it has inked 198 cooperation documents with almost 167 countries and international organizations. We can understand the scale and intensity of BRI with these numbers. This is the reason; China was trying to bury the early news of this virus outbreak. By the month of February this year, when the virus started to spread rapidly, China started to take some severe measures to control the virus spread. It started to halt its international travels, quarantined cities and even imposed lockdown across the country. In the process, China even halted the Belt and Road initiative to some extent. Currently, when the whole world is fighting with the Covid-19 virus, we need to analyse its impact on BRI and Chinese economy, especially, when the outbreak happened for the first time in a Chinese city of Wuhan.

### COVID-19 AND BRI

Currently, many conspiracy theories are floating around the COVID-19. Some are of opinion that china is responsible for the virus outbreak and china has hidden the information regarding it. Some are claiming that the virus was manufactured in Chinese laboratory to create havoc all around the world. Trump has openly declared it as Chinese virus. On the other hand, china is not ready to take the blame at all and blaming United States for everything. They are saying the virus came in China with US army. Unsurprisingly, the viral outbreak has impacted the global economy and trade in big way. As far as china is concerned, this pandemic has perpetrated more disturbance in sectors like textiles, machinery and medical supplies etc. recently, Association of Southeast Asian Nations (ASEAN) became China's biggest trade partner and overtook European Union (EU). The lockdown

period is over in China and the trade along BRI countries is still steadily increasing.

Presently, the novel Corona has spread over more than 200 countries, areas and territories. It has infected more than 2 billion people all over the world and more than 7.5 lacs have died. Some reports suggest that BRI is highly responsible for its fast spreading. Iran and Italy are two of the most affected countries due to this virus. These two countries have maximum casualties after America. Also, these are two of biggest BRI's partners. Italy was the first G-7 country to join the BRI initiative last year and the partnership has grown tremendously. Even, Italy had opened its four big ports also for Chinese partnership. Lombardy and Tuscany are two of Italy's areas with highest Chinese investment and highest Corona casualties as well. The first case in Italy was registered on 31st January 2020 and grown at a very rapid pace. On the other hand, Iran who was in trouble with sanctions from United States was becoming more and more dependent on China. Iran joined BRI in 2019 officially and made some progress over rail line from Tehran to western part of China. Even there, the possibility is very high that the virus has spread from Chinese officials.

### **IMPACT ON PAKISTAN & CPEC**

China Pakistan Economic Corridor (CPEC) is considered as backbone of BRI. Pakistan is one of the China's closest strategic partners too. Even in this crisis period, Pakistan is standing firmly with China. Recently, Pakistan's National Assembly praised China's efforts against COVID-19 in a resolution passed on February 13 2020 and lauded China's help to Pakistan in national stranded in Wuhan at the peak of the crisis. It really showcases the solidarity the both countries share with each other and to extend it further; Pakistani President Arif Alvi visited Beijing in mid-March when the crisis was getting worse. Recently, Dr Sriparna Pathak and Anushka Saraswat wrote in their article that the Covid-19 may actually put China and Pakistan relations 'sweeter than honey' and 'higher than the Himalayas' relations in dire straits. We all know, Pakistan's economic condition is not been in a good shape since last few years. Last year, they asked for 6 billion bailout packages to IMF for their balance of payments and even in this crisis period, IMF recently approved 1.4 billion dollars to Pakistan to solve the same problem. So, Pakistan is not in a position to oppose China in any case. So, CPEC is not going to be closed by Pakistan. Currently, even Pakistan is feeling the heat of Covid-19 and the situation is getting worse there. So, it would be very interesting to see that how Pakistan will pass the test of Covid-19 in the light of China's friendship. We also need to consider one thing that about 60% of Pakistan's export is textiles. Pakistan needs raw materials in the form of dyes and chemicals which needed to produce textiles is imported from China. So, Pakistan is dependent on China for every type of need as China is been all season friend for them. In already weak economy, Asian development Bank (ADB) estimated a loss of \$5 in the worst-case scenario of Covid-19 outburst in Pakistan.

Surely, this pandemic will also impact the economic feasibility of China Pakistan Economic Corridor. CPEC is a project worth 62 billion dollars and a very important one too. Immediately after the outbreak of the novel corona virus, all work was sealed along the CPEC. Chinese labour factor is crucial factor in that. They became the immediate reason because they were not able to work along the CPEC as thousands of Chinese workers were unable to return to their workplace in Pakistan. It can really unbalance the bilateral relations in big way. According to a report, documents of the ministry of planning and development have revealed that Pakistan will have to pay China 40 billion dollars for the 26.5 billion CPEC investments in 20 years. While the loan will have to be repaid for the project, work will simply not be completed because of the turmoil brought forth by the Covid-19, result of which labour movement has been held in almost all countries of the world. Although China has assured Pakistan that CPEC projects will go ahead as planned. Chinese ambassador to Pakistan Yao Jing has stated emphatically that the project will not be hit in spite of the coronavirus. Senior officials in Pakistan government said in an interview to the Global Times that while in the short run corona may have an impact on CPEC, in the long run there would be no significant impact.

There are some other security challenges also along with CPEC. This CPEC connects Kashgarto the troubled Western Chinese provinces of Xinxiang through the Khunjerab pass to the Gwadar in the troubled Western Pakistan province of Balochistan. The development of Gwadar port is like backbone of the project. It is largely endangered by the groups of operating in Balochistan as the recurrently accused Pakistani and Chinese authority of exploiting the natural resources of Balochistan. Several violent incidents took place there in very recent past. More of that, the xenophobic sentiments about China could be wrongly utilized by the terrorist groups to attack Chinese worker in companies, which are already branded as exploiters. Pakistani extremists may also target China to avenge China's treatment of Uighur Muslims in Xinxiang. Above all, these things can expose the weakest aspect of China-Pakistan relations.

Although, China is helping Pakistan in every capacity. Recently, Alibaba foundation sent medical supplies in the form of 500,000 face masks and 15,000 protective suits and 50,000 N95 respirators to Islamabad to fight the virus. China also sent an 8-member team of doctors to work closely with local health officials. China is preparing a medical team to visit Pakistan, who will pay field trips to different localities in Pakistan, Zeng Yixin, vice president of China's National health commission told Pakistan's state-run news agency before sending their team. So, clearly China is doing everything to help Pakistan in the situation. It clearly indicates that China Pakistan friendship is deeply rooted and CPEC projects are not going to be shelved.

### **IT'S IMPACT ON OTHER BRI PROJECTS**

As the adverse effects of the coronavirus are being felt across the globe, it is quite obvious that the nature and scope of BRI activities will also be affected. In last few years, Chinese companies have focused on the markets of South East Asia, where supply chain linkages which China is better. Now in the process, the number of Chinese manufacturers will grow in their North Asian partners and it will continue to build their capacity across Southeast Asia. With the spread of Covid-19, opportunities abound for full value chain for digital BRI activity, from IT companies to e-commerce platforms, including firms which are well established throughout the BRI geographical areas will grow. It will give a greater chance for Chinese tech companies like DingTalk, WeChat, WeLink to provide better opportunities in the OBOR regions.

The Covid-19 outbreak has ceased many projects, which were in process under the BR initiative. From Cambodia's Sihanoukville special economic zone to other projects across Indonesia, Myanmar and Malaysia become became stuck. The main reason is being the freeze on the floor of Chinese labour. China has even repatriated their citizens working in different countries due to the spread of Covid-19 there. On the other side, more than 130 countries around the world have placed entry restrictions on Chinese citizens of individuals travelling from China. The Chinese government has lobbied countries including the Solomon Island and Pakistan to ease some travel restrictions. The longer that Chinese workers are unable to return to project overseas, the longer the project will languish incomplete and some may be abandoned all together.

Not only that, the Covid-19 crisis can also hamper Chinese manufacturing supply chains. Because the most of BRI projects are dependent on Chinese rather than the local material and supplies, it can create big problems in starting those projects soon. Everything will depend on the containment process of Covid-19 by China and the world. Today, the trade volumes are shrinking significantly and around 40% of Chinese small and medium sized companies are not yet operating. All these factors are hampering the BRI projects and its pace. That's why even China is trying to project itself as leader of counter Covid-19 in world. They are even providing material aid to countries affected by the pandemic including Italy, where in a recent call between foreign ministers, China announced plans to sale Italy ventilators, mass protective gears and test kits. They are also extending their support to Asian and other European countries. Everything will depend on how the world remembers China after the virus problem is over. Will the world remember china as the country

that tried to hide the viral outbreak in its first phase or else as the country which has cooperated extensively for its eradication after the spread of virus throughout the world?

It is not very easy to estimate the overall impact of corona virus outbreak on the countries because somewhere participating developing countries are currently reporting relatively few cases but it may be because of lack of testing and other forms of detection. Countries with weaker healthcare systems may come under enormous strain like Myanmar or Nigeria. In the coming days, developed countries would find even more difficulties to repay the loans provided by China. In that way, China can make their position even stronger in those countries. The place at which BRI projects and their supply chains will come back will depend on the effectiveness of China's containment of the virus and speed of broader economic recovery. Amit Bhandari, fellow, energy and environmental studies, told economic times that covid-19 will result in slow economic growth, if not an actual reduction in economic activity of South Asian countries. Tourism dependent country such as Sri Lanka will be hurt harder. All this will make it more difficult for host economies to support the existing BRI projects. We have already seen Sri Lanka get into a debt trap and having to hand over Hambantota port to China. The Covid-19 driven recession will make the debt situation of the host countries even more unsustainable. This will create pressure upon China to the right off their loans or restructure them significantly.

### **THE WAY FORWARD**

Things will change again in the days to come. Eurasian and African countries would always in demand for infrastructure. Almost every important partner of BRI project will hit by a huge loss. According to the IMF, most of the countries would find itself in a zone of negative growth. In such scenario, all developing countries' remittances are bound to shrink due to job losses overseas. This will trigger project failures, growing cases of insolvency and bankruptcy all around in near future. Even for China, domestic conditions would be more important. Under extreme circumstances, China will pay more attention on their political and social stability at home. According to a recently published theory, that terrestrial Silk Road economic belt and Maritime Silk Road, the two distinct strands of BRI are priorities number 8 and 9 on president's XI Jinping's top 10 list. It shows the real position and decaying phase of BRI, but even then we should not imagine it as end of BRI. It would be an exaggeration to say that BRI is dead. It is a symbol of China's emergence as global power from a regional power and a significant part of president XI's legacy. It will speed up again as soon as the crisis is over.

There are some positives too for China in the current period. China's biggest competitor and rival United States is also suffering a lot due to the coronavirus. US has registered maximum number of deaths due to the virus and as the US continues to battle with the pandemic, US President Donald Trump is facing growing pressure to end his trade war. That's why last month, more than hundred US businesses wrote to Trump calling for him to suspend tariffs on Chinese made goods and global Steel imports, which they say could boost the US economy by \$75 billion. That is a positive sign for China and they can use this time for their greater influence. Gao Lingyun, an expert at the Chinese academy of social science, who advises the government on trade issues told the global Times "that time is on China side not the US and nothing that China is open to launching phase two negotiations but at this point Chinese asking price will not be low."

So, China can also look at it as an opportunity. It can even continue BRI projects with different strategy in the long run the ongoing projects will pick up again. BRI is bound to change with some inescapable questions about its China centric nature, over dependence on Chinese companies, Chinese staff working on the projects and financed through loans from Chinese banks. So, it all needs to be changed due to its inherent conceptual defects. The Covid-19 would force BRI to change it as the Chinese authorities have yet to come with clear the definition of the BRI, which remains loose set of infrastructure projects and bilateral deals. So, this is the right time for China to re-correct



and re-vision it. When President XI Jinping announced his grand vision, China's growth rate was close to 8% and now the situations are different. In March 2018, Morgan Stanley predicted that China's overall expenses along their routes could reach 1.2 to 1.3 trillion by 2027 , but even this is not looking like a possibility in near future. Sofar, about two-thirds of Chinese spending on completed projects has gone into the energy sector and transport which roughly accounted for 50 million and 15 million dollars respectively. Now in the current situation, when the developing countries will be terribly cash-strapped so unless money is offered by multilateral financial institution or debt relief is considered, there may be a shift away from roads, bridges and coal fired power plant funded through Chinese loans. Even due to the domestic political and financial constraints, China will not be in a position to grant loans to be partners.

## **CONCLUSION**

However, China can take the viral outbreak as an opportunity. It can emerge as a leader in several spheres as global affairs. Currently, China is doing all kinds of mask and ventilator diplomacy all around the world but probably it is not enough. China should take concrete measures to balance environmental and commercial interests. China need to wipe out all the allegations with its honest efforts to fight with the pandemic. Humanity has an unprecedented opportunity for transition into a carbon neutral and positive global economy. China can rethink on its strategies and show the way to the world. China should work on BRI's shortcomings including its over dependence on China's men power, techniques and raw materials. Along with it, China can use its influence in positive manner can continue to help other developing and needy countries to get rid of the virus. If China succeeds in doing all this and can improve its image for world, then surely, it can think of a better role in coming time and BRI will be an integral part of it.

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