

## Belt and Road Initiative (BRI) - China's Supply Chain Game plan



China is known for “Ancient silk route” which was the first inter-continental route connecting East and West in 130 B.C. at the time of the Han Dynasty which has given a boost to ancient supply chain and logistics primarily by promoting trade along with the exchange of culture, knowledge and know-how between Europe and Asia for more than 600 years.

In spite of the world's highest population and the fastest growing economy worth \$ 14 billion for the last decade, China witnessed saturation of domestic and export markets in 2010. To mitigate this and take out China's growth model to other countries, China's President Xi Jinping has introduced the Belt and Road initiative (BRI), formerly known as the “One Belt, One Road (OBOR)” aiming addition of \$2.5 trillion business in a decade time with the nations along the proposed routes. It is nothing but the ultramodern blueprint of the ancient silk route. BRI has focused on needy countries which have a higher population and disposable income but lack of organised markets and connectivity to boost the business.

The BRI has comprised of two main components: a) The Belt refers to the roads/rails/pipelines in the regions of Asia and Europe lands; and, b) The Maritime Road, which comprises maritime routes connecting the Association of Southeast Asian Nations (ASEAN) countries. All previous projects and routes between China and other countries have been absorbed in BRI.

BRI is most ambitious and gigantic supply chain concept to build and upgrade hard infrastructure like highways, railways, ports, energy and electricity generation along with soft infrastructure like the signing of trade agreements and aligning of regulatory standards throughout Asia and Europe designed to enrich the economies of China and 65 partner countries.

**Aim & vision:** BRI has been promoted with the vision of cost and time optimization of transportation to World's potential markets by providing infrastructure and equipment manufacturing support along with low-interest loans in BRI partner countries with the condition to using Chinese resources for the same. It will boost the use of China's currency Renminbi (RMB) in 65 partner countries and thereby aimed to get include in global reserve currency and the International Monetary Fund's (IMF) Standard Drawing Rights (SDR) Basket. One of the hidden aims is to secure energy supply by the development of sea routes and pipelines for its ever-increasing energy needs. To develop a win-win situation wherein growing demand for Chinese goods and services in developing partner countries markets.

This renewed and ambitious idea – potentially involving an area equal to 55 per cent of the global GDP, 70 per cent of the global population and 75 per cent of the known energy reserves – could, and is, reshaping global supply chains.

**Five Key Objective of BRI:** Policy alignment between China and Partner countries to stimulate growth; to facilitate inter-country and inter-continental connectivity to boost exchange of goods and services; to make RMB a global currency; to develop multilateral financial organizations like Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Brics Bank and boost local organizations like Bank of China and Silk Route fund to support BRI, and people exchange and collaboration for skill and knowledge transfer between countries.

**Challenges/ Threats:** Major challenges for BRI are deterioration of China's image and bilateral trade due to non-completion of projects in Cost-effective and timely manner; increment in financial risk due to lack of project selection knowledge with institutions; diversion of investment to other countries like India due to lack of transparency in BRI; increase financial risk of China as most of the investment comes from Chinese banks and not multilateral institutions like AIIB and Bricks banks; Delay or termination of projects due to political and economic Instability in partner countries or change of Govt; resistance from partner countries due to Debt Trap Diplomacy of China; Friction with partner countries due to lack of inclusion of the local resources.

**Benefits to China from BRI:** BRI will benefit China by Generation of higher returns on foreign exchange reserves; increasing financial returns of Chinese firms and resources from partner countries; ensuring utilization of excess resources in regional markets to generate profits; boosting the internationalisation of China's renminbi (RMB) to the global reserve currency.

**Benefits to partnering nations:** BRI will give benefits to partner countries by an increment in Infrastructure through economic investments and enterprise support under BRI; to build transport and energy generation project and thereby increase in trade to boost the economy and get support for energy excavation and distribution.

**China's expansion strategies & Other countries' reaction:** Many powerful and globally important countries like Russia, USA, European Union and India have raised their

concern about BRI for lack of transparency, debt trap for small countries and tool for China's expansionist agenda. However, Russia and the European Union has given limited access to BRI in their territory with a set of predefined conditions looking to their own Business and Strategic interests

**Conclusion - A supply chain game plan to boost the economy and becoming superpower:** BRI is trading and supply chain initiative encapsulated with global strategic and geopolitical agendas of China to secure strategic resources and assets, get logistics and military access to strategic ports in partner countries and influencing them with the debt-trap model. However, it is definitely China's biggest supply chain game plan of the century which can help China to become next superpower if handled properly and if China fails to handle it then it will be "Blackhole" for China's and partner countries' economy.

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