

The Case for Why Its *Digital Silk Road* Will Put China on Top

BY CHI LO

*But will the rest of
the world acquiesce
to such aggressive
use of soft power?*

Covid-19 has given China an opportunity to advance its Belt and Road Initiative in digital form, which could become a global disruptive force by strengthening China's economic transformation and altering the global economic and political dynamics. This latest expansion of China's soft power has come at a time when the West is asleep at the wheel, though push-backs by some countries are starting to emerge.

The pandemic has laid bare the inequalities of the digital divide between the rich and poor nations. China's digital BRI is a rebranding of its existing BRI, and its expansion can provide the poor nations with the much-needed capital and technology to combat diseases and spur growth. Crucially, the digital BRI reinforces China's strategy of drawing its neighbors towards its economic embrace and complements its "dual circulation" policy. This development will inevitably disrupt the global system by reshuffling the global power balance and, hence, raise geopolitical tensions, but it will also open up new global investment and growth opportunities.

REBRANDING THE BRI

The Covid-19 shock has threatened China's BRI by choking off its supplies of equipment and workers for the projects and forcing many developing nations into economic crisis and debt distress. China has, thus, redirected its energies to the BRI's digital development by sharing Chinese artificial intelligence technology for digital diagnostic systems, monitoring solutions, and

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medical supplies with the partnering countries to fight the pandemic.

The two components advancing the digital BRI are the Digital Silk Road and the Health Silk Road. They were launched in 2015 and 2016, respectively, but the pandemic has accelerated their development. By drawing developing nations closer into China's economic and technology embrace, the digital BRI could potentially help further China's economic and political interests, including renminbi internationalization, and counter the external exigencies and global demand shift that is the focus of Beijing's "dual circulation" framework.

HEALTH SILK ROAD

The Digital Silk Road aims at improving the recipient countries' telecommunications networks and digital technologies, including AI capabilities, cloud computing, e-commerce, surveillance technology, mobile systems, smart cities, and other digital economic areas. It is also part of China's dual circulation policy by seeking cooperation with Asia on digital economic and medical areas. The latter is manifested in the Health Silk Road (see below), where China has established a China-ASEAN public health cooperation mechanism to combat infectious diseases.

Some estimates suggest that a third of the BRI participating countries are working with China on Digital Silk Road projects. Notably, Africa, the Middle East, and parts of Eastern Europe, Latin America, and Southeast Asia desperately need affordable and reliable technology to expand broadband internet coverage and communications networks. The pandemic has widened the inequality of the digital divide between the poor and rich nations. China's Digital Silk Road-related investments have helped fill the poor nations' needs and can spark economic growth by providing them with critical technology infrastructure.

However, much of the debate in the West about China's digital BRI has focused on the risks of espionage and surveillance, while the digital cooperation and development aspects have not been discussed. China's digital expansion has only become a serious concern since the Sino-U.S. trade war

started in 2018. But China's information and communications expansion to the developing world actually started in the late 1990s, with Chinese tech giants Huawei and ZTE building much of Africa's digital infrastructure.

By 2017, China's digital financing in Africa surpassed the combined funds from African governments, multilateral agencies and the G7 nations. The African Union also launched in 2017 the Smart Health Monitoring Room using ZTE technology. Chinese e-commerce and fintech platforms have also focused their expansion in Southeast Asia through the Digital Silk Road.

In other words, China has been paving the way for developing countries to use Chinese technology while the West has been ignoring them. The pandemic has increased the developing world's acceptance of and demand for Chinese telecommunications and surveillance tools for fighting the coronavirus. This has enabled Beijing to link the Digital Silk Road to the Health Silk Road, which offers informal global health cooperation on infectious disease prevention and information sharing, medical assistance, and traditional medicine development.

Under the Health Silk Road, China has pledged to send Covid-19-related equipment and medical assistance to foreign partners and make Chinese vaccines a "global public good" by joining COVAX—the vaccine partnership that aims at subsidizing vaccine access for poor countries and ensuring equitable global distribution.

Due to a scarcity of homegrown coronavirus cases, the Chinese sent their vaccines to partner institutions overseas for third-phase trials, with at least sixteen countries participating as of the end of 2020. Many of them have worked out agreements with their Chinese counterparts to purchase doses or manufacture the vaccine for local distribution, thus extending China's influence through the Health Silk Road.

THE GLOBAL DISRUPTION

The Digital and Health Silk Road combo is a cheaper and more efficient way for China to expand the BRI than its traditional form of capital-intensive infrastructure options. It could also allow China to raise its national image on the global stage and leverage its increased influence to challenge the existing global powers.

Furthermore, the digital BRI could boost China's export of digital surveillance technologies to countries that seek to fight Covid-19 by monitoring quarantines and sorting populations in an effort to safely restart local economies. This will increase the worries of China critics about the risks of espionage and abuse of surveillance capabilities.

All these will create geopolitical tensions. But there is also a technological aspect of the disruption, which will affect the future landscape of the global tech industry and its

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supply chains. To the extent that the Digital Silk Road helps recipient countries better manage their digital communications networks, of which data management, filtering, and content surveillance are part of the process, it might accelerate a fracturing of the global internet in two ways: first, an internet bifurcation into a Chinese-led system and a non-Chinese internet led by the United States; and second, a difference between tech-management policies adopted by those countries that use the Chinese system and those that do not.

China sees its burgeoning digital economy as a success story for sharing with other countries. Thus, its effort to expand the digital BRI will only intensify, though it will not be smooth sailing along the way. Geopolitical tensions will rise, but so will a new investment and growth landscape.

A NEW GEOPOLITICAL LANDSCAPE...

Arguably, Covid-19 will transform global politics and the foreign policy priorities of many countries. This is because the digital BRI will provide China an increasingly important policy frame to increase its influence in the health governance of the developing world, Asia in particular, and direct BRI investments to basic public health and enlarge its role in the supplies of medical products and services.

Even before the pandemic, China supplied the world market with almost half of its basic personal protective supplies, such as surgical masks and gloves, respirators, protective garments, medical goggles, and shoe covers. Its export of these supplies will not only be crucial for the poor nations fighting Covid-19 and other diseases, but will also help Beijing claim regional, or even global, leadership in health governance, especially when the West is lagging behind China in Covid-19 management.

Thus, China will likely continue to expand its global medical supply chain and investment through the Health Silk Road and make inroads into manufacturing and exporting sophisticated medical products. The developing nations' limited manufacturing capabilities of these products and their

acceptance of Chinese technology will facilitate China's expansion into producing basic health equipment in the industrial parks that have already been built under the BRI. This expansion, in turn, will help China establish a central role in the regional and global medical supply chains.

...AND PUSH-BACK

The West is generally wary of the BRI, especially in its digital form, on the belief that China is using its digital capabilities as leverage against other countries to advance its own global ambitions by engaging in cyber warfare, accessing classified data, tracking and controlling people movement, and weaponizing artificial intelligence. Hence, likeminded nations are banding together to manage this perceived digital China threat, with the Five Eyes intelligence alliance's rejection of Huawei being the most notable example.

The European Union and Japan launched the Partnership on Sustainable Connectivity and Quality Infrastructure in late 2019 to push back against China's Digital Silk Road and in response to escalating Sino-U.S. trade tensions that could hurt European and Japanese technology trade. But the Digital Silk Road is a special concern for Europe and Japan because it is about Chinese technology infrastructure expansion that could dominate the international system by offering cheap and reliable network connections. Hence, the EU-Japan agreement is focused on protecting their interests in the West Balkans, Eastern Europe, Central Asia, Indo-Pacific, and Africa regions, where China's BRI routes run.

Meanwhile, the United States has employed direct measures to fight the Digital Silk Road threat, which it deems "digital authoritarianism," by putting Chinese companies on the Entity List, banning the export of tech goods, banning investment on military-connected Chinese companies, and banning engagement with certain Chinese-connected software applications such as Alipay and WeChat Pay.

Beijing sees all these moves as part of the U.S. policy of containment to stifle China's technological progress. And it is not deterred. Beijing is determined to offer its alternatives to current U.S.-dominated technologies, notably its BeiDou navigation satellite system as a competitor to the U.S. government's widely used GPS satellite system.

Meanwhile, many developing nations such as Brunei, Pakistan, Laos, and Thailand have adopted the BeiDou system. This underscores the notion that China will see less resistance from developing countries looking to adopt new technologies because of its efforts since the 1990s to help the developing world build and invest in technologies while the West did not bother.

While pushback is rising, all countries (including the United States) face a common operational challenge in determining where their national objectives can be advanced

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through engagement, and where disengagement is the most effective way to protect and promote their national interest.

ASEAN TO BENEFIT

Rising Sino-U.S. tension and wariness in the developed world of dependence on China, have made Southeast Asia, and ASEAN in particular, an ideal destination for China to offshore the production of its medical equipment and supplies. ASEAN is going to be a crucial region for China's digital BRI expansion as it has been for the traditional BRI, especially when these countries have received China's medical assistance and advice during the Covid-19 crisis. The point for the West to note is that many of the ASEAN countries are U.S. allies, and they are now moving closer to China.

China will engage the region with a multi-pronged approach to accommodate the different stages of economic development of these countries. Poor countries may get more Chinese assistance, trade, and investment in the construction of basic public health infrastructure, while rich economies will get more scientific exchange and management cooperation through health professionals and scientists.

The purpose is to integrate the digital functions in the different countries' healthcare systems. This will not only make them more efficient, but also promote China's digital health and biotechnological standards and, hence,

increase its regional influence. This is exactly China's new world view under its dual circulation policy that sees its internal circulation sit in the center of Asia, engaging regional and global capital, financial, and technological markets for enhancing domestic growth and driving regional growth. Ultimately, all this reveals Beijing's BRI vision to draw China's neighbors closer to its economic embrace as a long-term development strategy to counter external exigencies and global demand shift.

RESHUFFLING GLOBAL POWER BALANCE

China has been extending its soft power in Asia through its digital BRI by leveraging on the opportunity provided by the Covid-19 health shock. The West has been "asleep at the wheel," ignoring the needs of developing nations, thus allowing the inequalities of the digital divide between the rich and poor nations to grow, and lagging behind China in managing the pandemic.

The latter has given China a convenient way of extending its soft power to the developing world by providing medical assistance and supplies, while the former has made the developing world more readily accept China and its technology. A reshuffling of the global power balance between China and the West is underway, creating long-term competition and tensions in the global system. ◆