Belt and Road Initiative at 10
Past Imperfect, Future Tense

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In September 2013, in Kazakhstan, Chinese President Xi Jinping announced the 'Silk Road Economic Belt' (SREB), an ambitious infrastructure initiative. A year later, while on a visit to Indonesia, he announced another connectivity initiative '21st Century Maritime Silk Road', comprising mainly a sea route connecting China's east coast ports to Europe via South-East Asia, South Asia and East Africa. Together, these two were called 'yi dai yi lu' in Mandarin, the literal translation of which is 'One Belt One Road' (OBOR). However, the world soon adopted the term 'Belt and Road Initiative' (BRI) instead of OBOR.

At the Peripheral Diplomacy Work Conference in October 2013, Xi said that China's neighbours had 'extremely significant strategic value' and wanted to 'improve relations between China and its neighbours, strengthen economic ties and deepen security cooperation'.[1] Peripheral diplomacy sought to ensure stability in China's neighbourhood and create a new regional economic order.[2] By intersecting geo-economics with geo-politics and openly touting the need for a change in the world order, BRI heralded a new phase in Chinese foreign policy, burying the Deng era mantra of 'hide your strength and bide your time'. Unsurprisingly therefore, the launch of BRI coincided with the adoption of a more assertive and aggressive foreign policy. The economic dimensions and reasons behind BRI were three-fold.

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Firstly, it sought to uplift the under-developed regions of China through better integration with neighbouring economies; second, it aimed to upgrade Chinese industry while exporting Chinese standards; and third, address the problem of excess capacity.[3] Beneath the veneer of marketing BRI as a cooperative economic initiative, Beijing's strategic gameplan to upend the existing world order and tame any challenge from other Asian powers was soon evident. In 2012, China's strategic muscle flexing in the South China Sea (SCS) had begun, making the world take note. By intensifying connectivity with Eurasia through a strategic 'China Goes West' plan, it sought to divert attention away from its illegal occupation activities in the SCS. The US-led Trans-Pacific Partnership (TPP) was not an option for China, primarily because TPP required high standards and open market access.[4] Apart from the first mover advantage and promises of massive investment, BRI was also aided in no small measure due to reduced American engagement in trade and investment with Africa.[5] China capitalised on the USA leaving the TPP by offering more projects under BRI and highlighting American unreliability. Thus, BRI began with a bang and lots of promise. Although BRI has been making it to the headlines quite consistently, it has not always been for the right reasons. Hence, a decade since it was launched, a broad analysis and fact-check of BRI may prove valuable to understand whether it has succeeded and to evolve future policy options.

Impacting the Infrastructure and Connectivity Landscape

Since its inception, BRI has expanded geographically and in its range of activities such as 'Digital Silk Road' and 'Space Silk Road'.[6] Today, BRI has roughly 3,000 projects and an investment of over US$ 1 trillion. It has established around 30 overseas industrial zones. Through BRI, China spends around US$ 85 billion per year on foreign infrastructure development,[7] far ahead of the USA. The annual investment requirement of the developing world is estimated at anywhere between US$ 2.9 to US$ 6.3 trillion.[8] BRI has helped reduce the gap in infrastructure finance.[9] Hence, BRI projects have been a lucrative option for developing nations and emerging economies to create domestic infrastructure. In ten years, China's commerce with BRI members has amounted to US$ 19.1 trillion (average annual growth rate of 6.4 per cent), and two-way investment between China and its partners has touched US$ 380 billion.[10] The China-funded Silk Road Fund (SRF) had signed agreements on 75 projects with a committed investment of about US$ 22 billion till the end of June 2023.[11] BRI has been lapped up by Africa, with

53 out of 54 African countries being part of it. As of 2021, China had signed Memorandums-of-Understanding (MoUs) for projects with 46 African countries.[12] BRI has enabled Chinese capital to go global. A report by Boston University has observed that by focusing on industrial and infrastructure lending, Chinese finance has boosted trade in developing countries.[13] BRI has been inclusive, regardless of a country's economic indicators. Of the 149 countries that have onboarded, 34 are in the high-income group, 43 are in the upper middle-income group, 41 are in the lower middle-income group, and 31 are in the low-income group.[14] By constructing a large network of roads, railways and ports in infrastructure-deficient countries of South-East Asia (such as Myanmar, Thailand, Laos, Cambodia), China has managed to better integrate this region economically. Indonesia's first high speed rail, 'Whoosh' is a product of BRI. Similarly, in Africa and Central Asia too, BRI has hastened infrastructure creation and economic activity. From 2014 to 2021, Chinese iron and steel makers invested some US$ 17.5 billion in BRI countries, up from US$ 4.7 billion over the previous eight years.[15] Thus, when viewed through the lens of number, scale, and capital, BRI appears to have produced a 'win-win' situation. In the public imagination, the BRI comprises largely hard infrastructure projects—roads, railways, airports, ports, etc.[16] But there are many projects in areas like education and health, except that they have not grabbed the headlines.[17]

Debt, Disillusionment and Despair

Hidden behind the official Chinese bluster trumpeting the success of BRI is the large indebtedness of many participating countries. China's financing model in BRI was very different from internationally recognised transparent ones. Favouring loans over grants in the first decade of BRI, China's ratio of loans to grants was 31:1.[18] BRI contracts remain hidden and are not available for public scrutiny, even in beneficiary countries. By ensuring contract terms prioritise its debts over all other loans and shrouding them in secrecy, Beijing has made sure it gets paid. An analysis of about 100 leaked BRI contracts revealed opacity in terms of loans, strict confidentiality clauses, and restrictive conditions, such as denying the host country the option of multilateral collective bargaining, amongst a few.[19] Contents of a leaked BRI contract for road construction in Kyrgyzstan revealed that Kyrgyzstan was obliged to purchase labour and materials sourced from China and abide by Chinese standards.[20] Through BRI, China enhanced its economic and political influence on borrower countries, stifling any international competition. Steadily, the countries that were caught in Chinese 'debt-trap' diplomacy increased, raising questions about the motives of BRI. Closer home, Sri Lanka and Pakistan, who signed on to BRI, continue to remain heavily in debt. Features of Chinese loans included higher interest rates, shorter maturity and grace periods than those offered by multilateral creditors such as the World Bank. China has stonewalled efforts to restructure debts worth hundreds of billions of dollars by its unwillingness to participate in multilateral negotiations in several countries, preferring instead bilateral ones.[21] Interestingly, India had flagged the lack of transparency and sustainability (apart from sovereignty) as issues in not joining BRI.

The burgeoning bill countries had to foot for signing onto BRI has resulted in their nosedive into bankruptcy. The list of such 'BRI affected' countries is trans-continental, e.g., Argentina, Ethiopia, Kenya, Malaysia, Montenegro, Pakistan, Laos, Sri Lanka, Cambodia and Tanzania. Confronted with extremely high debt-to-GDP ratios, these countries have been forced to take crippling debt-servicing decisions. Since 2010, public debt has tripled in sub-Saharan Africa, driven largely by Chinese lending, and 60 per cent of BRI countries are in debt distress—a 1200 per cent increase since the pre-BRI era.[22] Behind the glitz and glamour of BRI that China propounds lie many cataclysmic realities pertaining to wasteful expenditure, corruption and poor quality. In Ecuador, a massive US$ 2.6 billion hydroelectric dam built at the foot of an active volcano developed 17,000 cracks in its structure that has forced it to operate at limited power and risk failure or collapse.[23] Dams in Uganda and Pakistan have structural cracks as well.[24] In Zambia, the costly Mongu-Kalabo highway linking western Zambia to Angola sees mostly foot and bicycle traffic.[25] As the hidden horrors of BRI became evident, there was a pushback from some countries. Botswana withdrew from a 300-km road rehabilitation project, while Kenya and Uganda withdrew from the Naivasha to Kampala Standard Gauge Railway (SGR) in 2023.[26] Kazakhstan has been a victim of unkept promises by China. One BRI project involved connecting the Kazakh border town of Khorgos by rail and expressway to the eastern Chinese seaport of Lianyungang aimed at boosting Kazakh exports to East Asia. But instead of growing, Kazakh trade with Japan has been declining for the past decade. On the contrary, Chinese investment and ownership of Kazakh natural resources has grown substantially.[27]

Corruption has been endemic in BRI. Former President of Ecuador, Lenin Moreno and 36 other officials were officially charged in March 2023 for receiving US$ 76 million in bribes related to contracts awarded to China for the Coca Codo Sinclair hydro-electric dam.[28] In an investigation, the

Wall Street Journal revealed in 2019 how Chinese officials in 2016 offered to cover up the embezzlement done by then Malaysian Prime Minister, Najib Razak and bail him out in return for a US$ 16 billion rail deal (over-priced by more than 100 per cent), and a US$ 2.5 billion gas pipeline.[29] In the Democratic Republic of the Congo (DRC), China constructed less than US$ 1 billion of the agreed US$ 3 billion infrastructure in exchange for extracting critical minerals valued at between US$ 10 billion and US$ 17 billion.[30] Citizens of DRC were victims of Chinese-fuelled corruption as Chinese state-owned businesses paid bribes of US$ 55 million to DRC President, Joseph Kabila.[31] Studies have highlighted the environmental perils of BRI projects with Chinese-constructed overseas thermal power plants emitting around 245 million tons of carbon dioxide per year and increasing air pollution.[32]

Third Belt and Road Forum: Reassurance and Rebranding

Amidst mounting criticism of BRI, cancellations of projects and the inability of some countries to repay their debt, China attempted to recalibrate and rebrand BRI during the Third Belt and Road Forum (BRF) held on 17 and 18 October 2023. In a sign of dwindling interest, only about 20 national leaders attended, compared to 37 at the previous edition in 2019.[33] The list included international pariahs like the Russian President and Taliban leaders, who formally requested for Afghanistan to join BRI. Being a signature and pet project of Xi Jinping, China showcased his leading role in global development efforts and left no stone unturned to project BRI as a success. A 'White Paper'[34] on BRI was released prior to the BRF. Deliberations at the BRF have given an insight into the likely future trajectory of BRI. Recent trends indicate a shift in Chinese development funding, favouring smaller, less risky projects. In 2021, Xi Jinping called for a 'Green BRI' and advocated a creative approach to lending through 'xiao er mei' strategy. Translated literally, the term means 'small and beautiful'. Taking these propositions forward, the BRF emphasised a focus on sustainable development, disbursing loans under US$ 50 million ('small') and undertaking projects with significant financial viability, favourable social and environmental outcomes, and/or political significance[35] ('beautiful'). A discernible shift is evident in more Chinese private companies taking on BRI projects. Since 2022, private sector companies like CATL (the world's largest battery producer), Alibaba and Zijin Mining have led BRI investments.[36] An 'Artificial Intelligence (AI) Global Governance Initiative' was launched, financing worth US$ 96 billion from China's two main banks and nearly US$ 11 billion from the Silk Road

Fund announced.[37] Thus, it was evident that China's pursuit of BRI would continue, albeit with course corrections. Understanding the 'why' of it is very important.

Pathway to the 'China Dream'

Despite the economic unsoundness of many projects, China's lending has allowed it to secure critical resources, e.g., China Development Bank disbursed loans in exchange for oil in Venezuela and bauxite in Ghana.[38] Through BRI, China has brought overseas development, lending and business under one umbrella, enhancing business opportunities for Chinese State-Owned Enterprises (SOEs) in the steel and coal industries abroad.[39] BRI is unmistakably a globalisation endeavour but with Chinese characteristics. China has secured access to large and diverse quantities of raw materials and ensured a captive consumer base for Chinese exports, resulting in some Chinese SOEs showing spectacular results. China has accrued diplomatic benefits by either persuading or coercing BRI countries to cut their diplomatic ties with Taiwan (e.g., Honduras, Nicaragua, Kiribati, Solomon Islands, Panama) in favour of China. The Chinese proposal for a global Artificial Intelligence (AI) governance framework demands that other countries respect 'national sovereignty and strictly abide by their (Chinese) laws'. This is a clear attempt to oppose the West and obstruct other countries from developing AI. Non-compliance would imply denial into Chinese markets for foreign companies. Chinese technological edge over developing countries could be a lever for China to coax the BRI-reliant countries to adopt Chinese standards and equipment. By constantly emphasising that many lesser developed countries have been bypassed by the 'Washington consensus', China has used BRI to offer an alternate model of economic growth based on the backbone of building connectivity and infrastructure. Unsurprisingly, it ensures enhanced Chinese presence and influence in member countries' politics, economics, security and diplomacy. Through BRI, China seeks to 'de-Westernize' global dependence on the US-led order and replace it with its own version and vision. Underlying this vision is Xi Jinping's quest for global leadership and fulfilment of his 'China dream'. BRI has symbolised a paradigm shift in how Beijing views its place[40] in the global arena. BRI is also another item in China's information manipulation 'toolkit' of generating a 'positive' image of itself. This is done through exaggerating project contributions to local communities, including stating misleading figures of investment and promises of a bright future the BRI will bring to the host country if it stays on the path of strong relations with Beijing.[41] Efforts to hold Chinese projects accountable have been stymied by co-opting China-friendly media partners, weakening civil society, and encouraging governments to curb any dissent against BRI.

As an important instrument of Chinese foreign policy, BRI has attempted to shape the balance of power favourably. In ten years, BRI has undeniably impacted global geopolitics and economics. It has increased China's diplomatic influence and placed China at the centre-stage in regional trade networks. Through seemingly alluring proposals causing indebtedness, China has managed to entrap smaller countries into aligning their broader diplomatic, military, and strategic policies with its own. Moreover, through BRI, China has sown the seeds of mistrust in multilateral institutions and divided democracies. It has also actively supported dictatorships and authoritarian regimes that bear scant regard for human rights. Despite failing to deliver high-quality infrastructure as promised, BRI has generated strategic value for China. Naturally, it has led to concerns about China's unbridled ambition to dominate the world.

Conclusion

India's sagacious stand of not joining BRI has increasingly found more takers. Many countries who signed onto BRI with optimism, have belatedly realised that it has been a saga of broken promises and economic slaughter. BRI has discomforted much of Europe over security fears as well as economic irrationality, and Italy has withdrawn from BRI. Weaning away countries from BRI will be a long, arduous effort but is not impossible, given recent actions by India and G-7. In fact, the time is ripe for India and its close partners like the USA, Japan, Australia and the EU to actively expose the 'Shylock' like stance of China. Western loans and investments are still the first choice of democracies, whether in Europe, Africa or Asia. The combined technological strength of the US, European Union (EU), Japan and South Korea, give them a competitive advantage over China, notwithstanding the massive investment in BRI. Better coordination and faster response to the needs of the developing countries is sine qua non. Initiatives such as the G-7-led Partnership for Global Infrastructure and Investment (PGII), Asia-Africa Growth Corridor (AAGC), EU 'Global Gateway', Lobito Corridor[42] and the India–Middle East–Europe Economic Corridor (IMEC), have the potential to offer significantly better and transparent options to BRI. Translating this potential into success will require synergy, dedicated funding, timely execution, and overcoming geopolitical turmoil.

To expect that the current downturn in the Chinese economy will dampen BRI would be folly. Neither will the criticism of the project, both internally within China and externally abroad, dampen Xi Jinping's grandiose plans, nor will the fact that BRI is now a pale shadow of its former self. The BRI exemplifies Chinese neomercantilism, which is designed to enhance Chinese geopolitical influence and power. No wonder, then, despite an imperfect decade and a future that seems tense, China will continue to bank on BRI as a vital cog in the wheel to create a Sino-centric world. Therein lies an important lesson to the world.

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