The Belt and Road Initiative: Is China Aiding Participants or Exploiting Them?

Introduction

China's involvement in the global economy has significantly increased over the past century, dramatically impacting both its neighbors and the global stage more broadly. Since 2013, the Chinese Communist Party (henceforth China or the CCP) has focused on outward FDI to promote economic growth (World Bank, 2021a). The most notable of these investment projects is the Belt and Road Initiative (BRI), which has been deemed China's "greatest international economic ambition" (Huang, 2016, p. 314) as it aims to stimulate development across an estimated 65 countries using economic corridors. However, widely considered merely an extension of Chinese foreign policy, the plan also entails significant risks for the global economy.

This paper first delineates the opportunities posed to BRI-participating economies, specifically, filling infrastructure gaps, stimulating trade and investment, and promoting cultural exchanges. After identifying these opportunities, the paper highlights the accompanying threats to these economies, namely, the spread of Chinese propaganda, resource exploitation and degradation, and debt-trap diplomacy. By taking these factors into consideration, this paper critically analyses the impact that the Initiative could have through its various development projects.

Positive Implications for Participating Economies

Filling Infrastructure Gaps

According to a 2017 report by the Asian Development Bank (ADB, 2017, p. 9), Asian states face a $US26 trillion gap in infrastructure funding before 2030. Given these limitations, the BRI has been praised for its potential to transform its regions "into new vibrant economic pillars" through these various infrastructure projects within and between economic corridors (Huang, 2016, p. 314). For example, the Thar Engro Coal Power Project is a power plant established as part of the BRI's China-Pakistan Economic Corridor that, according to government officials, is transformational for Pakistan's future as it can now capitalize on its abundant lignite coal deposits to produce electricity for the entire country (Proctor, 2021). The BRI therefore turned one of Pakistan's economic weaknesses into a competitive advantage for the country. According to OECD estimates (2018, p. 3), China will invest approximately $US1 trillion into similar projects to fill severe gaps that have historically limited participating states' economic power, allowing some of the world's least-developed nations to overcome these obstacles.

Trade Liberalisation and Increased Investment

The World Bank (2021b) currently estimates trade and foreign direct investment (FDI) in BRI-participating states to be 30 percent and 70 percent below potential, respectively. The BRI aims to transform these nations into attractive investment destinations by connecting them to the multilateral trading system "with the WTO as its cornerstone" (Belt and Road Portal, 2017, pp. 4). For instance, the BRI's Port of Djibouti has been praised as a crossroads for shipping routes between Europe, Southeast Asia, the Persian Gulf, and the Horn of Africa and as an economic driver for Djibouti (Schipani, 2021). Additionally, the BRI further expands into Africa with a coastal rail link that connects Djibouti to landlocked Ethiopia's capital, Addis Ababa, which is expected to boost transnational trade and support its rapidly expanding economy (Maasho, 2011).

By lowering transit times and trade costs, the World Bank (2019b) estimates BRI projects could boost trade and FDI by respectively 9.7% and 7.6% in low-income economies. Increased trade and investment could allow semi-peripheral countries, such as Indonesia, Kazakhstan, and Turkey, to play more central roles in the world system. Thus, the Initiative may positively impact participants by reducing trade barriers, attracting investment, and ultimately sustaining economic growth in developing economies.

Promoting Cultural Exchange and Interdependence Between Participants

China boasts that one of the most critical implications of the New Silk Road is the cultural exchanges taking place between participants as they build international infrastructure and connect their markets. According to an article in the widely circulated *China Daily* paper (Xinhua, 2019, pp. 17), the BRI represents "a new model of global cultural exchange and communication" based on the values of mutual respect, equality, win-win partnership, joint development, and collective work. Reminiscent of the formation of the European Union, the growing economic cooperation and interdependence between BRI participants, according to China, should engender peace and harmony in parts of the world historically steeped in conflict.

To some extent, this claim can be corroborated: participants have launched their own projects, which were largely established without Chinese intervention but have been deemed BRI projects in the World Bank's official analysis of 62 transport infrastructure BRI projects (World Bank, 2018). For example, a Turkish-Japanese consortium constructed the Marmaray Tunnel, a US$2.5 billion contiguous railway network linking the European and Asian continents via Istanbul's Bosphorus strait (ADB, 2021). By encompassing non-Chinese development projects, the BRI may inaugurate a broader social construct of international economic cooperation in the developing world rather than simply a Chinese foreign investment strategy.

Negative Implications for Participating Economies

Spread of CCP Influence and Propaganda

The international community has expressed explicit concerns about the CCP's ulterior foreign policy motives in spearheading the BRI. Economists and policymakers worry the Initiative is China's way of fortifying its geopolitical and military security situation along its "strategically important periphery" (Swaine, 2015, p. 1). If so, China may leverage the BRI to enact beggar-thy-neighbor and neo-mercantilist policies under the guise of foreign aid and economic development. Unsurprisingly, there is "a rising chorus of international concern over the purpose and practicality of BRI investment" (Schrader, 2018, pp. 5), especially for the world's poorest nations whose economies the CCP ostensibly claims to support and develop.

Such criticisms are persuasive considering most of the dialogue discussing the benefits of the BRI have been disseminated through China's state-owned media organizations, e.g., the *People's Daily,* Xinhuanet, and the China Global Television Network, which constitute a propaganda system determined to sway public opinion in favor of the CCP. Moreover, President Xi Jinping unequivocally declared that "the time has come for 'Chinese wisdom and a Chinese approach' to benefit those outside of China" (Greer, 2018, pp. 6). His statement leaves little question as to whether BRI will be used to further the CCP's neo-mercantilist foreign policy objectives among local governments—even if they are misaligned with desired economic outcomes. Under this perspective, BRI nations become "targets of or vulnerable to Chinese economic or diplomatic pressure" (Greer, 2018, pp. 6).

Natural Resource Exploitation and Environmental Degradation

One of the ways in which vulnerable economies may be manipulated is through the exploitation of natural resources. Hughes (2019, p. 891) and the United Nations (2014, p. 147) report that the BRI route comprises 58.8% of the world's oil, 79.9% of its natural gas, and 54% of its coal reserves. Because developing nations often lack the regulatory infrastructure to protect environmental assets, China can easily plunder these resources. Indeed, during a visit to Washington D.C., the president of the Central Tibetan Administration warned against exploitation, stating that the BRI's roads, railways, and airports are "conveniently (...) connected to haul out natural resources and minerals from Tibet" (Jha, 2018, pp. 3). A proponent of dependency theory would argue the BRI solely exists to integrate a flow of resources from peripheral and semi-peripheral countries into the Chinese internal market, enriching China at the expense of underdeveloped but resource-rich states in the global economy.

Environmental damage is another negative externality that participating economies will likely face from the Initiative. Hughes (2019) notes that the BRI's infrastructure projects often involve deforestation and mining in unprotected zones, leaving previously pristine areas along the route in degradation. Although China has internally strengthened its environmental regulations, the BRI creates "opportunities for Chinese polluting industries to move to BRI countries with less stringent environmental regulations" (Aung et al., 2020, p. 7). The resulting damage to the environment has long been a criticism of globalization and neoliberal trade, and the BRI's aggressive endeavor could compromise environmental sustainability by appreciably accelerating the rate of emissions, habitat destruction, biodiversity loss, and climate change.

Debt-Trap Diplomacy and Project Failure

By accepting loans from China, participating states could quickly face widespread defaults. Unlike the U.S. Marshall Plan, which revitalized the European economy by offering grants that did not need to be repaid, the BRI has utilized loans with commercial interest rates (CSIS, 2018). The following countries are at severe risk of debt distress due to their participation in the BRI: Pakistan, Tajikistan, the Maldives, Laos, Mongolia, Montenegro, Djibouti, and Kyrgyzstan. Notably, China will fund a high-speed rail line in Laos "that will cost equivalent to half the country's GDP" (ibid, pp. 1). If a state cannot make its repayments to China, punitive measures may be arranged to compensate. For example, when Sri Lanka failed to repay loans it had borrowed to build the Hambantota Port, the state was forced to yield the port "and 15,000 acres of land around it" to China for 99 years (Abi-Habib, 2018, pp. 4). Thus, China's investment strategies will likely leave struggling democracies with unsustainable debt.

Moreover, vast discrepancies in the design, funding, and actual construction of a project compound the issue. Firstly, according to Greet (2018, pp. 34) and Shepard (2020, pp. 3), the BRI's project management is a "recipe for cost escalation and corruption" due to its decentralized organization, which pursues "quantity over quality [and] expediency over transparency." A Chinese representative, for instance, will initially arrange for an infrastructure project to be funded but then never ensure it is completed, leaving the participant with only debt and greater dependency on Western financial organizations like the International Monetary Fund. Chinese lenders may also intentionally overestimate the cost of a project with the intention of misappropriating leftover funds to corrupt officials as bribes (ibid). Project failures such as these significantly obstruct developmental progress for participating economies.

Summary and Conclusions

The Belt and Road Initiative presents a unique dichotomy for the global economy. On one hand, China has acted as an investor and a partner by funding and executing ambitious projects for primarily poor economies that cannot make the necessary investments in vital infrastructure without external financing. Once completed, these ventures can liberalize trade and attract investment to countries, lifting peripheral and semi-peripheral countries into a better position in the world system. Additionally, the concept of the BRI arguably promotes economic interdependence and cultural exchange between participating neighbors. Ideally, the BRI could be an openhanded way in which China utilizes its resources and capabilities to positively impact the global economy. However, evidence demonstrates that China plans to capitalize on the BRI to advance its own foreign policy initiatives and become more competitive in the global system. In particular, projects may leave participants with exploited resources, insurmountable debt, and unfinished infrastructure, but these failures would likely be concealed from the public by the CCP's state-owned media.

Ultimately, these concerns will severely limit the BRI's positive impact on developing economies unless certain measures are promptly taken by China. Provisions ought to include, at a minimum, the following: (a) working with international partners to create or uphold environmental regulations and protection, (b) creating reasonable and transparent scopes of work for development projects, (c) recovering loan debts only when—*or if*—a project is completed, and (d) accurately reporting on the effectiveness of the project. Such policies and precautions would ensure that no BRI-participating economy is being exploited by China as a means to an end.

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