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Bottom Line Newsletter



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China's Progress with the Belt and Road Initiative

SUMMARY

China's Belt and Road Initiative looks to become smaller and greener after a decade of big projects that boosted trade but left significant debts in beneficiary countries.

BACKGROUND

Called "One Belt, One Road" in Chinese, the Belt and Road Initiative (BRI) started as a program funded by Chinese development bank loans for Chinese companies to build transportation, energy, and other infrastructure overseas. The initiative aimed to grow trade and China's economy by improving connections with the rest of the world in a 21st-century version of the Silk Road. BRI has fostered massive investments in infrastructure such as roads, bridges, and ports to recreate the ancient trade routes linking Europe and Asia. The initiative has deepened China's relations with Africa, Asia, Latin America, and the Middle East. Spanning more than 100 countries, it is a central pillar of President Xi Jinping's foreign policy vision.

CURRENT STATUS

In 2019, Italy joined the project, hoping to reap a bonanza of trade and investment, but withdrew in January. Italian Prime Minister Giorgia Meloni said the project hadn't benefited Italy. As with much of Europe, Italy's trade deficit with China soared even as it participated in the project.

Chinese development banks provided money for the BRI projects as loans, and some governments have been unable to repay them. This imbalance has led to allegations by the U.S., India, and others that China was engaging in "debt trap" diplomacy: Making loans they knew governments would default on, allowing Chinese interests to take control of the assets. An oft-cited example is a Sri Lankan port that the government ended up leasing to a Chinese company for 99 years.

Many economists say that China did not make the bad loans intentionally and development banks are pulling back after learning the hard way through defaults. Chinese development loans have already plummeted in recent years as the banks have become more cautious about lending, and many recipient countries are less able to borrow, given their already high debt levels. A 2021 study by AidData found that 35% of BRI projects have been challenged by corruption,





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excessive debt, or labor exploitation. Future BRI projects are likely to be smaller and greener and rely more on investment by Chinese companies than on development loans to governments.

The Green Investment Principle (GIP) is a set of principles for greening Belt and Road investments. It was co-initiated by the Green Finance Committee of China Society for Finance and Banking and the City of London Corporation's Green Finance Initiative, with the participation of Principles for Responsible Investment, Belt & Road Bankers Roundtable, Green Belt and Road Investors Alliance, World Economic Forum, and the Paulson Institute. The Belt and Road Initiative (BRI) offers a new development paradigm by investing in green infrastructure, which is necessary to avoid the irreversible carbon lock-in effect on global climate change.

IMPACT

Through the Belt and Road Initiative, China has reaped a substantial economic benefit in trade. A slew of agreements brought access to more resources, such as oil, gas, and minerals, as the BRI's focus widened to include Africa, South America, and the Middle East. About \$19.1 trillion of goods were traded between China and BRI countries in the past decade. A massive global infrastructure investment of \$66 trillion is needed in emerging economies before 2030. Total BRI spending has already surpassed \$1 trillion—an enormous sum China plans to recoup through various debt repayment plans. Today, BRI lending has made China the world's largest debt collector.

Critics have cast the scheme as a vehicle for Beijing to expand its geopolitical influence, including by saddling poorer countries with unsustainable debts. The United States is concerned that China could use the project to leverage crucial technologies and infrastructure. Observers have also raised concerns about possible economic coercion, where foreign governments feel pressured to follow Beijing's agenda or risk China pulling out of investment. Many nations that have shifted recognition from Taiwan to China in the past decade are BRI funding recipients. The think tank also said the BRI has become China's "main instrument" in its diplomatic isolation of Taiwan.

Pew Research found that many middle-income countries, including Mexico, Argentina, South Africa, Kenya, and Nigeria, have increasingly favorable attitudes toward China in the past decade. In Southeast Asia, Cambodia has consistently resisted condemnation of China's actions in the South China Sea. At the same time, Laos and Thailand have been criticized for arresting or allowing the abduction of Chinese activists wanted by Beijing.





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RESOURCES:

- [Why China is Rebooting the Belt and Road Initiative](#) (USIP)
- [Belt and Road Initiative: Is China's Trillion-Dollar Gamble Worth It?](#) (BBC)
- [China's Belt and Road Initiative Turns 10. Here's What to Know](#) (World Economic Forum)
- [China Warns Against 'Undermining' Belt and Road Plan After Italy Withdraws](#) (Al Jazeera)
- [How China's Belt and Road Initiative is Changing After a Decade of Big Projects and Debts](#) (AP News)
- [EU Leaders Press China on Trade, Russia in First Summit Since 2019](#) (Courthouse News Service)
- [Advancing the Green Development of the Belt and Road Initiative](#) (World Economic Forum)

