

# Belt and Road Initiatives: It's Changing Dynamics and Prospects

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## ABSTRACT

China's has initiated the Belt and Road Initiative (BRI) programme to gain the economic and political leverage globally. To some extent, China has gained this leverage but the natural hazard such as Covid-19 pandemic and regional political circumstances such as US-China trade War, 'Russia-Ukraine War' proved to be hindrances in achieving her goals particularly economic ones. Moreover, China has also faced the global criticism mainly the Debt trap and the environmental one and tried to overcome with its new 'Belt and Road Version 2.0' keeping in mind to resolve the environment and loan issues.

**Key Words :** BRI, China, Debt trap, Belt and Road Version 2.0

## INTRODUCTION

China's Belt and Road Initiative has expanded far beyond Eurasia and its initial goals of developing a New Silk Road project with its Maritime Silk Road. More than 140 nations, including those in Africa, the Middle East, South Asia, and Latin America, have been added to the geographical scope. A Digital Silk Road, a Polar Silk Road (for expanding arctic shipping routes and offshore arctic fossil fuel extraction and mineral mining), a Health Silk Road, and a 5G-based 'Internet-of-Things' (IoT) project have all been added to the BRI's aspirations at the same time. For many years to come, they will influence geopolitics and economics, with far-reaching effects on global security (Umbach, 2022).

The People's Republic of China (PRC) launched the Belt and Road Initiative (BRI), a plan that aims to link Asia with Africa and Europe via land and marine networks in order to enhance regional integration, boost commerce, and foster economic growth. The Silk Road Economic Belt and the 21st Century Maritime Silk Road are the two primary parts of the BRI. China's President Xi Jinping came up with the moniker in 2013, drawing inspiration from the idea of the Silk Road, a network of

trade routes that connected China to the Mediterranean across Eurasia for decades beginning 2,000 years ago. 'One Belt One Road' is another name for the BRI that has been used in the past. The BRI includes a 21st century Maritime Silk Road, a sea route linking China's coastal regions with south east and south Asia, the South Pacific, the Middle East, and Eastern Africa, all the way to Europe. The Silk Road Economic Belt is a transcontinental route that connects China with South East Asia, South Asia, Central Asia, Russia, and Europe by land. The project identifies five key areas of focus: people connection, unhindered commerce, financial integration, policy cooperation, and infrastructural connectivity. The BRI has been linked to a major investment project in the construction of ports, roads, railroads, airports, power plants, and telecommunications networks (European Bank for Reconstruction and Development News Report).

China is one of the 71 economies studied by the World Bank that are situated geographically along the BRI transport routes. These nations accounted for 40% of worldwide exports of goods in 2017 and received 35% of all foreign direct investments. Projects in all sectors that are currently being undertaken, implemented, or

planned are anticipated to total US\$575 billion for the 70 BRI “corridor economies” (apart from China). It was estimated that the BRI transport projects would cut travel times along economic corridors by 12%, boost trade by 2.7% to 9.7%, improve income by up to 3.4%, and relieve 7.6 million people of extreme poverty (The World Bank Brief, 2018).

However, the volume of Chinese state-led BRI loans has decreased since 2019. The BRI currently lays more emphasis on “high quality investment” through various means, including as increased project financing, risk-reduction measures, and green financing. As of March 2020, 138 nations had joined the Belt and Road Initiative by signing an MoU with China, making it an increasingly significant umbrella organization for China’s bilateral commerce with BRI partners. (European Bank for Reconstruction and Development News Report).

#### **BRI : A Debt Trap Instrument:**

There have been allegations that China practices so-called debt-trap diplomacy in conjunction with its rise as a global banker, particularly in low-income nations (Clark, 2023). China, the world’s largest official creditor for the first time, poured over USD 1 trillion in loans at exorbitant interest rates under the BRI to 150 adjacent emerging and least developing nations. An analysis found that in order to secure these BRI projects, Chinese agencies frequently paid significant sums to military and political figures in the recipient nations. As a result, the conditions of these loans were kept a secret. As a consequence, international credit rating organizations are unable to evaluate the creditworthiness of the borrowing nations. Therefore, the Chinese organisations supporting the BRI projects were the first to be caught off guard when the economies of these borrowing countries started to crumble, according to the European Times. However, the nation is experiencing harsh lessons as a result of the borrowing nations’ currency problems and inability to repay Chinese debts. Compared to barely 5% in 2010, about 60% of China’s foreign loans are now owned by nations deemed to be in financial difficulty. Sri Lanka’s economy just collapsed amid ongoing political unrest, and Pakistan’s economy is also on the verge of collapse. According to the European Times, the two nations are not paying back their debts, endangering the Chinese economy. Additionally, a number of African nations have had trouble repaying loans and completing BRI projects (The Economics Times, 2022).

#### **BRI Post-COVID:**

China’s state banks followed the example of a large portion of the rest of the globe and increased assistance for domestic initiatives in the wake of the COVID-19 outbreak. China has limited the scope of its international aspirations to projects in Southeast Asia and along its vast border. Since reaching a high in 2015, foreign investments have sharply decreased. China’s CO2 emissions are expected to peak before 2030 and become carbon neutral before 2060, according to Xi Jinping’s announcement in September 2020. Despite the fact that China continues to invest in coal alongside a sizable amount of new investment in renewable energy sources like wind and solar, this has significant consequences for investments made along the Belt and Road. The Belt and Road Initiative’s impact on green infrastructure, industry, and energy solutions will be demonstrated in the coming decade, and the BRI’s progress will also provide a much better picture of its ramifications for the rest of the globe (Jie and Wallace, 2021).

The BRI is Beijing’s most significant political and economic tool. Along with the G20, the Shanghai Cooperation Organization, the Asian Infrastructure Investment Bank, and other organizations, Beijing is also utilizing the BRI as a new global cooperation platform. It makes use of such platforms to establish new international norms inside United Nations organizations (such as in the digital and telecommunications industries) and to reinterpret the accepted principles of international politics and economics for use in global governance. Beijing’s ‘China Standards 2035’ policy aims to make it the most significant standard-setting nation in the world by that year. It has actively participated in venues such as the International Telecommunication Union (ITU), the UN’s International Organization for Standardization, and others. It has representatives in those UN and other fora, where they hold influential positions that are utilized to forge consensus in favour of China’s objectives (Umbach, 2022).

The BRI’s future depends on China’s capacity to resolve the difficulties and issues brought up by participating nations as well as to adjust to the evolving global environment. China may need to concentrate on encouraging more transparency and sustainability in BRI projects and cooperate with participating nations to solve debt sustainability problems in order to secure the long-term viability and success of the BRI (Kakoti and Singh, 2023).

### **BRI and Russia-Ukraine War :**

Prior to Russia's invasion of Ukraine, BRI seemed to Europe to be more promising than the New Eurasian Land Bridge. With Russia's prolonged invasion of Ukraine lasting more than a year, China's intentions to grow commerce and strengthen transit relations with Central and Eastern Europe have been imbalanced. The Russia-Ukraine crisis has radically altered the global geopolitical environment and trend, with considerable positive and negative repercussions for China. China's help to Russia during Putin's difficult invasion may have momentarily disrupted President Xi Jinping's BRI dream project in Europe. President Xi's choice to stand by Putin has proved costly for the BRI till as long the war continues. Poland, a NATO ally, EU member is taking the lead role leader of Eastern European nations to stand against Russia and is now playing a key role as a weapons conduit for Ukraine and has taken in over 2 million Ukrainian refugees. Despite signing an agreement with Beijing on the BRI initiative in 2015, fears about deteriorating relations with China had been growing in Poland'. 90% of rail cargo went via the northern route through Russia and Belarus prior to the Russian invasion but now major freight forwarders, such as Maersk and DHL, refuse to work in Russia. Rail commerce between China and Europe has dropped by more than 35% in 2022 (RC, 2023).

In this regard, India has attempted to persuade countries that China's BRI is a plot to dominate Asia, saying that China's geo-economic BRI strategy places unsustainable financial loads on tiny developing countries such as Sri Lanka, Pakistan, and a few African countries. As a result, the United States sees India as a counterbalance to a China-dominated Asia and has worked to integrate its strategic partnerships in the area. Xi's grandiose ambition for the 21st Century Maritime Silk Road includes investment in port development along the Indian Ocean, from Southeast Asia to East Africa and portions of Europe. Finally, Beijing may seek geopolitical clout over BRI nations (ibid).

### **Criticism of BRI:**

According to a press release from CARI ASEAN Research and Advocacy (2018), there has been opposition to BRI projects due to concerns about being buried under Chinese debt, losing sovereign rights when dealing with Chinese companies, unfair financial and contract terms, and limited participation by locals in project

implementation.

Massive infrastructure projects pose governance concerns, such as corruption and public procurement failures. According to the scant data available, Chinese corporations account for the majority of BRI contracts; according to one estimate, more than 60% of Chinese-funded BRI projects are assigned to Chinese firms. The methods for picking businesses are poorly understood. Moving towards worldwide best practices, like as open and transparent public procurement, would improve the likelihood that BRI projects will be assigned to the companies most suited to carry them out (Raiser and Ruta, 2019).

One of the most serious complaints levelled against the BRI is that it is a debt trap, with China giving money to poor nations for infrastructure projects that they are unable to repay. Critics claim that this traps countries in a cycle of debt and dependency on China, undermining their sovereignty and increasing their vulnerability to Chinese economic and political coercion. There are several examples of countries that have faced financial problems as a result of BRI projects. Sri Lanka, for example, was unable to repay its debt for the Hambantota Port project and was obliged to lease the port to China for 99 years. Djibouti's failure to repay Chinese loans has prompted criticism of the Chinese project finance strategy for trapping poor countries in debt. With China investing billions of dollars in infrastructure projects under the China-Pakistan Economic Corridor (CPEC), a key component of the BRI, Pakistan's debt to China has also grown, raising concerns about the financial sustainability of the projects and their impact on the Pakistani economy. China has made significant investments in infrastructure projects in Laos; nonetheless, the project has been criticized for its high cost and potential environmental damage, and questions have been raised regarding Laos' capacity to repay Chinese debts. These are only a few examples among many (Kakoti and Singh, 2023).

Another critical issue the BRI facing is related to the environment. The concerning environmental community is skeptical that a project of this magnitude can be completed without having a significant environmental impact. The BRI is thought to be a source of wildlife habitat damage, as well as a source of energy that will contribute to a significant rise in greenhouse gas emissions. In this regard China came up with a plan. According to the Xinhua Silk Road Information Service (2020), China is collaborating with the United Nations

Environment Programme and has negotiated agreements on “ecological conservation with more than 30 countries along the routes” (Quintal, 2021).

In contrast, Yu Hong, a senior research fellow at the East Asian Institute, opined in ‘Think China’ e-magazine that it’s quite flawed and overstated when someone defines BRI as “a debt trap.” In reality, several BRI participants were already dealing with growing debt levels before the BRI’s official debut. Many developing nations are in debt, but these problems have built up over time. Although their debt increased when Chinese projects were implemented, this debt makes up a relatively small portion of the nations’ overall debt when compared to debt owed to multilateral financial institutions and commercial creditors (Hong, 2023).

### Conclusion:

China must adhere to transparent policies, multilateral collaboration, country-specific reforms, and endeavour to preserve the economic balance with the BRI developing nations in order for BRI to be successful. China should not maintain its hegemonic attitude. After the Covid-19 and Russia-Ukraine War, Xi Jinping is attempting to resurrect the BRI. In one of the Wall Street Journal reports which concludes that “As China is increasingly isolated from the international community; the ‘Belt and Road’ has become increasingly important to Xi Jinping’s strategy. Beijing hopes that the 2.0 version of the ‘Belt and Road’ will become more sustainable.”

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