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## China's BRI: Challenges and Prospects

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### Abstract

As China is going to host the third Belt and Road Forum for International Cooperation (BRF) after a gap of five years, China's BRI project is in news again. As per the information of the Chinese Foreign Ministry, the leaders from 90 countries have consented to take part in the Conference including the Russian President Putin. The official sources of China claimed that under the BRI initiative, agreements have been signed with 150 countries and 30 international organizations. Nearly 3000 projects have been initiated with total investment of \$ one trillion.

**Keywords-** International Cooperation, China's BRI, Challenges and Prospects.

### Introduction

The BRI was launched in 2013 during Chinese President's visit to Kazakhstan. Chinese foreign office has further claimed that 'over the past decade, Belt and Road cooperation has achieved fruitful outcomes' (The Hindu: 2023). However, the apprehensions and misgivings continue to haunt the BRI and its prospects. The two routes (Maritime Route and Land Route) under the BRI projects were to converge at Venice in Italy, which was the only G-7 member to join China-led BRI. Now the present government of Italy in 2023 has termed the decision of Italy to join BRI as 'atrocious'. Apart from this, there are deeper challenges faced by the BRI as it enters its second decade.

### **BRI: Part of China's Grand Strategy**

China's BRI is essentially a connectivity and infrastructure project, but it cannot be viewed in isolation as it involves huge financial and political commitment by China across a wide spectrum of countries from Asia, Africa to Europe. In fact, China's BRI is an integrated part of China's grand strategy. China has emerged in 2010 as the second largest economy in the world and may surpass the US in near future. China, with GDP of \$14 trillion, is the largest trading country (annual trade \$5646 billion), and largest holder of foreign exchange reserves (\$ 3.15 trillion), largest foreign investor with total investment of \$ 1 trillion under the BRI project only. (Statista: 2021). It is now a manufacturing hub and a leading player in global trade, investment and emerging technologies like electronic and automation. In tune with its economic growth, China has also developed its military infrastructure and capabilities. Its military and technological might is reflected in the development of Aircraft carriers, long range missiles, submarines and strong naval and air force. China's military spending has been increasing with double digit annual growth for a decade till 2015 and nearly 6-7 percent thereafter. This higher spending on defence has enabled China to focus on the rapid modernization of her defence capabilities. China has built advanced missile system, fifth generation fighter jets and two indigenous aircraft carriers. For the year 2021, China has proposed a defence budget of \$ 202 billion which is a 6.8 increase from the last year defence budget (IISS: 2021).

From 1978, when China liberalized its economy till 2013, China followed the policy of 'peaceful rise'. China's peaceful rise was also facilitated by the Western countries with new avenues for investment and technology. This coupled with China's cheap labour force enabled China to emerge as a leading economic and military power in three decades. It was in this background that the present leader Xi Jinping assumed power in 2012. Xi articulated China's grand strategy in the form of 'China Dream', which was floated during the 18<sup>th</sup> Party Congress in 2012. The *China's Dream*, among other things, aims at the considerable technological and economic development of China by the year 2035 and making her a global power by the year 2049, when Communist Revolution celebrates its century. Thus, 'China Dream' stands for expansion of China's strategic influence across the region and globe. It has two components: economic and strategic. The grand narrative of China Dream has two strategic tools for its realization.

**First** component is political and military focusing on power projection and expansionism through aggressive posture and Wolf Warrior Diplomacy in the region. China's expansionism on the LAC and its illegal claims in South China Sea are just few examples of this strategy.

**Second**, the economic component of the grand strategy is implemented through economic tools like investment trade and infrastructure projects. Economically, China is willing to expand her influence across the region through trade and investment. The launch of Xi Jinping's flagship global infrastructure development programme BRI (Belt and Road Initiative) with initial proposed investment of \$1 trillion in 2013 is intended to expand China's economic and strategic footprints in Asia and Europe. The BRI, which proposes a land based route and another maritime route from Asia to Europe envisages development of highways, ports, and other industrial and energy infrastructures in different countries on the way. China's forays into development partnership with smaller and poor countries of Asia and Africa are also a part of her grand economic strategy. Thus, we can view BRI as an economic component of China's grand strategy to emerge as a global power by the year 2049.

Accordingly, China has pushed the BRI projects in Asia, including Indian Ocean rim states, Africa, Central Asia and reaching to Europe through participation of Italy. All the South Asian Countries except India and Bhutan have joined BRI. In Indonesia, China has made investment for the development of fast speed railway infrastructure. In Myanmar, China is developing China-Myanmar Economic Corridor by developing Kyaukpyiu port and linking it with China through highways and other infrastructure. In Sri Lanka, the reach of BRI is more pervasive including development of strategically important Hambantota port and Colombo port city project, among other energy and infrastructure projects. In Maldives, China has made deep economic and strategic inroads during Abdulla Yameen regime, which basically has pro-China disposition. China has developed road, bridge and other infrastructure including controlling some small islands on lease. China's forays in Pakistan is more insidious as it has developed CPEC (China-Pakistan Economic Corridor) which links Kashgar in China's Xinjiang province with Gwadar port in Indian Ocean located in Baluchistan province of Pakistan. China does care about the sovereignty of other nations as the CPEC passes through the India-claimed POK region of Gilgitistan-Baltistan. Like Myanmar Port of Kyaukpyiu, the Gwadar port of Pakistan gives another access to China in the Indian Ocean. China has established its first overseas naval base in Djibouti in the Horn of Africa. This will help China in overcoming her Malacca Dilemma in the long run. Similarly China has made huge investments in Central Asia to develop the land silk route. Both these routes will converge at Venice in Italy.

## Challenges of BRI

A careful perusal of the decade long implementation of the BRI programme and various projects under this initiative displays two types of challenges:

**A. Violation of Global Norms and Debt Trap:** The projects under the BRI have been launched by China with total disregards of global norms. It has also led to debt trap in the partner countries and in some cases even land grabbing to swap the debt burden. Some of the important points in this regards are mentioned below:

1. China's RBI lacks transparency as the terms of loan is not disclosed to the recent countries at the initial stages. Many core issues of such transactions are shrouded in secrecy. No one for sure knows that how much loan is granted at what rate and what is the component of grants in this investment.
2. China's BRI has paid no regards to the principle of sovereignty and territorial integrity of other nations. This principle is the backbone of the United Nations System. For example, China's CPEC projects go through Indian territory in POK in spite of India's objection to the violation of her territorial integrity. Also in case of Sri Lanka, China has proposed a new management of Colombo Port City,; which disregards Sri Lanka's sovereign rights in this management. Many political groups in Sri Lanka have protested to this arrangement in 2021.
3. China also disregards other global norms in executing projects under the BRI. In total disregards to the local conditions of host countries, the work is invariably awarded to Chinese Companies and is implemented with Chinese labourers. Thus there is no employment generation in host countries. China does not follow environmental norms or global labour norms in implementing these projects.
4. The predatory nature of BRI is more visible in rising debt crisis in the recipient countries. Sri Lanka and Pakistan are the worst affected countries in South Asia by China's debt trap.

China's debt trap in Sri Lanka is illustrative for other countries. It led to loss of territory by China and huge financial crisis in Sri Lanka in 2022. Sri Lanka has been an enthusiastic partner in China's BRI projects, particularly during Rajapaksa regime in the first two decades of this century. China' invested huge amount of money as loan to Sri Lanka in many ambitious infrastructure projects. Sri Lanka was attracted to China's easy loans without any conditions in the initial stages. But Sri Lanka came under China's debt trap during the middle of last decade. China's debt composition in Sri Lanka moved from 0.3 percent to her GDP in 2000 to 16 percent of her GDP in 2016 . By the end of 2022, China's debt stock in Sri Lanka had reached some US\$7.3 billion, amounting to 19.6 percent of Colombo's public external debt. These figures include debt recorded in Central Bank and state-owned enterprises (Attanayake: 2023).In 2017 unable to repay China's debt, Sri Lanka had to hand over her Hambantota port to China on leas for 99 years. Also, Sr Lanka suffered a worst financial crisis in her history in April, 2022, which is mainly attributed to Sri Lanka's unsustainable debt and imprudent policies. Sri Lanka is yet to fully recover from this debt and financial crisis. China is not willing to reschedule its dept repayment from Sri Lanka.

Pakistan is another victim of China's debt trap and swap for land strategy. China is already Pakistan's largest creditor, owning approximately 30 percent of its external debt. Additionally, China charges higher interest rates than other lenders, which adds to Pakistan's debt servicing costs. Pakistani

commercial banks are borrowing from Chinese banks at 5.5 percent to 6 percent interest, while other lenders offer funds at around 3 percent. Observers feel that China is headed for Sri Lanka like financial crisis in near future (Ghosh: 2023). Meanwhile, Pakistan has also leased her Gwadar port to China for 40 years. There have been many violent protests and attacks against Chinese workers in Baluchistan, but China and the government of Pakistan are undeterred by the negative consequences of Chinese loans and mounting debt. China's economy is also facing the crisis of depleting foreign exchange, rising inflation and paucity of essential items for people. Its industrial production and currency both display a persistent downturn.

Thus, China's BRI is not just an economic project. Its benign declarations hide its bad face and many partners are lured and trapped in this strategy. China wants to enhance its economic and strategic influence from Asia to Africa by the tool of BRI, which involves huge unsustainable loan investment by China in many countries. It is a part of China's grand strategy to emerge as dominant global power by the middle of this century. Many countries have suspicious of China's designs and are reluctant to become partner to BRI. A case in point is Nepal, which agreed to Join BRI in 2018. But Nepal has avoided any major BRI project so far.

**B. Global Challenges:** In addition to its internal shortcomings, China's BRI is faced with external challenges due to strategic intentions of BRI. The US and her European allies have come to view China's BRI as a strategy to dislodge the US and the West from the position of global hegemony. Italy was the only G-7 country which joined the BRI. But the present government has showed her intention to leave this programme. The US has launched many programmes and initiatives to counter China's influence through BRI and other policies. The formation of QUAD in 2017 and AUKUS in 2021 are part of America's Indo-Pacific strategy to counter China's strategic and economic influence in different parts of the world. The QAUD consisting of US, India, Japan and Australia aims to ensure a rule based order in the same region-Indo-pacific, where China's BRI is being implemented. The AUKUS initiative consisting of three countries- the US, Britain and Australia aims to develop modern technological capabilities of Australia including development of nuclear submarine to counter China in the Indo-Pacific. U.S. policymakers and experts are focused on two central questions about long-term strategic competition between the United States and the People's Republic of China (Rand: 2023). The US has also devised some economic tool to specifically counter China's BRI. America's Millennium Challenge Corporation has launched Blue Dot scheme to expose China's unsustainable project launching practices. It will assess different projects on the basis of their adherence to global norms of lending and execution. Similarly in 2021, The US and G-7 have come out with another infrastructure development programme known as Built Back Better World (B3W). The G-7 B3W initiative is aimed at narrowing the \$40 trillion in infrastructure investment that developing countries will need by 2035 and providing an alternative to problematic lending practices by China. The United States plans to invest in five to 10 large infrastructure projects around the world in January as part of a broader Group of Seven initiative to counter China's Belt and Road Initiative (Reuters : 2021).

**Conclusion:** The above analysis shows that China's BRI is not just a infrastructure development programme as is claimed by China. In fact, it is a part of China's larger grand strategy to enhance its global influence and emerge as a global power in 2049, when it completes 100 years of its communist Revolution. This grand strategy is best reflected in Xi Jinping idea of China Dream articulated in 2013. Thus China BRI has other predatory features: lack of transparency about the terms of loans and

investment, disregard of domestic needs of borrowers, insensitivity to global norms like respect for sovereignty and territorial integrity or environmental concerns. Many countries including Sri Lanka and Pakistan have come under the debt trap strategy of BRI. Sri Lanka has not only lost its land to China but has faced the grave financial crisis in 2022 due to China's debt trap. Pakistan is fast moving in that direction. By this time, the real nature of BRI is exposed to many partners as they have become inclined to avoid the pitfalls of BRI. In addition to this, due to strategic overtone of BRI, it has faced serious challenge from the global players like the US and her allies. The US and her allies have come out with many initiatives like QUAD, AUKUS, Blue DOT, B3W etc to counter China's growing predatory strategies in the Indo-Pacific region and beyond. Thus the prospects for China's BRI in the present decade look dim. Yet China is trying to shore up this project from many controversies. This is the major objective of China's coming BRI Forum summit scheduled in October, 2023. But China is not likely to gain much from this exercise.

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