R2R

We affirm, Resolved: The European Union should join the Belt and Road Initiative.

Our sole contention is escaping the underdevelopment trap.

China's economy is slowing as its industry-driven growth levels off. In 2013, Chinese President Xi Jinping announced a solution: the massive infrastructure project he termed the Belt and Road Initiative. Zhang Peng at the Council on Foreign Relations writes in 2019: Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap, where wages go up and quality of life improves as low-skilled manufacturing rises, but countries struggle to then shift to producing higher-value goods and services. The BRI will offer new import and export options, creating new production chains that will spur the development of the Chinese economy.

However, China's stuttering economy may bring its grand ambitions down to earth. Professor Minxin Pei at Claremont Mckenna College explains in 2019: China's external environment has changed almost beyond recognition since Xi rolled out BRI in 2013. At that time, China foreign exchange reserves were approaching $4 trillion, which they used to invest in infrastructure. But, now, China's economic slowdown has triggered a capital flight, draining more than $1 trillion from its foreign exchange reserves. Some projects will have to be curtailed or even abandoned altogether.

The EU must join the BRI now to save the sinking ship. Alicia García-Herrero at Bruegel writes in 2017: China cannot rely on its banks alone to finance such a gigantic plan. The key source of co-finance would logically be Europe. The European Union has its own grand plan for the financing of infrastructure – namely the Juncker Plan, which could serve as a basis to identify joint projects of interest to both the EU and China.

The EU should fund the BRI not only because it has shared economic interests with China, but also because the initiative would develop poor countries through trade. Trade is the driving force behind economic development. Pascal Lamy, former director of the WTO, writes in 2009: history tells us that no poor country has ever become wealthy without trade. It's about helping to integrate developing countries into the global economy and ensuring that they can take advantage of trade opening and greater access to markets for their goods and services.

The BRI would increase trade in three ways.

First, hard infrastructure.
Nadia Rocha at the World Bank explains in 2019: When it comes to trade, speed is of the essence. This is especially true for developing countries integrating with global markets. When goods and inputs are

time sensitive, delays can be particularly costly. For this reason, the time it takes to get goods from one place to another is a key variable determining how successful a country will be in global markets

The BRI will improve infrastructure like roads, railways, and ports, decreasing trade times. Economist Francois De Soyres at the World Bank estimates in 2018 that implementing all BRI transport infrastructure projects will reduce travel times, lowering aggregate trade costs for the BRI economies by 3.5%.

Second, energy infrastructure.
Philip Cornell at the Atlantic Council writes in 2019: Energy projects have always been a major part of China’s BRI. President Xi proposed to establish a global energy network to meet global power demand with clean and green sources. In poor rural environments, the expansion of power grids is also important for addressing energy access, with its multiplier effects on development and the provision of information technology services for economic connectivity.

The creation of continental electricity networks will light up the world, massively improve trade, and spur huge economic growth. Cornell estimates: energy investments in BRI countries would add up to $27 trillion in economic growth by 2050, and over 200 million jobs created in the process.

Third, internet infrastructure.
Billions in the developing world lack access to high-speed internet, but the BRI will change that. Susan Crawford at Wired writes in 2019: each of the many trans-Eurasian rail lines that are part of the mammoth BRI will be accompanied by fiber-optic cables carrying impossibly huge amounts of data across thousands of miles without delay. The BRI will allow China to do this across huge territories that 65 percent of the global population calls home.

This will not only increase access, but make trade faster. Economics professor Yakov Silin writes in 2017: 5G communication networks are a thousand times faster than 4G networks. This effort will simplify processing of goods, help with receiving information on the delivery of cargo in real time, and introduce unmanned automobile and railway transport.

Overall, the World Bank finds in 2019 that the BRI could boost global trade by up to 6.2 percent, a significant increase. As a result, real income for BRI economies could be two to four times larger, the initiative could lift 7.6 million people out of extreme poverty, and 32 million people out of moderate poverty —those who live on less than $3.20 a day.

Thus, we affirm.

CASE CARDS

We affirm, Resolved: The European Union should join the Belt and Road Initiative.

Our sole contention is escaping the underdevelopment trap.

China's economy is slowing as its historic, industry-driven growth, levels off

Pei 19 Minxin Pei [professor of government at Claremont McKenna College and currently holds the Chair in U.S.-China Relations at the Kluge Center of the Library of Congress], 2-15-2019, "Will China let Belt and Road die quietly?," Nikkei Asian Review https://asia.nikkei.com/Opinion/Will-China-let-Belt-and-Road-die-quietly //DF

As a result, Beijing will have to review its external commitments carefully. Grandiose projects conceived and launched when it was flush with foreign exchange will be reassessed. Some will have to be curtailed or even abandoned altogether. But the trouble for BRI does not just stem from the near-certainty of China's declining foreign exchange earnings in coming years. **On the domestic front, Beijing faces a perfect storm of rising pension costs, slowing economic growth and dwindling tax revenues.** The grim fiscal outlook was conveyed with unusual bluntness by the Chinese Minister of Finance at the annual finance conference at the end of December last year. Minister Liu Kun warned, "All levels of the government must lead by tightening their belts and do their utmost to reduce administrative expenses." Shortly after the meeting, Shanghai, the richest city in China, ordered a 5% cut for most departments in 2019. This bout of austerity fever was precipitated by declining fiscal revenue growth and Beijing's decision to cut taxes to stimulate faltering growth. In 2018, the growth of fiscal revenues fell 1.2 percentage points compared with 2017. The fiscal outlook is expected to worsen this year due to tax cuts and slower growth.

China has seen the storm clouds and is determined to outrun them. In 2013, Chinese President Xi Jinping announced the Belt and Road Initiative, BRI for short – a hugely ambitious infrastructure plan, designed to connect the world and revitalize its economy. Zhang Peng at the Council on Foreign Relations writes in 2019: Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap. In this scenario, which has plagued close to 90 percent of middle-income countries since 1960, wages go up and quality of life improves as low-skilled manufacturing rises, but countries struggle to then shift to producing higher-value goods and services. The BRI will offer new import and export options, creating new production chains that will spur the development of the Chinese economy.

Peng 19 Zhang Peng, 5-21-2019, "China's Massive Belt and Road Initiative," Council on Foreign Relations, https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative //DF

China has both geopolitical and economic motivations behind the initiative. Xi has promoted a vision of a more assertive China, while the new normal of slowing growth has put pressure on the country's leadership to open new markets for its consumer goods and excess industrial capacity. To date, more than sixty countries—accounting for two-thirds of the world's population—have signed on to projects or indicated an interest in doing so. Experts see the BRI as one of the main planks of Chinese statecraft under Xi, alongside the Made in China 2025 economic development strategy. For Xi, the BRI serves as pushback against the much-touted U.S. "pivot to Asia," as well as a way for China to develop new investment opportunities, cultivate export markets, and boost Chinese incomes and domestic consumption. In this sense, Xi's aggressive approach is a shift away from his predecessors, who followed Deng's maxim: "hide your strength, bide your time." CFR's Elizabeth C. Economy writes, "Under Xi, China now actively seeks to shape international norms and institutions and forcefully asserts its presence on the global stage." Nayan Chanda, former editor of the Far Eastern Economic Review, calls the BRI "an overt expression of China's power ambitions in the 21st century," arguing that Beijing's goal is to remake the global geopolitical balance of power. Others frame it in less adversarial terms, saying the Chinese leadership simply hopes the BRI will improve China's image among its neighbors, and help to rejuvenate them economically. For some, the BRI is a Chinese response to a renewed U.S. focus on Asia, launched by the Obama administration in 2011. Many in Beijing read this as an effort to contain China by expanding U.S. economic ties in Southeast Asia. In a 2015 speech, retired Chinese General Qiao Liang described the BRI as "a hedge strategy against the eastward move of the US." At the same time, China was motivated to boost global economic links to its western regions, which historically have been neglected. Promoting economic development in the western province of Xinjiang, where separatist violence has been on the upswing, is a major priority, as is securing long-term energy supplies from Central Asia and the Middle East, especially via routes the U.S. military cannot disrupt. More broadly, **Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap. In this scenario, which has plagued close to 90 percent of middle-income countries since 1960, wages go up and quality of life improves as low-skilled manufacturing rises, but countries struggle to then shift to producing higher-value goods and services.** Zhang Yunling of the Chinese Academy of Social Sciences, a state-backed think tank, argues that **the BRI will offer new import and export options, creating new production chains that will spur the development of the Chinese economy.** What are the potential roadblocks ahead? While several developing countries in need of new roads, railways, ports, and other infrastructure have welcomed BRI investments, the initiative has also stoked opposition. For some countries that take on large amounts of debt to fund the necessary infrastructure, BRI money is seen as a potential poisoned chalice. BRI projects are built with low-interest loans as opposed to aid grants, explain CFR's Alyssa Ayres and Elizabeth C. Economy and Johns Hopkins's Daniel Markey. Some BRI investments have required the use of Chinese firms and their bidding processes have lacked transparency. As a result, contractors have inflated costs, leading to canceled projects and political pushback.

The BRI also signals China's desire to become an international leader. Professor James Millward at Georgetown University explains in 2018: China is also now loudly speaking the language of international development; it has announced that it is stepping up to be a global good citizen concerned about the economic well-being of its neighbors. The message is supranational, in stark contrast to the protectionism and xenophobia displayed by President Trump.

Millward 18 James A. Millward [professor of history at Georgetown University, is the author of "Eurasian Crossroads: A History of Xinjiang" and "The Silk Road: A Very Short Introduction."], 5-4-2018, "Is China a Colonial Power?," NYT, https://www.nytimes.com/2018/05/04/opinion/sunday/china-colonial-power-jinping.html?action=click&module=RelatedLinks&pgtype=Article //DF

China's pretty talk of development and cooperation sounds like cover for a strategic advance, and of course it is that. But besides investing financially in infrastructure, One Belt, One Road also invests China's prestige in a globalist message that sounds all the right notes — peace, multicultural tolerance, mutual prosperity — and that rhetoric sets standards by which to hold China accountable. The Chinese government has rolled out the initiative with fanfare, casting it as President Xi Jinping's signature foreign policy project, and outsiders have in turn treated it as a monolithic venture. In fact, it is made up of many elements: cultural, diplomatic, developmental, as well as commercial and strategic. You can't give thumbs up or thumbs down to the whole package, because *One Belt, One Road is nothing less than the rebranding of China's entire foreign policy, in all its complexity.* For example, complementing the initiative's harder edge is a cultural component that observers often overlook: numerous school programs, cultural exchanges, art shows, museum exhibitions, musical performances, dance concerts, archaeological explorations and Unesco collaborations. These extensions of Chinese soft power play on the idea of the Silk Road, that mythical ancient golden age of untrammeled trade and cross-cultural synergy. In fact, there never really was a single Silk Road (nor several roads) linking East to West that you could draw on a map; rather, trade fanned out in networks across the breadth of Eurasia — as it did elsewhere. And machinations of empires always played a larger role in promoting exchanges than did intrepid private traders. But the idea of the Silk Road (unlike, say, the idea of the "Great Game") is nonthreatening, a sepia-tinged vision of camels and bazaars full of exotic luxuries. China has cleverly pinned its foreign policy to a pleasant historical myth that unites the peoples of Afro-Eurasia. It is a fable that can literally be told as a bedtime story about "sharing" and giraffes. A video explaining the "One Belt, One Road" initiative by China Daily, the Chinese government-owned media company,CreditCreditVideo by China Daily To the cynical, this is just so much propagandistic treacle. But ***China is*** **also** ***now loudly speaking the language of international development*****; it has announced that it is stepping up to be a global good citizen concerned about the economic well-being of its neighbors.** Sincere or not, **the message is** *at least supranational***, in stark contrast to the protectionism and xenophobia displayed by President Trump** and emerging nationalistic ideologies in Europe, India and elsewhere. The George W. Bush administration's 2005 call for China to become a "responsible stakeholder" in world affairs may have been patronizing, but it was also forward-looking. One Belt, One Road is Beijing's full-throated answer to that challenge — even if it asserts China's independence from an America-centered world order, rather than a convergence with it. Is a new approach, by a new player, such a bad thing? The economic orthodoxy long imposed by the United States-dominated World Bank and International Monetary Fund on developing countries in crisis — a reform package known as the Washington Consensus — has enjoyed a mixed record at best. And in Africa, for example, Western investment remains small, given the continent's size, population and needs. China, for its part, has embraced Africa. Although some of its projects have coddled corrupt dictators in order to haul off African raw materials, others have delivered concrete economic benefits locally. Moreover, some Chinese government and corporate investors have proved willing to take risks that Western corporations and countries have consistently avoided. Some of China's Silk Road projects will be boondoggles. Some will produce economic benefits. Some may be effective at reducing poverty. Some will promote Chinese state and corporate interests. One Belt, One Road, with its many faces, is neither a nefarious plot for world domination nor the answer to all the world's problems. We should evaluate its projects individually and hold them to the goal that the broader initiative has set for itself: to build a better future modeled on an idealized past.

However, China's stuttering economy may bring its grand ambitions down to earth. Professor Pei explains: China's external environment has changed almost beyond recognition since Xi rolled out BRI in 2013. At that time, China foreign exchange reserves were approaching $4 trillion. It seemed a brilliant idea to use some of the foreign exchanges to invest in infrastructure. But China's economic slowdown has triggered a capital flight, draining more than $1 trillion from its foreign exchange reserves. If we factor in the trade war's impact, China will unlikely generate sufficient foreign exchange surpluses to finance BRI on the same scale. Grandiose projects conceived and launched when it was flush with foreign exchange will be reassessed. Some will have to be curtailed or even abandoned altogether.

Pei 19 Minxin Pei [professor of government at Claremont McKenna College and currently holds the Chair in U.S.-China Relations at the Kluge Center of the Library of Congress], 2-15-2019, "Will China let Belt and Road die quietly?," Nikkei Asian Review https://asia.nikkei.com/Opinion/Will-China-let-Belt-and-Road-die-quietly //DF

But beneath the surface there is growing unease in China about BRI. And rightly so. With the country feeling an economic squeeze, fighting a trade war with the U.S. and facing criticism from nations receiving BRI funds, Chinese skeptics, including academics, economists and business people, of BRI are quietly asking if their government is putting its scarce resources to the right use. To be sure, there are no official announcements that Beijing is about to pare back Xi's BRI dreams. Tight censorship has removed any direct criticisms of BRI from the media. Yet, one can detect tantalizing signs that Beijing is already curtailing BRI, at least rhetorically. The official propaganda machine, cranked to full steam to tout BRI's achievements not too long ago, has turned down the volume these days. In January 2018, the People's Daily, the Communist Party's mouthpiece, carried 20 stories on BRI. In January this year, there were only seven. If we keep track of BRI stories in the official Chinese media in 2019 and compare the coverage with previous years, we should have a clearer picture about where BRI is headed. In all likelihood, we will see a significant decline in the hype Chinese official media outlets devote to BRI. It is also a safe bet that Beijing's funding for BRI will decline measurably this year -- and in the coming years. The economic headwinds against BRI are obvious. For starters, **China's external environment has changed almost beyond recognition since Xi rolled out BRI in 2013. At that time, China foreign exchange reserves were approaching $4 trillion. It seemed a brilliant idea to use some of the foreign exchanges to invest in infrastructure.** Coupled with the use of Chinese contractors and materials, BRI could also help solve China's problem of excess capacity in its steel, cement, and construction industries. **But** the world has changed in the last five years. **China's economic slowdown has triggered a capital flight, draining more than $1 trillion from its foreign exchange reserves. If we factor in the trade war's impact** on Chinese balance of payments in the future, **China will unlikely generate sufficient foreign exchange surpluses to finance BRI on the same scale.** The tariffs imposed by the U.S. and the uncertainty about U.S.-China commercial relations will significantly reduce Chinese exports to the U.S. and, to a lesser extent, other developed markets. Since China's trade surplus with the U.S. accounts for nearly all its overall current account surplus, a substantial fall in Chinese exports to the U.S. will result in a current-account deficit for China if it cannot offset the shortfall with increased exports to other markets (an impossible feat). China's deteriorating balance of payments will force Beijing to use it foreign exchange reserves mainly to defend its currency, the yuan, and maintain investors' confidence in China's macroeconomic stability. As a result, Beijing will have to review its external commitments carefully. **Grandiose projects conceived and launched when it was flush with foreign exchange will be reassessed. Some will have to be curtailed or even abandoned altogether.** But the trouble for BRI does not just stem from the near-certainty of China's declining foreign exchange earnings in coming years. On the domestic front, Beijing faces a perfect storm of rising pension costs, slowing economic growth and dwindling tax revenues. The grim fiscal outlook was conveyed with unusual bluntness by the Chinese Minister of Finance at the annual finance conference at the end of December last year. Minister Liu Kun warned, "All levels of the government must lead by tightening their belts and do their utmost to reduce administrative expenses." Shortly after the meeting, Shanghai, the richest city in China, ordered a 5% cut for most departments in 2019. This bout of austerity fever was precipitated by declining fiscal revenue growth and Beijing's decision to cut taxes to stimulate faltering growth. In 2018, the growth of fiscal revenues fell 1.2 percentage points compared with 2017. The fiscal outlook is expected to worsen this year due to tax cuts and slower growth. The biggest hole in Beijing's budget is spending on pensions for a rapidly aging population. The province of Heilongjiang had a net deficit of 23 billion yuan in its pension account as of 2016, and six other provinces, with a combined population of 236 million, were taking in less pension contributions than outlays in 2016. The pension picture for the entire country looks equally grim. According to the Ministry of Finance, the government had to contribute 1.2 trillion yuan in 2017 to fund the shortfalls in pension spending. Some may argue that BRI would be safe from Beijing's budget cutters because it is Xi's top foreign policy priority. But harsh economic reality will present Chinese leaders increasingly unpalatable choices as various demands compete for limited resources. President Xi and his supporters may continue to back BRI. But they must also know that BRI has few domestic supporters and taking money away from Chinese pensioners to build a road to nowhere in a distant land will be a tough sell politically. In what might be an early sign of newfound Chinese parsimony abroad, Beijing has granted cash-strapped Pakistan just $2.5 billion in new loans -- compared to the $6 billion Islamabad reportedly sought. What appears to be happening in Beijing is that while its leaders continue to stand by BRI, Xi's original ambitions are being rolled back out of public view. We should not be surprised if Beijing eventually lets BRI, at least BRI 1.0, die quietly.

The EU must now join the BRI, and save the sinking ship. Alicia García-Herrero at Bruegel writes in 2017: China cannot rely on its banks alone to finance such a gigantic plan. The key source of co-finance would logically be Europe, European banks are already the largest providers of cross border loans, so it is only a question of accelerating that trend. Furthermore, the geographical vicinity between Europe and some of the Belt and Road countries could make the projects more appealing

Garcia-Herrero 17 Alicia García-Herrero [Senior Fellow at Bruegel and a non-resident research fellow at Real Instituto El Cano. She is also the Chief Economist for the Asia Pacific at NATIXIS. Alicia Garcia Herrero is currently adjunct professor at City University of Hong Kong and Hong Kong University of Science and Technology (HKUST) and visiting faculty at China-Europe International Business School (CEIBS)], 5-12-2017, "China cannot finance the Belt and Road alone," Breugel [Brussels-based economic think-tank], http://bruegel.org/2017/05/china-cannot-finance-the-belt-and-road-alone/ //DF

Chinese authorities have come up with their own estimates of the projects that will be financed. The numbers start at USD 1 trillion and go all the way to USD 5 trillion in only 5 years. In the same vein, the official list of countries does nothing but increase over time to more than 65 countries today. but there is a limit to how much China can finance Such a-priori was probably well taken when China was flooded with capital inflows and reserves had nearly reached USD 4 trillion and needed to be diversified. In the same vein, Chinese banks were then improving their asset quality if, anything, because the economy was booming and bank credit was growing at double digits. The situation today is very different. China's economy has slowed down and banks' balance sheets are saddled with doubtful loans, which keep on being refinanced and do not leave much room for the massive lending needed to finance the Belt and Road initiative. This is particularly important as Chinese banks have been the largest lenders so far (China Development Bank in particular with estimated figures hovering around USD 100 billion while Bank of China has already announced its commitment to lend USD 20 billion). Multilateral organizations geared towards this objective certainly do not have such a financial muscle. Even the Asian Infrastructure Investment Bank (AIIB), born for this purpose, has so far only invested USD 1.7 billion on Belt and Road projects. As if this were not enough, China has lost nearly USD 1 trillion in foreign reserves due massive capital outflows. Although USD 3 trillion of reserves could still look ample, the Chinese authorities seem to have set that level as a floor under which reserves should not fall so that confidence is restored (Chart 3). This obviously reduces the leeway for Belt and Road projects to be financed by China, at least in hard currency. Against this background, we review different financing option for Xi's Grand Plan and their implications. The first, and least likely, is for China to continue such huge projects unilaterally. This is particularly difficult if hard-currency financing is needed, for the reasons mentioned above. China could still opt for lending in RMB, at least partially, with the side-benefit of pushing RMB internationalization. However, even this is becoming more difficult. First, the use of the RMB as an international currency has been decreasing as a consequence of the stock market correction and currency devaluation in 2015 but still some of the Belt and Road projects could be financed in RMB in as far as the borrowing of a certain host country would be fully devoted to pay Chinese construction or energy companies (Chart 4). This quasi-barter system can solve the hard-currency constraint but poses its own risks to the overly stretched balance sheets of Chinese banks. In fact, their doubtful loans have done nothing but increase during the last few years, which is eating up the banks' room to lend further (Chart 5). A second option is for China to intermediate overseas financial resources for the Belt and Road projects. The most obvious way to do this, given the limited development of bond markets in Belt and Road countries as well as the still limited size of China's own offshore bond market is to borrow from international banks. Cross border bank lending has been a huge pool of financial resources, especially in the run up to the global financial crisis. Since then they have moderated but the stock of cross border lending still hovers above 15 USD, out of which, nearly half is lent by European banks. Out of the USD 15 trillion, about 20% is already being directed to Belt and Road economies, with European banks being again the largest players (Chart 7). Still, in order to finance the USD 5 trillion targeted in Xi's grand plan for the next five years, you would need to see growth rates of around 50% in cross-border lending. While such a surge in cross-border lending is not unheard of (in fact, it happened in the years prior to the global financial crises), the real bottleneck would be the rapid increase in China's external debt, which would go from the currently very comfortable level (12% of GDP) all the way to more than 50% if China were taken on the debt, or something in between if co-financed by Belt and Road countries. A mix of option 1 and 2 lies on the use of multilateral development banks to finance the Belt and Road projects. In fact, China is a major shareholder of its newly created multilateral banks (AIIB and New Development Bank) but less so in existing ones (such as ADB, EBRD or the World Bank). This means that the financing burden can be shared (to a lesser or larger extent) with other creditors, while still keeping a tight grip on the construction of such infrastructure (at least in China-led new organizations). While apparently ideal, the problem with this option is that the available capital in these institutions is minimal compared to the financing needs previously discussed (Table 1). It seems that **China cannot rely on its banks alone** – no matter how massive – **to finance such a gigantic plan. The key source of co-finance would logically be Europe** at least as long as bank lending dominates, which will be the case for quite some time in the countries under the Belt and Road. In fact, **European banks are already the largest providers of cross border loans to these countries so it is only a question of accelerating that trend. Furthermore, the geographical vicinity between Europe and some of the Belt and Road countries could make the projects more appealing** (Chart 8 and Chart 9). **In addition, the European Union has its own grand plan for the financing of infrastructure – among other sectors – namely the Juncker Plan, which could serve as a basis to identify joint projects of interest to both EU and China.** In this vein, EU-China connectivity platform was launched by the European Commission in late 2015 exactly to identify projects of common interest for the Belt and Road and the EU connectivity initiatives, such as the Trans-European Transport network. All of this bodes well for Europe to become an active actor in China's Belt and Road initiative, not only to provide the financing but also to identify projects of common interest. It goes without saying that other lenders, beyond Europeans, are welcome to finance Belt and Road projects as the ensuing reduction in transportation costs and improved connectivity should be good for the world as a whole. However, Europe's particular advantage in this project should make it a leader on the financing front bringing the old continent closer to China.

Not only would the EU reap massive gains from the BRI, but they would enable countries to escape the underdevelopment trap. Cui Tiankai writes in Fortune magazine in 2019: it is through participating in BRI cooperation that many countries have emerged from the trap of underdevelopment or no development.

Tianjai 19 Cui Tiankai, 4-23-2019, "Commentary: Top China Diplomat: Why the U.S. Shouldn't Sit Out the Belt and Road Initiative," Fortune, https://fortune.com/2019/04/23/us-china-belt-and-road-initiative/ //DF

Critics say that the BRI must have an underlying strategic aim or agenda. If so, then building a community with a shared future for mankind is the agenda, as first and foremost, the BRI aims to promote connectivity. The BRI is open, inclusive and transparent. It is not a geopolitical tool, nor is it designed to form an exclusive clique or impose any terms on others. Some people have errantly characterized the BRI as a potential debt trap. But **countries who have participated in and benefited from the BRI have debunked such assertions.** Finance Secretary of the Philippines Carlos Dominguez publicly stated that debts owed to China accounts for only 0.65% of the country's total debt. And Dr. Karunasena Kodituwakku, Sri Lanka's ambassador to Beijing, dismissed the idea of "debt-trap diplomacy." **Decisions made through the BRI framework, from project selection to investment and financing cooperation, are all based on full consultation between all parties involved, and backed by arduous risk assessment and investment feasibility studies.** As a matter of fact, no country has become trapped in a debt crisis since its participation in the BRI. Quite the contrary, **it is through participating in BRI cooperation that many countries have emerged from the trap of underdevelopment or no development.** Consider the example of Kenya: Philip Mainga, acting managing director of Kenya Railways Corporation, said that the Kenyan economy and citizens have benefited from China's contribution to the expansion and upgrading of transport infrastructure in the country. Traditional Chinese wisdom states that a man of virtue will seek to establish others while establishing himself. In this sense, as we are currently moving China's economy from a phase of rapid growth to a stage of high-quality development, we also pursue quality development in BRI cooperation. The projects are designed to conform with international laws and norms governing international relations and meet international business practices and operating models.

The BRI would increase development by increasing trade in three ways.

First, hard infrastructure.

Nadia Rocha at the World Bank explains in 2019: When it comes to trade, speed is of the essence. This is especially true for developing countries integrating with global markets. When goods and inputs are time sensitive, delays can be particularly costly. For this reason, the time it takes to get goods from one place to another is a key variable determining how successful a country will be in global markets

Rocha 19 Nadia Rocha, 1-28-2019, "Hurry up! How the Belt and Road Initiative changes trade times and trade," World Bank Blogs, https://blogs.worldbank.org/trade/hurry-how-belt-and-road-initiative-changes-trade-times-and-trade //DF

When it comes to trade, speed is of the essence. This is especially true for developing countries integrating with global markets. When goods and inputs are time sensitive, delays can be particularly costly. For this reason, the time it takes to get goods from one place to another – trading times – **is a key variable determining how successful a country will be in global markets.** How will the Belt and Road Initiative impact the time it takes to trade? In our recent work, we created a new database on transport projects linked to the BRI and used it to analyze the effects on trade. This research combines econometric estimations on the impact of trading times on exports and geographical information systems (GIS) analysis to compute the bilateral trade time between countries in the Belt and Road countries before and after the proposed interventions. We discovered three main findings: 1. The BRI transportation infrastructure will boost intra-regional trade. The impact varies across countries. Aggregate results suggest that BRI infrastructure improvements could increase total trade among BRI economies by 4.1 percent.[1] Countries such as Uzbekistan, the Islamic Republic of Iran, Oman and Maldives benefit the most after improvements in trading times, with an increase in their exports above 9 percent. Other countries, such as China, Saudi Arabia and Thailand will benefit the most in terms of value of their exports given their already high trade within the BRI. 2. Improved trading times can increase trade in time-sensitive sectors. Trading times are particularly important for time sensitive products and for products that rely on time sensitive inputs in production processes. Reducing trade times will therefore increase specialization in sectors such as livestock, vegetables, fruits, nuts and crops, which will benefit the most from improving the ability to transport the final products on time to the consumers or end users (direct effect). Specialization in exports from meat products, chemicals, ferrous metals, rubber and plastics will also increase given the improvement in the ability to access the intermediate inputs on time (indirect effect). As a result, countries that are more integrated in regional and global value chains tend to benefit more from reductions in trade times due to BRI projects.

The BRI will improve infrastructure like roads, railways, and ports, decreasing trade times. Economist Francois De Soyres at the World Bank estimates in 2018 that implementing all BRI transport infrastructure projects will reduce aggregate trade costs for the BRI economies by 2.8% on average with the rest of the world, and by 3.5% with other BRI economies.

De Soyres 18 Francois De Soyres [Economist, World Bank], 11-27-2018, "How the Belt and Road Initiative could reduce trade costs," VoxEU, https://voxeu.org/article/how-belt-and-road-initiative-could-reduce-trade-costs //DF

Using these methods, we produced new data on the impact of the Belt and Road Initiative on shipment times and trade costs. We find that: *The Belt and Road Initiative will reduce shipment times* for BRI economies, particularly along economic corridors. BRI economies experience a decrease in shipment times *by 3.2% on average with the rest of the world, and by 4% with other BRI economies.* The largest estimated gains are for the trade routes connecting East and South Asia and along the corridors that are part of the BRI. For instance, shipment times among countries in the China-Central Asia-West Asia economic corridor will decline by 12% due to the improved transport infrastructure. Reduction in travel times translates into significant reductions in trade costs. Our analysis suggests that [First,] **implementing all BRI transport infrastructure projects will reduce aggregate trade costs for the BRI economies by 2.8% on average with the rest of the world, and by 3.5% with other BRI economies.** As for shipment times, the gains in trade costs vary widely across pairs of countries, with East Asia and Pacific as well as South Asia being the regions with the largest average reductions (Figure 3). Similarly, trade costs will fall more along the corridors. The Belt and Road Initiative could have positive spillovers on shipment times and trade costs of non-BRI economies. *The average decrease in* travel times and *trade costs across* all country pairs in *the world is* 2.5% and *2.2%*, respectively. The reason for these effects is that non-BRI economies will benefit from the improved network of BRI infrastructure. For example, Tanzania's Bagamoyo port is expected to benefit not only Tanzania but also several other countries in the region. As a result, when all BRI transportation projects are implemented, our analysis shows that shipment time between Australia and Rwanda is expected to decrease by 0.5%. Similarly, the improvement of Djibouti's port will contribute to a 1.2% decrease in shipment time between Australia and Ethiopia. The importance of complementary policy reforms The focus so far has been on the impact of BRI-related transport infrastructure projects. But [Second,] what if the Belt and Road Initiative could boost the efficiency of customs, reduce border delays, or improve management of economic corridors? As an extension of our main database, we present scenarios where those elements are explicitly taken into account. We find that the implementation of complementary policy reforms magnifies the impact on shipment times and trade costs, especially along the corridors. For instance, if border delays were reduced by half, the reduction of shipment times along corridors would range from 7.7% for the China-Indochina Peninsula Economic Corridor to 25.5% for the China-Central Asia-West Asia Economic Corridor. Similarly, trade costs would fall by 5.6% for the China-Indochina Peninsula Economic Corridor and by 21.6% for the China-Central Asia-West Asia Economic Corridor. These large effects are not surprising given the importance of trade facilitation bottlenecks between BRI economies (Bartley Johns et al. 2018).

Second, energy infrastructure.

Philip Cornell at the Atlantic Council writes in 2019: Energy projects have always been a major part of China's BRI. President Xi proposed to establish "a global energy network" to meet global power demand "with clean and green sources." Long-distance interconnections can facilitate efficiencies by linking big markets with different peak demand times (like across time zones), or with big energy price disparities. In poor rural environments, the expansion of power grids is also important for addressing energy access, with its multiplier effects on development and the provision of information technology services for economic connectivity.

The creation of continental electricity networks will light up the world, massively improve trade, and spur huge economic growth. Cornell estimates: energy investments in BRI countries would add up to $27 trillion by 2050, and over 200 million jobs created in the process.

Cornell 19 Phillip Cornell, 5-30-2019, "Energy Governance and China's Bid for Global Grid Integration ," Atlantic Council, https://www.atlanticcouncil.org/blogs/energysource/energy-governance-and-china-s-bid-for-global-grid-integration //DF

Energy projects have always been a major part of China's Belt and Road Initiative (**BRI**) infrastructure mega-plan for Eurasia. The enormity of that plan was on display at the BRI Forum last month, where an official report was released estimating that **energy investments in BRI countries would add up to $27 trillion by 2050,** with $7 trillion alone going to power grid construction, **and over 200 million new jobs created in the process**. That report was published by the Global Energy Interconnection Development and Cooperation Organization, or GEIDCO, a young "international organization" set up by the State Grid Corporation of China (SGCC, or "State Grid") in 2016, under the leadership of its former chief executive, to advance "Global Energy Interconnection" or GEI. That strategic plan, to build out and then connect the power grids of Eurasia and beyond, is key to BRI's energy component and "a personal project of Xi Jinping." Its potential to grant China leverage over such a large economic swath highlights the role of interconnected infrastructures to distribute political power in the modern global economy. China's advancement of GEI through established international regimes like the United Nations Framework Convention on Climate Change (UNFCCC), the UN 2030 Agenda for Sustainable Development, the Clean Energy Ministerial, the African Union, and the Gulf Cooperation Council (GCC) is a stark example of how the US retreat from the international order is surrendering American power and influence in the 21st century. What is GEI? GEI emerged as an international initiative in September 2015 at the UN Sustainable Development Summit, when **President Xi proposed to establish "a global energy network" to meet global power demand "with clean and green sources."** Within a few months, SGCC Chairman and former President Liu Zhenya was promoting the idea of GEI at major international meetings. In February 2016 at CERAWeek in Houston, Liu emphasized the green motivations behind GEI and described it as "a roadmap for combating climate change." From the start, GEI was enormous in scale and made up of three components. First, an intercontinental backbone network of transmission and distribution grids; second, large energy bases in polar regions, at the equator, and on each continent to integrate distributed generation and renewable power sources; and third, a smart "comprehensive platform" that enables resource allocation and market trade. SGCC's plan envisioned three phases in GEI transition. In the first phase up to 2020, SGCC would promote the interconnection of national grids in various countries, including technical research, building smart grids, and accelerating the deployment of renewables. Between 2020 and 2030, countries within a continent would connect their grids and develop "clean energy bases." In the third phase from 2030 to 2050, transcontinental grids would be linked via ultra-high voltage (UHV) "Afro-Eurasia Backbone Grids" comprised of sixty-seven key projects along 126,000 kilometers with a transmission capacity of 410 gigawatts (GW). UHV circuits (of 800 kilovolts (kV) or more) had been developed previously in Europe, but China's dramatic expansion of UHV since 2009 has made SGCC the technological leader in the field—largely thanks to strategic state funding under the last three five-year plans (2006-2020). From the start, central control of such a comprehensively integrated network was an issue. Liu told Power magazine in 2016 that "the global IT network is fully interconnected, but no one controls others. Everyone just follows international rules and operation code." GEI would thus be like the internet, "global but not controlled by a single country," and grid operations would be guided simply by "technical standards, operation standards, and operation codes." All that begs the question of how standards and international rules are set, as well as China's role in international energy governance. In March 2016, at a dedicated conference in Beijing, the GEIDCO organization was established in the presence of its new chairman, Liu Zhenya, and the UN undersecretary general for economic affairs. The Various Rationales for Continental Interconnection Long-distance high-voltage (LDHV) power lines are genuine enablers for the expansion of renewable energy, by linking regions of high renewable resource (like windy plains or sunny deserts) with distant demand centers, and by better balancing demand and supply between grids and regions. In that sense, continent-level grid integration, high-voltage interconnectors, and markets to facilitate power transactions are useful for achieving global climate goals and decarbonizing the energy sector. In the United States, there is major potential for high-voltage grid interconnection and upgrades to foster large-scale renewable energy build-out**. Long-distance interconnections can** also **facilitate efficiencies by linking big markets with different peak demand times (e.g., across time zones), or with big energy price disparities. In poor rural environments, the expansion of power grids is also important for addressing energy access, with its multiplier effects on development and the provision of information and communications technology (ICT) services for economic connectivity.** In China's case, there is an economic argument rooted in its domestic development. With heavily concentrated demand along the populated coasts and traditional coal resources in more barren inland regions, long-distance energy transport has always been a source of insecurity. Bad winters that paralyzed the rail network could cause power shortages in distant cities. In the past twenty-five years, massive hydro-electric projects, imported gas, rural renewable energy farms, and efforts to urbanize the west mean that the national energy system has become increasingly interconnected with high-capacity, long-distance supply links, especially for power. SGCC itself is the second largest Fortune 500 company after Walmart, and it has taken the global lead on developing and building ultrahigh-voltage (UHV) transmission technology, recently completing a 1.1 million-volt, 3,300-kilometer line from Xinjiang. Domestic Chinese development is already on a continental scale. Meanwhile, decades of economic growth facilitated by cheap lending through state-owned banks and enterprises led to massive industrial capacity overhangs, including in the energy sector. Beijing's Keynesian approach to the 2009 global slowdown also meant lots of infrastructure build in the subsequent decade. As China now re-orients its economy toward consumer-led growth, it needs to develop its near-foreign markets to off-take surplus supply. Developing international grids creates demand for solar panels and digitalized distribution technologies where China excels, but also for all the consumer products and services that rely on cheap and reliable power supply—particularly in conjunction with new Chinese ICT infrastructure. (Sometimes the sequencing is reversed. Where China flogged big hydroelectric dams in Southeast Asia, over-capacity meant that those countries needed infrastructure and facilities to sell excess power abroad—mostly to China.) The efficiencies gained by trading power among distant markets with price disparities are real, and the "free trade" argument for GEI is certainly one employed by its proponents. However, it suffers from the same critique as other unqualified free-trade ideologies by ignoring disparities among local policies and values, whether about government subsidies, labor rights, or environmental standards. It favors state-subsidized equipment and generation, and rewards cost efficiencies from unregulated or corrupt spaces. By trading the end-product directly, "free" power trade also masks the myriad state interventions or poor conditions along the value chain. All of this favors the Chinese model, with capacity over-hangs and state-coddled energy companies looking to offload onto the world market.

Daniel Fernandez 7/9/2019 6:30 AM
Comment [1]: China has an economic incentive to promote this initiative; and they want it to promote renewables because their economy excelles at manufacturing them

Third, internet infrastructure.

Billions in the developing world lack access to high-speed internet. Emily Dreyfuss at Wired reports in 2018: there are 3.8 billion people offline.

Dreyfuss 18 Emily Dreyfuss, 10-23-2018, "Global Internet Access Is Even Worse Than Dire Reports Suggest," WIRED, https://www.wired.com/story/global-internet-access-dire-reports/ //DF

FOUR YEARS AGO, the United Nations predicted that more than half of the global population would be connected to the internet by 2017, buoyed in part by "the fastest growing technology in human history": mobile broadband. The world missed the mark. Now the UN expects to achieve that goal by the end of 2019, and that still leaves an estimated **<u>3.8 billion people offline.</u>** What happened? Though global access to the internet grew between 2002 and 2016, the rate of growth has slowed in the past two years, according to an analysis from the Web Foundation that was first reported by The Guardian. It's important to be clear that slower growth doesn't mean people aren't still gaining access. You could have the same number of people get connected every year, and the percentage growth rate would drop. What surprised the Web Foundation team, led by research director Dhanaraj Thakur, was how much the gains have slowed: The connected population grew by 19 percent in 2007; last year it grew by less than 6 percent. Thakur is still studying exactly what accounts for the slowdown.

Daniel Fernandez 7/9/2019 6:48 AM
Comment [2]: Need a better card

The BRI will enable China to spread high-speed, 5G internet. Susan Crafword at Wired writes in 2019: each of the many trans-Eurasian rail lines that are part of the mammoth BRI will be accompanied by fiber-optic cables carrying impossibly huge amounts of data across thousands of miles without delay. The BRI will allow China to do this across huge territories that 65 percent of the global population calls home.

Crawford 19 Susan Crawford, 2-20-2019, "China Will Likely Corner the 5G Market—and the US Has No Plan," WIRED, https://www.wired.com/story/china-will-likely-corner-5g-market-us-no-plan/ //DF

But you may not know that China is also on track to control most of the world's flow of high-capacity online services—the new industries, relying on the immediate communication among humans and machines, that will provide the jobs and opportunities of the future. China's Belt and Road Initiative, supporting infrastructure and investment projects in nearly 70 countries, will have profound consequences for 40 percent of the world's economic output. Crucially, **<u>each of the many trans-Eurasian rail lines that are part of this mammoth project will be accompanied by fiber-optic cables carrying impossibly huge amounts of data across thousands of miles without delay.</u>** According to Rethink Research, China is also planning to deploy fiber-optic connections to 80 percent of the homes in the country. China's ambitious deployment of fiber will have several consequences. In communicating with Russia and Europe, it won't have to rely on undersea fiber-optic cables running through the Indian Ocean that might be subject to surveillance by the US. Even more important, it will have access to a giant market of consumers and businesses across an enormous terrestrial area that ties Central Asia even more closely to Russia as well as China. Fiber-optic cable—made of hair-thin, extraordinarily pure synthetic glass through which pulses of light encoded with tens of thousands of gigabits of data are sent each second by lasers—has been around for a while. Fiber runs today between continents and between US cities. What's new about China's massive deployment of fiber, both in its own territory and in its global market along its planned Belt and Road, is that China is likely to permit only 5G equipment made by Huawei and a handful of other Chinese companies to connect to that fiber. Ninety percent of any wireless transmission actually moves through a wire attached to a "cell" spewing and receiving data from the outside air; in the case of 5G, that wire will have to be fiber. And the entity installing fiber in the ground or on poles can decide what 5G wireless equipment is allowed to physically connect to that fiber; in China's case, it's clear the country will prefer its own companies' equipment. A crucial element of 5G is to give wireless companies the ability to monetize their services more effectively, to ensure they'll never again be treated like "dumb pipes" by online businesses they don't control. For carriers or network providers, the great advance of 5G is "network slicing," which will allow carriers to create, on the fly, multiple customized virtual private networks for particular customers or applications. This will create a high-priced, services-based, perfectly-billed-for ecosystem that's very different from the 4G world. In effect, each 5G carrier will be able to define its network from moment to moment, charge whatever it wants for heavily marketed levels of service differentiation, and act as a gatekeeper for applications seeking entry. This allows for unlimited pricing power and deeply undermines the internet protocol's basic premise—that any computer could speak to another using the same basic language. Instead, transport of bits will be completely software-defined and virtualized: Think proprietary cable network instead of internet access. You can bet that Huawei, already the world's largest maker of telecommunications equipment, will be looking for exclusivity in its geographic territories. This is the way telecom works, absent oversight: Companies that have made big up-front investments in infrastructure will always carve up territories so as to avoid ruinous competition. (The cable industry did this in the US, playfully calling their 1997 agreements to swap and combine systems to ensure individual companies would control entire markets the "Summer of Love.") And so Huawei, and perhaps a couple of other Chinese companies, will control which data-rich services (think logistics, telemedicine, education, virtual reality, telepresence) are allowed to reach China's global market over 5G. This means China, through the actions of its 5G carriers, will be able to exclude US companies from that market. Yes, China already does this inside its borders; **<u>the Belt and Road Initiative will allow China to do this across huge territories that 65 percent of the global population calls home.</u>** China will have created, in effect, its own extraterritorial internet of high-capacity services, many of which we cannot now even imagine. You may immediately think of the additional reach for Chinese surveillance; consider, in addition, the economic productivity and growth these high-capacity connections will make possible. The ability to be in the presence of a doctor or a teacher, to work effortlessly from any location without any perception of difference, to upload enormous files without interruption in a split-second—all of this will be made possible by China's fiber-plus-advanced-wireless internet.

Internet penetration increases trade from the developing world. Fred Dews at the Brookings Institution writes in 2014: many developing countries lack enterprises with any kind of scale – the large enterprises, who are much, much more productive than smaller enterprises. Small businesses trying to export have problems identifying customers, acquiring information in foreign markets, setting up relationships with distributors. The Internet for empowers them to be stronger and export more. In fact, he finds that a 10 percent increase in Internet penetration in a foreign country is associated with a 1.7 percent increase in exports and a 1.1 percent increase in imports.

Dews 14 Fred Dews, 2-6-2014, "How the Internet and Data Help the Developing World," Brookings, https://www.brookings.edu/blog/brookings-now/2014/02/06/how-the-internet-and-data-help-the-developing-world/ //DF

Meltzer explained that understanding the Internet as a platform for international trade highlights that this is no longer just an Internet-sector opportunity. It's an economy-wide opportunity for all sectors from manufacturing through to services. Significantly, the Internet as a platform for international trade is actually where the opportunity starts. Because the Internet is becoming globally accessible at increasingly lower costs, it's providing opportunities for small- and medium-sized enterprise, firms in developing countries—entities that have traditionally not been part of the global economy—to become international traders. Author Fred Dews Managing Editor, Podcasts and Digital Projects publichistory Robert Atkinson, president of the Information Technology for Innovation Foundation, commented that the research shows that "Internet penetration is positively correlated, positively causally related to increases in exports." One study a few years ago … found that **a 10 percent increase in Internet penetration in a foreign country is associated with a 1.7 percent increase in exports and a 1.1 percent increase in imports.** So, it's not just about a platform for exports, it's about a platform for two-way dynamic trade. Another study in 2003 found that Internet increases increase foreign direct investment. But what's interesting is that a number of studies have found the benefits of Internet access really are much more significant for developing countries. And the theory there is that developed countries already have a robust Internet system. It's the developing countries where, when they get Internet, they see these big gains. … I think one of the principle reasons why we should care about this is because the issue of scale. If you look at many, **many developing countries**, one of the biggest problems they have is they **lack enterprises with any kind of scale** … where in the U.S. you have a significant share of jobs, over two thirds of jobs are in **the large enterprises, who are much, much more productive than smaller enterprises.** … Big companies have higher productivity, they do more R&D, they do more trade, they pay higher wages, they provide more health care. Commissioner Meredith Broadbent of the U.S. International Trade Commission observed that "**small businesses trying to export have problems identifying customers, acquiring information in foreign markets, setting up relationships with distributors. This is one thing that they really appreciate the Internet for, they feel like it empowers them to be stronger and export more.**" She also mentioned some domestic barriers to exporting in, for example, Africa, including a steady-supply of reasonably-priced electricity, which "is a big requirement for growing your ability to export." And also just the access to the Internet will help these economies. She stated that at this point only about 60 percent of Africans in developing countries in Africa have Internet access.

The advent of 5G internet will boost those numbers even further by increasing trade efficiency. Journalist Karen Lynch writes in 2019: 5G is seen addressing some age-old problems of trade finance. In any trade, the parties involved must be able to determine with relative certainty whether certain conditions have been satisfied. "These manual processes and controls can be a cumbersome and fragmented process for lenders, sellers, and buyers." With 5G, a digital bill of lading could automatically transfer to the buyer when a ship reaches port, with the seller automatically receiving the purchase price.

Lynch 19 Karen Lynch [is a journalist who has covered global business, technology and policy in New York, Paris and Washington, DC, for more than 30 years. Karen also is a principal at Content Marketing Partners], 2019, "Impact of 5G Technology on Supply Chain Management," American Express, https://www.americanexpress.com/us/foreign-exchange/articles/5G-supply-chain-technology/ //DF

5G Impact on Trade Finance In addition, **5G** IoT **is seen addressing some age-old problems of trade finance**, particularly in conjunction with the blockchain distributed ledger technology, according to a report from Holland & Knight LLP, an international law firm. "In isolation, either technology implemented by itself is capable of incrementally improving the industry; but, when taken together, they may significantly improve and alter existing processes," the report said.8 **In any trade, the parties involved must be able to determine with relative certainty whether certain conditions have been satisfied.** A letter of credit, for example, is often honored only when accompanied by papers including the bill of lading. **"These manual processes and controls can be a cumbersome and fragmented process for lenders, sellers, and buyers,"** according to Holland & Knight. **With 5G** IoT and blockchain, **a digital bill of lading could automatically transfer to the buyer when a ship reaches port, with the seller automatically receiving the purchase price.**9 5G Impact in Other Industries—Payments and Retail Adjacent business sectors, such as payments, could also get a boost from 5G. "For mobile banking to become ubiquitous, the development of 5G technology is paramount," according to G2 Crowd, a business solutions review site. "5G tech reduces latency and transaction times, which is key to ensuring the network can handle the amount of transactions at scale."10 In addition, "with the 5G network firmly established, micro-payments could be possible—this the notion of paying exactly according to what is used," according to a report in the 5G.co.uk newsletter.11

Trade is the driving force behind economic development. Pascal Lamy, former director of the WTO, writes in 2009: history tells us that no poor country has ever become wealthy without trade. It's about helping to integrate developing countries into the global economy and ensuring that they can take advantage of trade opening and greater access to markets for their goods and services.

Lamy 09 Pascal Lamy [French political consultant and businessman. He was the Director-General of the World Trade Organization until 1 September 2013], 7-6-2009, "Developing Countries Need Trade," WSJ, https://www.wsj.com/articles/SB124682409137596925 //DF

Crises such as these often cause governments to reassess their commitments and their priorities. Too often, this has led them to shy away from continuing their efforts to combat poverty and suffering in the developing world through sound aid and trade policies. Trade is a major casualty of this crisis. The steep reduction in trade volumes over the last eight months has subjected many open economies to economic volatility and has led some to question the role of international trade as an engine of economic growth and development. **History tells us that no poor country has ever become wealthy without trade.** Moreover, many developing country success stories

-- Singapore, South Korea, Chile, China and Malaysia, to name only a few -- have, in recent decades, seen their national incomes grow by a percentage point or more per year as a result of open trade policies than would have been the case had they remained closed. The extra funds generated during this period have enabled them to respond to the crisis with stimulus packages that have prevented the crisis from turning into a protracted recession with its inevitable human costs. But it is true that trade is not a panacea for everyone, everywhere, every time. For trade to work, governments must have the physical and governmental infrastructure, production capacity and technical skills to take advantage of the market opening opportunities which arise from trade opening. Market opening must go hand in hand with policies that lift people out of poverty and distribute the benefits of trade expansion equitably across and within developing countries. That's why four years ago at a World Trade Organization Ministerial Conference in Hong Kong we launched an initiative we call Aid for Trade. Aid for Trade is all about enhancing growth prospects by helping countries overcome their supply-side constraints and increase their competitiveness and their effective participation in world trade. Aid for Trade **is about helping to integrate developing countries into the global economy and ensuring that they can take advantage of trade opening and greater access to markets for their exports of goods and services.** One key component of this is the creation of adequate physical infrastructure -- roads, ports, telecommunications, electricity supply, storage facilities -- to ensure the consistent and reliable flow of goods, services and information that underpin global trade. Another is to ensure that producers are trained in meeting global product quality and safety standards demanded by the world's consumers. Improving physical and human capacity will further assist countries in diversifying their production and reaching new markets. It's a heady goal to be sure, and the WTO certainly cannot do this on its own. We see ourselves as coordinators, relying greatly on our partnership with international financial institutions, the global and regional development banks and bilateral donors. They take the lead in financing Aid for Trade projects.

Overall, the World Bank finds in 2019 that the BRI could boost global trade by up to 6.2 percent, a significant increase. As a result, real income for BRI economies could be two to four times larger, and the initiative could lift 32 million people out of poverty.

World Bank 19 6-18-2019, "Success of China's Belt & Road Initiative Depends on Deep Policy Reforms, Study Finds," World Bank, https://www.worldbank.org/en/news/press-release/2019/06/18/success-of-chinas-belt-road-initiative-depends-on-deep-policy-reforms-study-finds //DF

"Achieving the ambitions of the Belt and Road Initiative will require equally ambitious reforms from participating countries," said Ceyla Pazarbasioglu, the World Bank's Vice President for Equitable Growth, Finance, and Institutions. "Improvements in data reporting and transparency—especially around debt—open government procurement, and adherence to the highest social and environmental standards will help significantly." **If implemented fully, the initiative could lift 32 million people out of** moderate **poverty**—those who live on less than $3.20 a day, the analysis found. **It could boost global trade by up to 6.2 percent**, and up to 9.7 percent for corridor economies. Global income could increase by as much 2.9 percent. For low-income corridor economies, foreign direct investment could rise by as much as 7.6 percent. At the same time, the cost of BRI-related infrastructure could outweigh the potential gains for some countries. The study, by a team of World Bank Group economists led by Michele Ruta, found that complementary policy reforms will be essential for countries to unlock BRI-related gains. **Real income for BRI economies could be two to four times larger if trade facilitation is improved and trade restrictions are reduced.** In addition, stronger labor-mobility and adjustment policies would ensure that gains are more equally shared. Yet, the analysis found, BRI also entails significant risks that are exacerbated by a lack of transparency and weak institutions in participating economies. Many BRI projects cross borders, so coordination among all economies within a corridor is critical. Among the 43 corridor economies for which detailed data is available, 12—most of which already face elevated debt levels—could suffer a further medium-term deterioration in their outlook for debt sustainability. It could boost global carbon emissions by 0.3 percent—and by up to 7 percent in countries with low emissions levels.

Daniel Fernandez 7/9/2019 6:13 AM
Comment [3]: Find card, or cut different part of card, that says less bad stuff for the case

FRONTLINES

AT: Recession

AT: Soon

1. Don't believe the hype – no one knows when a recession will happen

Kennedy 19 Simon Kennedy and Peter Coy, 3-28-2019, "Why Are Economists So Bad at Forecasting Recessions?," Bloomberg, https://www.bloomberg.com/news/articles/2019-03-28/economists-are-actually-terrible-at-forecasting-recessions //DF

In 1966, four years before securing the Nobel Prize for economics, Paul Samuelson quipped that declines in U.S. stock prices had correctly predicted nine of the last five American recessions. His profession would kill for such accuracy. With recession talk returning to haunt financial markets and the corridors of central banks, a review of the past suggests that **those who are paid to call turning points in economic growth have a dismal record**. Unlike the stock market, they're more likely to miss recessions than to predict ones that never occur. The lowlight, of course, was the widespread failure to forecast America's Great Recession, which began in December 2007—nine months before Lehman Brothers filed for bankruptcy. In February, Andrew Brigden, chief economist at London-based Fathom Consulting, worked out that of 469 downturns since 1988, the International Monetary Fund had predicted only four by the spring of the preceding year. By the spring of the year in which the downturn occurred, the IMF was projecting 111 slumps, fewer than a quarter of those that actually happened. In a post on his firm's website, Brigden wrote that while IMF economists monitoring Equatorial Guinea, Papua New Guinea, and Nauru can walk tall for their recession calls, the rest pretty much flopped. "Since 1988 the IMF has never forecast a developed economy recession with a lead of anything more than a few months," he says. IMF economists point out that they're not alone in missing downturns. A recent working paper by Zidong An, Joao Tovar Jalles, and Prakash Loungani discovered that **of 153 recessions in 63 countries from 1992 to 2014, only five were predicted by a consensus of private-sector economists in** April of **the preceding year.** And the economists tended to underestimate the magnitude of the slump until the year was almost over. Few Hits, Lots of Misses Recessions in 194 countries since 1988 by when they were predicted in the IMF's World Economic Outlook* Data: Fathom Consulting *Recession defined as an annual contraction in real GDP. The shortcomings of economists are in the spotlight again as the world economy traverses a soft patch. Growth in China continues to cool, while Europe is looking fragile. Italy is already in recession, and Germany and France risk stagnating. On March 22 the U.S. bond market flashed a warning sign when the yield on 10-year Treasury notes dipped below the yield on three-month Treasury bills. That reversal in the normal pattern of interest rates—known as an inversion of the yield curve—has generally been followed by a recession, although the length of time before a downturn varies widely. Meanwhile, in a recent survey of its members, the National Association for Business Economics found 42 percent anticipate a U.S. recession beginning next year, along with 10 percent predicting one this year and 25 percent expecting one in 2021. What's behind economists' poor forecasting performance? The main reason is that it's simply a hard job. **[First,] Information about the economy is incomplete and arrives with a lag.** And turns in the economy tend to be abrupt. Some are caused by financial shocks, such as stock market panics, which are themselves unpredictable. Loungani, who works at the IMF, says a lack of incentives may also be partly to blame. Unlike portfolio managers, economists don't have money riding on their ability to accurately predict downturns, and misses are rarely career-ending. Groupthink may also pose an obstacle. Professional forecasters feel safer in a crowd rather than sticking their necks out with a recession call. Then there's a bias toward clinging to predictions even after contrary evidence emerges. The paper co-authored by Loungani shows that failing to forecast a recession is a much more common error than warning about one that doesn't occur. On the other hand, **[Second,] one way to make sure you never miss calling a recession is to constantly predict one—but be vague about when it will arrive.** Stretching out the time horizon is a common gambit. Predicting a contraction 18 to 24 months in the future is a reasonable wager: Since 1959 the chance that the U.S. economy will be in a recession in any given month has been about 13 percent, according to Tom Stark, assistant director of the Real-Time Data Research Center of the Federal Reserve Bank of Philadelphia. (Stark says that stat can't be used to calculate the probability of a recession in the next, say, two years.) Loungani nevertheless sees some room for optimism in economists' current behavior. In previous cycles, a lot of analysis was devoted to how times had changed and why the business cycle had been tamed, with more soft landings and fewer outright recessions. Stung by the failure of predicting the last recession, the profession has spent the past decade examining how expansions come to an end and discussing the policy tools that may be needed to stabilize an economy that's slowing. JPMorgan Chase & Co. economists currently tell clients there's a 40 percent chance of a downturn over the next year. "That's a better narrative than declaring we are in a new economy and the business cycle is dead," Loungani says.

2. Recessions are frequent and not all terrible

Boushey 19 Heather Boushey, Ryan Nunn, and Jay Shambaugh, 5-16-2019, "Recession ready: Fiscal policies to stabilize the American economy," Brookings, https://www.brookings.edu/multi-chapter-report/recession-ready-fiscal-policies-to-stabilize-the-american-economy/ //DF

Aconstant in the history of economics is that countries encounter recessions. Since World War II, the U.S. economy has been in a recession for about one of every seven months and for at least one month in roughly one-third of the years over that period. Recessions have many causes—financial markets crashing, monetary policy tightening, consumers cutting spending, firms lowering investment, oil prices shifting—but at some point, economic expansions end and the economy begins to contract. Recession Ready book coverThis volume lays out a set of changes to fiscal programs to improve the policy response to a recession in the United States. It starts from three main premises, which are described in more detail in the following chapter:

3. Infrastructure expenditure is the best way to get out of recessions

Haughwout 19 Andrew Haughwout, Federal Reserve Bank of New York, 2019, "Infrastructure Investment as an Automatic Stabilizer," in *Recession Ready: Fiscal Policies to Stabilize the American Economy*, Washington Center for Economic Growth, https://www.brookings.edu/wp-content/uploads/2019/05/ES_THP_AutomaticStabilizers_FullBook_web_20190513.pdf //DF

There are two principal ways that infrastructure spending can affect economic activity. **First, in the short run, public investment means building new roads, bridges, and buildings, or purchasing new equipment.** Public investment is thus **a direct contribution to economic activity**—measured as part of the government sector consumption and gross investment in the national income accounts. The $370 billion (seasonally adjusted at an annual rate) that state and local governments invested in infrastructure during the fourth quarter of 2017 represented about 2 percent of total activity that quarter. So infrastructure investment is a consequential part of economic activity overall. In addition, much of the nation's total infrastructure investment is expended on construction projects ranging from buildings to sewerage systems. Because construction is a cyclical industry, with total employment closely following the national economic cycle, the predominance of construction projects is relevant to stabilization objectives. Changes in infrastructure investment make large contributions—both positive and negative—to aggregate growth; consequently, infrastructure investments have important, direct implications for macroeconomic stabilization, and may therefore be effective as stimulus if they can be conducted during periods of economic weakness. Indeed, estimates of short-run multipliers for infrastructure grants to states and localities tend to be among the highest of any potential stimulus and range as high as 2.2, particularly in downturns (Whalen and Reichling 2015). A **second** way that infrastructure affects the economy is much more **long term: public capital assets provide a flow of services that are potentially valuable to firms and households.** The importance of the contribution of infrastructure to economic activity is subject to some disagreement in the economics and engineering literatures. But if some of the higher estimates are to be believed, the United States faces an infrastructure deficit of substantial proportion.3 The fact that infrastructure is a long-lived capital good that will continue to produce valuable services into the future may contribute to its effectiveness as a stimulus by altering expectations for future economic growth.

AT: Stops Infrastructure Spending

AT: Trade Deficits/Chines Competition

1. Ahahahhahahahaaha

2. Europe and China make different goods that don't compete with each other

https://translogconnect.eu/uploaded/BLOG/_Silk-Road_Arviem-White-Paper.pdf

Goods ferried on the China-Europe rail system

Eastbound Goods	Westbound Goods
Pharmaceuticals, soft drinks and scotch whiskey from the UK	Shoes and socks
Beer from Germany	Mechanical, electrical and chemical products
Ford spare parts	HP, Asus, Acer and Toshiba Laptops, iPads from Foxconn to Germany
Mechanical equipment	Automobile parts from Minsheng Logistics
Food and agricultural produce	Plants to Holland
Belarusian milk	Chongqing laptops destined for Germany
Fashion items	Mechanical and electric equipment, robots
Aircraft	Household products
Powder milk from Poland	Wallets, purses, and suitcases
Volvo cars	
Chemicals from Poland	
BMW, Mercedes and Land Rover cars	

Source: online research of publicly available information

AT: CN Goal is Militaristic

China does see the BRI as a way to greater security, but they want to use economic development to achieve and maintain that security

Rolland 17 Nadège Rolland [Senior Fellow for Political and Security Affairs at the National Bureau of Asian Research (NBR). Her monograph, China's Eurasian Century? Political and Strategic Implications of the 'Belt and Road Initiative', is forthcoming in spring of 2017. She can be reached at nrolland@nbr.org or on Twitter @RollandNadege], 2017 "China's 'Belt and Road Initiative': Underwhelming or Game-Changer?," The Washington Quarterly, //DF

The BRI was born out of two concomitant events: one economic and one strategic. Not long after Xi Jinping rose to the position of Vice-President of the PRC in March 2008, China began to feel the aftershocks of the global financial crisis. Shortly after he became Vice-Chairman of the Central Military Commission in the fall of 2010, the Obama administration announced its intention to "pivot" toward the Asia–Pacific. These two events caused Chinese elites to reassess their country's economic development prospects and its external strategic environment. The BRI can best be understood as an attempt to respond to mounting challenges in both of these domains. **For the Chinese regime, maintaining economic growth is essential to preserving social stability and regime security.** Even before the global crisis of 2008–09, China's leaders had begun to worry that their long-standing development model, with its heavy emphasis on investment, exports, and state-owned enterprises, had outlived its usefulness and that a new approach was needed, one that would give a greater role to consumption and competition. Despite this awareness, the regime's response to the slump in global demand that followed the onset of the financial crisis was to unleash a massive stimulus program, with yet more statedirected investment in infrastructure and basic industries. Although it served its immediate purpose of boosting growth, this program only delayed the day of reckoning. By the time Xi Jinping assumed the top posts in the Party and government at the end of 2012, growth rates had fallen again to well below pre-crisis levels and appeared to be on a steep downward trajectory.27 Xi's response to this troubling reality took two forms: on one hand, at the Third Plenum of the 18th Party Congress in November 2013, he announced a package of wide-ranging reforms designed to reduce state intervention and elevate the market to the "decisive" role in allocating national resources. At the same time, however, Xi was also unveiling his "One Belt, One Road" initiative. According to Chinese analysts, even if demand in the developed world slackens, the BRI will help open up promising new markets across Eurasia.28 Moreover, building the transcontinental "Belt" will enable China to continue to use its traditional tools of central government investment in infrastructure executed by state-owned companies, this time outside already saturated Chinese territory. Asia's large appetite for infrastructure will give China an opportunity to sustain activity in sectors in which its SOEs have long experience, high skills, and a competitive advantage such as high-speed rail, hydroelectric dams, and pipeline construction.29 In short, as some Western observers pointed out, the BRI has an economic motivation: it is another stimulus package that is intended to permit continued growth of state-owned enterprises and the national economy whether or not far-reaching reforms are ever implemented. But there is much more to it than that. **Steady improvements in economic well-being are necessary not only to preserve social stability at home,**30 but to strengthen it in the countries along China's continental periphery, especially in Central Asia. Chi**nese analysts believe that poverty and underdevelopment are the root causes of unrest and extremism.31 Improving living standards through economic development is therefore seen as a way to alleviate t**he problems associated with the "three evils" (to use the common Chinese phrase) of **separatism, terrorism, and extremism**—both in China and beyond. By bringing infrastructure connectivity and economic development to China's neighbors, the BRI will help reduce the likelihood of terrorism or insurgencies that might spill across its borders.32 More generally, Beijing hopes that roads, railways, industrial hubs, and increased trade will strengthen and preserve the authoritarian governments that now rule the states to China's west and south. These regimes are seen as friendlier,33 more predictable, and more susceptible to Chinese influence than democratic governments, which might question agreements previously reached with Beijing34 or allow themselves to be manipulated by unnamed "third countries" who seek to encircle China and thwart its rise. Neo-authoritarian regimes share the Chinese Communist Party's concerns about possible popular discontent and social unrest that could be exploited by "foreign hostile forces" in order to stage "color revolutions." Beijing believes that helping its authoritarian neighbors to deliver economic growth will discourage popular unrest and strengthen their grip on power, thereby stabilizing China's periphery and reducing one of its top security concerns. In 2014, Xi Jinping made the case that security is a "holistic concept" encompassing domestic and international aspects, traditional and non-traditional threats, domestic and overseas interests. Economy and security are interwoven, interrelated, and inseparable. Energy security stands at the nexus of both priorities. The vast and growing quantities of oil and natural gas necessary to sustain economic development today travel from the Middle East, East Africa, and maritime Southeast Asia along sea lines of communication that China has, as yet, virtually no capacity to defend. Chinese strategists have been worried about the so-called "Malacca Dilemma"—80 percent of China's energy imports and trade moves through the Malacca Strait, and the leadership worries over potential threats to Chinese energy and economic security if other powers try to control navigation through the Strait.35 In the last five years, fears of a possible U.S. naval blockade, discussed in Washington as part of the ongoing debate over U.S. military strategy in Asia, have prompted a renewed discussion about supply diversification and alternative transportation routes. The Central Asian, Russian, and Pakistani overland pipelines that are an essential feature of the BRI may not fully compensate for the interruption of shipments by sea. But they could ease some of China's strategic vulnerability by providing at least a portion of the country's essential needs in the event of disruptions due to conflict or piracy.36

AT: Chinese workers

1. China has reformed the BRI and now hires local workers because their foremost goal is to ensure that the project continues

Staats 19 Jennifer Staats [director of East and Southeast Asia Programs at the U.S. Institute of Peace, where she oversees USIP's work on Burma, China and North Korea. She joined USIP in 2016 as the director of the China Program, and she continues to lead USIP's work on China and its impact on peace and security around the world], 4-25-2019, "Where Does China's Belt and Road Initiative Stand Six Years Later?," United States Institute of Peace, https://www.usip.org/publications/2019/04/where-does-chinas-belt-and-road-initiative-stand-six-years-later //DF

Few projects illustrate the risks of China's Belt and Road Initiative (BRI) as starkly as the Hambantota port in Sri Lanka. In 2017, unsustainable debt loads drove Colombo to give China a 99-year lease and controlling equity stake in the Hambantota port, while local communities protested the loss of sovereignty and international observers worried about China's strategic intentions. The Hambantota case may be an outlier, but it has become a "canary in the coalmine," and a warning sign to other BRI participants about what their future may hold. Increasingly, countries around the world are taking steps to reassert their influence over BRI projects—and Beijing has taken note. This week, 37 heads of state and representatives from nearly 100 countries will convene in Beijing for the second Belt and Road Forum. At this gathering, the pressure will be on President Xi Jinping and the Chinese Communist Party to reassure audiences at home and abroad that China's ambitious global project is viable, sustainable, and responsive to their concerns. Introduced in 2013, China's Belt and Road Initiative (BRI) is a sprawling, trillion-dollar effort to connect countries around the globe through trade, infrastructure, people-to-people exchanges, and policy alignment. Beijing promised a "community of shared future for mankind," and leaders around the world clamored to sign deals for projects that would largely be built and financed by China. Six years in, the initial euphoria has largely turned to fatigue. As projects move from the planning stages to implementation, many are not delivering the benefits they had promised. And both participating countries and China are recalibrating their approach from a focus on scale and speed to an emphasis on higher-quality projects. Many BRI partners are now worried about the dangers of debt distress, loss of sovereignty, increased corruption, environmental degradation, lack of transparency, and unfair labor practices that often accompany these projects. **Learning from one another, participating countries are becoming savvier in their efforts to renegotiate deals, push for higher standards, hold leaders accountable, extract concessions, and end projects that are no longer deemed to be in their own national interest.** In countries across Asia and Africa, BRI has had an impact on local politics and even national elections, prompting a careful reassessment of the initiative's opportunities and risks. Last year, thousands of Vietnamese citizens marched in the streets to protest the creation of three special economic zones that would lease land to foreign (likely Chinese) companies. In response to public pressure in Burma, the government successfully reduced the overall cost of the Kyaukpyu port project by 80 percent and increased its stake in the surrounding special economic zone, while refusing to provide sovereign guarantees. **Malaysia just renegotiated its rail project in exchange for a lower price tag and more jobs for local workers.** And in Sierra Leone, the new president cancelled plans for a Chinese-funded airport late last year due to concerns about debt sustainability. Beijing also faces domestic criticism of the initiative, with Chinese citizens questioning the wisdom of risky loans to developing countries, especially when that money could be spent on food, education, or poverty alleviation at home. And quietly, some critics worry the effort is too ambitious and may be suffering from its own overreach. China's slowing economy and growing debt problems at home pose additional obstacles, and some Chinese companies have put projects on hold due to the significant financial and security risks they face in many

BRI countries. **Despite these challenges, Beijing will continue to search for a way to make BRI succeed. It has no choice, as Xi has staked his personal legacy and legitimacy on the initiative's success.** Course Correction BRI has moved beyond the soaring rhetoric and lofty promises, and now faces the tough work of implementation. In August 2018, at a special seminar marking the five-year anniversary of BRI, **President Xi noted that** the first five years had been devoted to establishing the broad contours of the initiative, but **China must now shift its focus to the details, implementing higher-quality projects with stronger party leadership to guide the effort.** To ensure projects are economically viable, Beijing has strengthened its domestic processes regarding monitoring and supervision of overseas investment deals. New rules and guidelines govern the behavior of Chinese firms overseas, with an eye toward boosting due diligence, oversight, and quality control. To counter accusations that China is using BRI projects to promote its political influence, Beijing is partnering with Western financial institutions and other countries, such as Japan, to implement joint development projects with higher levels of transparency and accountability. China also endorsed the G20's Operational Guidelines for Sustainable Financing, which should further improve information sharing, with support from the International Monetary Fund and World Bank. The tone and approach of China's diplomacy on BRI has also changed. At the 2018 Forum on China-Africa Cooperation summit, China sought to alleviate concerns about debt distress by emphasizing grants and interest-free loans over the commercial loans it has favored in the past. Through the introduction of smaller-scale projects aimed at providing near-term benefits, China is seeking to demonstrate to local communities that Beijing can be a reliable partner in these efforts. In addition, by going beyond traditional outreach to government officials, China is building a broader base of support for BRI through people-to-people exchanges and training programs for overseas civil society groups, media, political parties, students, and others who might be in a position to support (or oppose) projects in the future. Many of the steps Beijing is now taking to blunt criticism of BRI may also help the initiative become more sustainable and better aligned with the needs of the partner countries over the longer term—but these initiatives run the risk of being more symbolic than substantive. As countries gather in China this week for the Belt and Road Forum, foreign representatives are well-positioned to leverage this moment of reassessment to demand greater transparency, higher standards, and higher-quality projects that go beyond platitudes and achieve meaningful change.

2. Even without the reforms, they still hired a lot of local workers

Chandran 18 Nyshka Chandran, 9-14-2018, "China can make its Belt and Road project more successful if it taps locals, experts say," CNBC, https://www.cnbc.com/2018/09/14/china-must-do-more-to-tap-locals-in-belt-and-road-initiative-panel.html //DF

One of the biggest complaints around the initiative is an excessive reliance on Chinese employees for on-the-ground projects, which deprives participating countries of jobs. That's triggered anti-Beijing sentiments in places such as Laos and Turkmenistan. In instances where locals are employed, complaints about dire working conditions are rampant, with public demonstrations being held from Vietnam to Sri Lanka. Beijing basically replicated its traditional state-owned enterprises (SOE) model in other developing nations, Hu said. These enterprises "tend to air drop the entire ecosystem, from their engineers to the construction workers to the chefs, into the countries to do the project," he said. A McKinsey study in 2017 found that among 1,073 Chinese firms across eight African countries, only **44 percent of the managers on average were local.** "We may be missing the bigger point of the BRI, which is that it's simply an avenue for Chinese entrepreneurs to go forth and conquer," said Jonathan Woetzel, director of the McKinsey Global Institute, at Thursday's panel. But Chinese SOEs are laden with debt liabilities which could impact their overseas operations.

3. The big benefits from infrastructure come from trade improvements, not the jobs created in the construction process

AT: Debt-Trap Diplomacy

Generic

1. China has every reason to give its partners reasonable loans

a. **China needs the projects it funds to return a profit because, as our Peng card from case indicates, they need to use the BRI to prevent economic stagnation.**
b. **China needs the BRI partner nations to see the initiative as legit. Because of international criticism of supposed "predatory lending", many nations have begun to break off BRI ties and cancel projects. In fact x of x reports that….. More reasonable loans are critical to re-vitalising Chinas image and ensuring that the BRI has the necessary partners to complete the project.**
c. **China needs to offer better loans than other investors. Kratz at the Rhodium group explains in 2019: In renegotiations in Ghana, Mongolia or Zambia, alternative channels of financing such as the IMF or international capital markets were available, which created more leverage among borrowers for renegotiation of terms with China.**
d. **Having strong partners is always more advantageous than weak ones. Having Sri Lanka or Pakistan indebted to China may provide some strategic benefit in the short term, but in the long term it is far better to engage with countries who can provide long term strategic and economic benefits. The marshall plan proves this, as the US's best post WWII allies were the most economically and militarily sound, like Britain and Germany.**

2. We know that China gives fair loans in a couple of ways

a. **Other lenders made most of the loans. Brautigam 19 at Johns Hopkins finds that financing from China alone did not appear to be driving borrowers above the I.M.F's debt-sustainability thresholds. Non-Chinese lenders still held the majority of the debt.**
b. **China almost never seizes assets. Kratz reviewed 40 cases of China's external debt renegotiations and found that only one, with Sri Lanka, resulted in asset seizure.**

c. **When states don't feel like they get a fair shake, they can just renegotiate deals. For example, Staats 19 at the USIP writes: In response to public pressure in Burma, the government successfully reduced the overall cost of a port project by 80 percent and increased its stake in the surrounding special economic zone.**

3. Pro solves by increasing EU investment and giving China more money. Huifeng 18 at CNBC explains: most of the countries along the route of the BRI do not have the money to pay for the projects with which they are involved. Many were already heavily in debt and need sustainable finance. It would be a tremendous task to raise funds for the countries' development.

Kratz 19 Agatha Kratz [Associate Director at Rhodium Group; leads the development of European opportunities and contributes to research on European Union-China relations, China's economic diplomacy and outward investment, and the Belt and Road Initiative], 4-29-2019, "New Data on the "Debt Trap" Question," Rhodium Group, https://rhg.com/research/new-data-on-the-debt-trap-question/ //DF

Asset seizures are a rare occurrence. Debt renegotiations usually involve a more balanced outcome between lender and borrower, ranging from extensions of loan terms and repayment deadlines to explicit refinancing, or partial or even total debt forgiveness (the most common outcome). *Despite its economic weight, China's leverage in negotiations is limited. Many* of the *cases* reviewed *involved an outcome in the favor of the borrower*, and especially so when host countries had access to alternative financing sources or relied on an external event (such as a change in leadership) to demand different terms.

The multiplicity of outcomes raises questions about the key determinants of negotiation leverage and decisions, particularly given the wide variety of settlement conditions, from asset grabs (possibly the least favorable outcome for the borrower) to constrained write-offs and deferments (possibly the most favorable outcomes). Several factors appear to influence renegotiation outcomes. First and most important is the availability of alternative financing sources. [First,] **In renegotiations in Ghana, Mongolia or Zambia, alternative channels of financing such as the IMF or international capital markets** (Eurobonds) **were available, which** likely **created more leverage among borrowers for renegotiation of terms with China.** In comparison, Sri Lanka's indebtedness was so high in 2016-2017 that this likely prevented the government from turning to other financing partners for relief. This might explain why renegotiations produced more favorable outcomes for borrowers in the first three cases. Another key factor seems to be the leverage generated by **[Second] leadership changes in borrowing countries**, which **allows incoming governments to start renegotiations with stronger negotiating influence, and hence a real ability to demand a change in terms. In the case of Ecuador, the new government demanded and obtained a renegotiation of lending terms, arguing that its predecessors had agreed to unfair conditions that were no longer tolerable.** The current negotiation with Angola might see similar negotiating power accumulating in Luanda. In addition, we find that resource-backed loans are not an element of leverage for Beijing, and in fact do not necessarily represent a strong guarantee against repayment problems. The case of Venezuela is an obvious illustration of the limited guarantees provided by oil-backed financing. But the lesser-known Ukrainian case is also telling in that respect. Though its loan was backed by grain shipments, Beijing had to ultimately turn to international arbitration to resolve its dispute with Kiev, who consistently failed to provide the required volume of annual grain shipments to repay its loan. Beijing has no means to seize these grain shipments by force. In addition, the Ukraine case shows that despite China's size and growing international economic clout, its leverage in some of these cases remains quite limited, even in disputes with much smaller countries.

Brautigam 19 Deborah Brautigam [Deborah Brautigam is the Bernard L. Schwartz Professor of International Political Economy at the Paul H. Nitze School of Advanced International Studies, at Johns Hopkins University.], 4-26-2019, "Is China the World's Loan Shark?," NYT, https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html //DF

The main example of these purported ploys is the Hambantota Port in southern Sri Lanka: The government handed control over the port to a Chinese company in 2017 after struggling to make its loan payments to China. But that's a special case, and it is widely misunderstood. China does not publish details about its overseas lending, but the China-Africa Research Initiative at Johns Hopkins University (which I direct) has collected information on more than 1,000 Chinese loans in Africa between 2000 and 2017, totaling more than $143 billion. Boston University's Global Development Policy Center has identified and tracked more than $140 billion in Chinese loans to Latin America and the Caribbean since 2005. Based on the findings of both institutes, it seems that the risks of B.R.I. are often overstated or mischaracterized. Take Africa. The International Monetary Fund estimates that as of late January some 17 low-income African countries already were in, or were at risk of, "debt distress," or of experiencing difficulties in servicing their public debt. We at the China Africa Research Initiative created debt profiles for those countries based on our data on Chinese loans as well as statistics from the World Bank and the I.M.F. — and we discovered that a crowd of global banks and bondholders were involved: notably, in Mozambique, Credit Suisse; or in Chad, the Anglo-Swiss mining giant Glencore. In some of the 17 countries the I.M.F. identified as vulnerable, including Cameroon and Ethiopia, China was the single-largest creditor, but **non-Chinese lenders still held the majority of the debt**. Only in Djibouti, the Republic of Congo and Zambia did Chinese loans account for half or more of the country's public debt. In its 2019 study on China in Latin America and the Caribbean, the Global Development Policy Center concluded that, aside from "the important possible exception of Venezuela," **financing from China alone did not appear to be driving borrowers above the I.M.F's debt-sustainability thresholds.** In most of Africa and Latin America, in other words, China's lending is significant, but fears that the Chinese government is deliberately preying on countries in need are unfounded. Sri Lanka is often cited as the poster child for the ills of Chinese debt-trap diplomacy. China financed a port in Hambantota; the port incurred losses, making loan-repayment difficult; after the election of a new government in Sri Lanka, 70 percent of the port was sold to a Chinese company, prompting speculation that China had orchestrated the whole fiasco.

China almost never seizes assets; instead, they mostly write-off bad loans to maintain good relations with borrowing countries that China knows could leave if they mistreat them

Kratz 19 Agatha Kratz [Associate Director at Rhodium Group; leads the development of European opportunities and contributes to research on European Union-China relations, China's economic diplomacy and outward investment, and the Belt and Road Initiative], 4-29-2019, "New Data on the "Debt Trap" Question," Rhodium Group, https://rhg.com/research/new-data-on-the-debt-trap-question/ //DF

The Belt and Road Forum took place last week, in a context of mounting pushback against Beijing's signature foreign policy initiative. Debt sustainability concerns are at the center of current criticism, with the Sri Lankan example—where China assumed control of the Hambantota port—serving as a cautionary tale of the risks of reliance upon Chinese financing for infrastructure projects. **We reviewed 40 cases of China's external debt renegotiations** to understand the broad patterns of outcomes, and to explore whether asset seizures as occurred in Sri Lanka are typical or exceptional. Key findings include: Debt renegotiations and distress among borrowing countries are common. The sheer volume of debt renegotiations points to legitimate concerns about the sustainability of China's outbound lending. More cases of distress are likely in a few years as many Chinese projects were launched from 2013 to 2016, along with the loans to finance them. Asset seizures are a rare occurrence. Debt renegotiations usually involve a more balanced outcome between lender and borrower, ranging from extensions of loan terms and repayment deadlines to explicit refinancing, or partial or even total debt forgiveness (the most common outcome). Despite its economic weight, China's leverage in negotiations is limited. Many of the cases reviewed involved an outcome in the favor of the borrower, and especially so when host countries had access to alternative financing sources or relied on an external event (such as a change in leadership) to demand different terms.

Though still incomplete, this initial assessment of China's external debt renegotiation outcomes highlights a series of illuminating findings: First and foremost is the realization that actual asset seizures are a very rare occurrence. Apart from Sri Lanka, the only other example we could find of an outright asset seizure was in Tajikistan, where the government reportedly ceded 1,158 square km of land to China in 2011. However, the limited information available, and the opacity of the process makes it difficult to determine whether this specific land transfer case was in exchange for Chinese debt forgiveness, or (as some observers argue) part of a historical dispute settlement between the two countries. Another caveat is that we are not considering cases such as loans to Kenya or Montenegro where port and land collateral are rumored to be explicitly part of bilateral loan contracts. Instead, we find those debt renegotiations usually involve a more balanced outcome between lender and borrower, ranging from extensions of loan terms and repayment deadlines to explicit refinancing, or partial or even total debt forgiveness (see Figure 1). Among these outcomes, we find that write-offs are the most common outcome (16 cases), followed by deferments (11 cases), and refinancing, term renegotiations, and denials of additional financing (4 cases each). Six of the renegotiation processes covered by our data were still ongoing, with no specific outcome yet available. Although the most common renegotiation outcome, explicit write-offs of debts usually involve very limited amounts. Besides the case in Cuba, where China wrote off between USD5.0 and USD 5.8bn of debt, forgiveness cases range from USD5mn (Vanuatu) to USD160mn (Sudan) and usually represent a mere fraction of the total amount due to China. For Sudan for example, the forgiven USD160mn in 2017 represented only 2.5% of the country's estimated USD6.5bn owed to China, according to data made available by Johns Hopkins, China Africa Research Initiative.[2] In addition, most of these debt forgiveness cases were accompanied by additional lending in significant volumes. For example, when Beijing wrote off USD7mn of Botswana's debt at the Forum on China-Africa Cooperation last year, Chinese leaders allegedly offered as much as USD1bn in new infrastructure financing to the country. This means that cases of forgiveness rarely serve to reduce a country's indebtedness to China. Interestingly, write-offs are often conceded by Beijing without a formal renegotiation process. Instead, Beijing usually unilaterally agrees to cancel part of a borrowing country's debt, even when there are few signs of financial stress on the part of the borrower. Such cases of debt forgiveness are therefore probably used to signal support to the recipient countries, and improve bilateral relations. Yet a few write-offs were also conceded in cases of acute financial distress within the host country: USD2.6bn of Cuba's debt in 2010, about USD40mn of Zimbabwean loans in 2015, and an undisclosed part of Sri Lanka's debt to China in 2017-2018 (which also included control passed to China for to the Hambantota port). Forced or constrained, these write-offs were often accompanied by a decision on the part of Beijing to withhold further lending. This was notably the case in Zimbabwe, where Beijing rejected Harare's calls in 2014-2015 to finance a USD1.5bn rescue package. This also constituted part of Beijing's response to Venezuela's recent economic woes.

Tianjai 19 Cui Tiankai, 4-23-2019, "Commentary: Top China Diplomat: Why the U.S. Shouldn't Sit Out the Belt and Road Initiative," Fortune, https://fortune.com/2019/04/23/us-china-belt-and-road-initiative/ //DF

Critics say that the BRI must have an underlying strategic aim or agenda. If so, then building a community with a shared future for mankind is the agenda, as first and foremost, the BRI aims to promote connectivity. The BRI is open, inclusive and transparent. It is not a geopolitical tool, nor is it designed to form an exclusive clique or impose any terms on others. Some people have errantly characterized the BRI as a potential debt trap. But **countries who have participated in and benefited from the BRI have debunked such assertions.** Finance Secretary of the Philippines Carlos Dominguez publicly stated that debts owed to China accounts for only 0.65% of the country's total debt. And Dr. Karunasena Kodituwakku, Sri Lanka's ambassador to Beijing, dismissed the idea of "debt-trap diplomacy." **Decisions made through the BRI framework, from project selection to investment and financing cooperation, are all based on full consultation between all parties involved, and backed by arduous risk assessment and investment feasibility studies.** As a matter of fact, no country has become trapped in a debt crisis since its participation in the BRI. Quite the contrary, **it is through participating in BRI cooperation that many countries have emerged from the trap of underdevelopment or no development.** Consider the example of Kenya: Philip Mainga, acting managing director of Kenya

Railways Corporation, said that the Kenyan economy and citizens have benefited from China's contribution to the expansion and upgrading of transport infrastructure in the country. Traditional Chinese wisdom states that a man of virtue will seek to establish others while establishing himself. In this sense, as we are currently moving China's economy from a phase of rapid growth to a stage of high-quality development, we also pursue quality development in BRI cooperation. The projects are designed to conform with international laws and norms governing international relations and meet international business practices and operating models.

Staats 19 Jennifer Staats [director of East and Southeast Asia Programs at the U.S. Institute of Peace, where she oversees USIP's work on Burma, China and North Korea. She joined USIP in 2016 as the director of the China Program, and she continues to lead USIP's work on China and its impact on peace and security around the world], 4-25-2019, "Where Does China's Belt and Road Initiative Stand Six Years Later?," United States Institute of Peace, https://www.usip.org/publications/2019/04/where-does-chinas-belt-and-road-initiative-stand-six-years-later //DF

Few projects illustrate the risks of China's Belt and Road Initiative (BRI) as starkly as the Hambantota port in Sri Lanka. In 2017, unsustainable debt loads drove Colombo to give China a 99-year lease and controlling equity stake in the Hambantota port, while local communities protested the loss of sovereignty and international observers worried about China's strategic intentions. The Hambantota case may be an outlier, but it has become a "canary in the coalmine," and a warning sign to other BRI participants about what their future may hold. Increasingly, countries around the world are taking steps to reassert their influence over BRI projects—and Beijing has taken note. This week, 37 heads of state and representatives from nearly 100 countries will convene in Beijing for the second Belt and Road Forum. At this gathering, the pressure will be on President Xi Jinping and the Chinese Communist Party to reassure audiences at home and abroad that China's ambitious global project is viable, sustainable, and responsive to their concerns. Introduced in 2013, China's Belt and Road Initiative (BRI) is a sprawling, trillion-dollar effort to connect countries around the globe through trade, infrastructure, people-to-people exchanges, and policy alignment. Beijing promised a "community of shared future for mankind," and leaders around the world clamored to sign deals for projects that would largely be built and financed by China. Six years in, the initial euphoria has largely turned to fatigue. As projects move from the planning stages to implementation, many are not delivering the benefits they had promised. And both participating countries and China are recalibrating their approach from a focus on scale and speed to an emphasis on higher-quality projects. Many BRI partners are now worried about the dangers of debt distress, loss of sovereignty, increased corruption, environmental degradation, lack of transparency, and unfair labor practices that often accompany these projects. **Learning from one another, participating countries are becoming savvier in their efforts to renegotiate deals, push for higher standards, hold leaders accountable, extract concessions, and end projects that are no longer deemed to be in their own national interest.** In countries across Asia and Africa, BRI has had an impact on local politics and even national elections, prompting a careful reassessment of the initiative's opportunities and risks. Last year, thousands of Vietnamese citizens marched in the streets to protest the creation of three special economic zones that would lease land to foreign (likely Chinese) companies. **In response to public pressure in Burma, the government successfully reduced the overall cost of the Kyaukpyu port project by 80 percent and increased its stake in the surrounding special economic zone, while refusing to provide sovereign guarantees.** Malaysia just renegotiated its rail project in exchange for a lower price tag and more jobs for local workers. And in Sierra Leone, the new president cancelled plans for a Chinese-funded airport late last year due to concerns about debt sustainability. Beijing also faces domestic criticism of the initiative, with Chinese citizens questioning the wisdom of risky loans to developing countries, especially when that money could be spent on food, education, or poverty alleviation at home. And quietly, some critics worry the effort is too ambitious and may be suffering from its own overreach. China's slowing economy and growing debt problems at home pose additional obstacles, and some Chinese companies have put projects on hold due to the significant financial and security risks they face in many BRI countries. **Despite these challenges, Beijing will continue to search for a way to make BRI succeed. It has no choice, as Xi has staked his personal legacy and legitimacy on the initiative's success.** Course Correction BRI has moved beyond the soaring rhetoric and lofty promises, and now faces the tough work of implementation. In August 2018, at a special seminar marking the five-year anniversary of BRI, **President Xi noted that** the first five years had been devoted to establishing the broad contours of the initiative, but

China must now shift its focus to the details, implementing higher-quality projects with stronger party leadership to guide the effort. To ensure projects are economically viable, Beijing has strengthened its domestic processes regarding monitoring and supervision of overseas investment deals. New rules and guidelines govern the behavior of Chinese firms overseas, with an eye toward boosting due diligence, oversight, and quality control. To counter accusations that China is using BRI projects to promote its political influence, Beijing is partnering with Western financial institutions and other countries, such as Japan, to implement joint development projects with higher levels of transparency and accountability. China also endorsed the G20's Operational Guidelines for Sustainable Financing, which should further improve information sharing, with support from the International Monetary Fund and World Bank. The tone and approach of China's diplomacy on BRI has also changed. At the 2018 Forum on China-Africa Cooperation summit, China sought to alleviate concerns about debt distress by emphasizing grants and interest-free loans over the commercial loans it has favored in the past. Through the introduction of smaller-scale projects aimed at providing near-term benefits, China is seeking to demonstrate to local communities that Beijing can be a reliable partner in these efforts. In addition, by going beyond traditional outreach to government officials, China is building a broader base of support for BRI through people-to-people exchanges and training programs for overseas civil society groups, media, political parties, students, and others who might be in a position to support (or oppose) projects in the future. Many of the steps Beijing is now taking to blunt criticism of BRI may also help the initiative become more sustainable and better aligned with the needs of the partner countries over the longer term—but these initiatives run the risk of being more symbolic than substantive. As countries gather in China this week for the Belt and Road Forum, foreign representatives are well-positioned to leverage this moment of reassessment to demand greater transparency, higher standards, and higher-quality projects that go beyond platitudes and achieve meaningful change.

The developing, often heavily indebted nations, that partner in the BRI present another barrier to continuing without more money. He Huifeng at CNBC explains in 2018: most of the countries along the route of the BRI do not have the money to pay for the projects with which they are involved. Many were already heavily in debt and need sustainable finance. It would be a tremendous task to raise funds for the countries' development.

Huifeng 18 He Huifeng, 4-15-2018, "Is China's belt and road infrastructure development plan about to run out of money?," CNBC, https://www.cnbc.com/2018/04/15/is-chinas-belt-and-road-infrastructure-plan-running-out-of-money.html //DF

China's ambitious plan to recreate the old Silk Road trading routes across Eurasia and is facing a serious financing challenge, according to the country's senior bankers and government researchers. Speaking on Thursday at a forum in Guangzhou, capital of southern China's Guangdong province, Li Ruogu, the former president of Export-Import Bank of China, said that **most of the countries along the route of the "Belt and Road Initiative",** as the plan is known, **did not have the money to pay for the projects with which they were involved. Many were already heavily in debt and needed "sustainable finance" and private investment,** he said, adding that the countries' average liability and debt ratios had reached 35 and 126 per cent, respectively, far above the globally recognized warning lines of 20 and 100 per cent. "**It would be a tremendous task to raise funds for the countries' development**," Li said. China's new central bank chief Yi Gang said on Thursday that Beijing was keen to work with international organisations, commercial lenders, and financial centers like Hong Kong and London to diversify funding sources for the plan. Wang Yiming, deputy head of the Development Research Centre of China's State Council, said at the forum that although many belt and road projects were funded by major financial institutions — including the Asian Infrastructure Investment Bank, New Development Bank, China Development Bank (CDB), the Export-Import Bank of China and the Silk Road Fund — there was still a huge funding gap of up to US$500 billion a year. The limited participation of private investors, narrow financing channels and low profitability levels were major problems, Wang said. "Countries involved in belt and road projects have low financial capabilities and high liability ratios" he said. "It is important to encourage financial innovation to raise funds to support the development of the belt and road."

Extras

My opponents treat the BRI as some ponzi scheme, when it's really China's efforts at globalization

Brautigam 19 Deborah Brautigam [Deborah Brautigam is the Bernard L. Schwartz Professor of International Political Economy at the Paul H. Nitze School of Advanced International Studies, at Johns Hopkins University.], 4-26-2019, "Is China the World's Loan Shark?," NYT, https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html //DF

There certainly are problems with China's approach to overseas lending. For one thing, Chinese banks still rely too heavily on Chinese construction companies to find and develop B.R.I. projects. Deals are often struck without any open tenders, creating opportunities for cronyism and kickbacks, and lending credence to accusations that projects bankrolled by China are sometimes overpriced. But the idea that the Chinese government is doling out debt strategically, for its benefit, isn't supported by the facts. Many of the would-be borrowers gathering in Beijing this weekend are likely to carefully scrutinize the costs and benefits of Chinese loans; some may be poor, but that doesn't make them unaware or unsavvy. *China's B.R.I. isn't debt-trap diplomacy: It's just globalization with Chinese characteristics.*

AT: Sri Lanka Example

Sri Lanka didn't owe most of its debt to China, but to numerous other foreign lenders who it couldn't pay back because its exports slumped; it only leased the port to China to make money to repay its other debts

Moramudali 17 Umesh Moramudali [economic researcher focusing on public debt dynamics in Sri Lanka and international trade. He is currently pursuing an M.Sc in Economics at the University of Warwick], 5-16-2017, "Is Sri Lanka Really a Victim of China's 'Debt Trap'?," Diplomat, https://thediplomat.com/2019/05/is-sri-lanka-really-a-victim-of-chinas-debt-trap/ //DF

Although Hambantota port was leased to CM Port, the loans obtained to construct Hambanota port were not written off and the government is still committed to loan repayments as per the original agreements. The money obtained through leasing Hambantota port was used to strengthen Sri Lanka's dollar reserves in 2017-18, particularly in light of the huge external debt servicing due to the maturity of international sovereign bonds in early 2019. Sri Lanka's debt problem goes well beyond China. It is related to a change in foreign debt composition and structural weaknesses of the economy, such as an overall reduction of trade, the rise of protectionism, and the reduction of government revenue. By the end of 2017, only little over 10 percent of Sri Lanka's foreign debt was owed to

China and most of that was in the form of concessionary loans. Data from the Ministry of Finance, Sri Lanka. as of the end of 2017. Instead, the largest portion of Sri Lanka's foreign debt was international sovereign bonds, which amounted to 39 percent of the total foreign debt as of 2017. These are commercial borrowings obtained from international capital markets since 2007, and such bonds have resulted in soaring external debt servicing due to the nature of the debt. Unlike in concessionary loans obtained to carry out a specific development project, these commercial borrowings do not have a long payback period or the option of payment in small installments. When sovereign bonds mature, it results in a significant increase of external debt servicing costs, as the entire face value of the bond should be paid once as opposed to paying installments for concessionary loans. Data from the Central Bank of Sri Lanka. The danger of rising external debt repayments is they require a large amount of foreign currency. To put it in simple terms, a country should have a sufficient amount of foreign currency inflows (through exports, FDI, or more external debt) to finance foreign debt repayments. Sadly, though, Sri Lanka has failed to increase exports or FDI by a sufficient margin to match its rising foreign debt repayment obligations. On the contrary, the country's export-to-GDP ratio (including exports of both good and services) has declined from 39 percent in 2000 to 21 percent in 2017, raising serious concerns regarding external debt sustainability. Meanwhile, the foreign debt servicing-to-exports ratio, a major indicator of external debt sustainability, reached a peak of 28 percent in 2015. The ratio was only 10.6 percent in 2007 and had increased to 22.5 percent by the end of 2017. Since 2011, the foreign debt servicing-to-exports ratio has remained above 20 percent except for a slight drop to 19.7 percent in 2016. By 2017, Sri Lanka was compelled to increase the level of foreign reserves despite the unfavorable global economic environment for emerging markets in light of the pending maturity of sovereign bonds amounting to $5 billion, which are due between 2019-2022. Estimates based on Central Bank of Sri Lanka data. This scenario forced the government to seek out for various ways to raise foreign currency and leasing Hambantota port, which was not generating sufficient return on investment, was among the options. In addition to that, media reports have indicated that the government is planning to lease Mattala Rajapaksa International Airport (MRIA), one of the emptiest airports in the world, also located in Hambantota, to India. Both these infrastructure projects were constructed using Chinese loans and severely criticized as economically nonsustainable investments. It is true that, thanks to financing a number of infrastructure projects, the portion of Sri Lankan foreign debt owned by the Chinese has increased drastically during the last decade or so. From 2008 to 2012, approximately 60 percent of foreign borrowing has come from China. However, having said that, *Sri Lanka would have encountered concerns pertaining to external debt* sustainability and persistent balance of payment (BOP) issues *even in the absence of Chinese debt.* Of course, there were serious concerns regarding the economic sustainability and the necessity of the projects financed by the Chinese at the time those were initiated. Yet the bigger issue behind Sri Lanka's debt crisis was the choice to borrow from international capital markets at commercial rates at a time when the country's exports were going down even while the government consistently failed to fix structural issues such as the reduction of trade, rising protectionism, and reduction of government revenue. With those structural issues, serious concerns regarding debt management are inevitable. Resolving the problem will require a consistent effort for reforms, which involves serious political challenges.

BLOCKS

AT: Environment DA

1. Development must come first because adapting to climate change will be costly and only rich nations will be able to handle it – anything else is eco-imperialism from wealthy countries that benefit from fossil fuels

Chambers 10 Andrew Chambers, 4-1-2010, "The fight against eco-imperialism," Guardian, https://www.theguardian.com/commentisfree/cif-green/2010/apr/11/eco-imperialism-climate-change-carbon //DF

These environmental groups, while spanning quite a large spectrum, tend to demonstrate an affinity with the pro-rural socialist left. The report describes climate change as not just a threat but also an "opportunity" to re-think the entire global system. It challenges western notions of development and growth and, most starkly, concludes that "mere reform within the current global economic system will be insufficient" to tackle poverty in a carbon constrained future. Indeed, members of these groups often seem to embrace rural village life as representing a pre-industrial idyll which should be preserved. Such romantic ideology therefore seeks to largely maintain the status quo – where the African poor are kept "traditional" and "indigenous". It's hard to disagree with Lord May, former president of the Royal Society in his observation that "much of the green movement isn't a green movement at all, it's political". With poverty redefined in terms of the environment and infused with pro-rural socialism, large-scale projects to industrialise or modernise are not the priority – indeed, western-style development and modernisation are seen as part of the problem. Instead there is a self-limiting bottom-up approach which subsidises underdevelopment not as a transitionary phase but as an end goal. To effectively sideline the development strategy that every western country has undertaken in raising living standards is remarkable. Indeed, while India and China have lifted at least 125m people out of slum poverty since 1990, over the same period 46 countries have actually got poorer – the large majority of them African states. It would be too simplistic to prescribe the industrialisation and modernisation agenda pursued by India and China as a panacea for the problems of sub-Saharan Africa, and the Indian and Chinese policies have not been without adverse consequences. Nevertheless, it is a staggering achievement which demonstrates that poverty alleviation should be pursued through a developmental agenda. The truth is that African poverty is not a result of global warming. It is likely that the poor will be disproportionately affected by global changes in temperature – but this is not a reason to limit development. It is **development** which **will allow countries to better cope with the consequences of a changing climate.** For example, the Netherlands is better prepared to build dams to protect its coastline from rising sea levels than Bangladesh. Those that will be hardest hit by global changes to temperature will be those who are most exposed to the vagaries of the environment now – the rural poor. **Environmental policies that seek to reinforce the rural status quo as a means of limiting carbon emissions may be of benefit to the developed world, but they are detrimental to the long-term ability of the poor to cope with climate change.** The planned South African power plant at Limpopo exposes the collision between these different policy aims. With the country going to the World Bank for a £2.4bn loan, international governments have been forced to weigh up developmental advantage versus environmental damage. South Africa suffers major power shortages and insists that a new plant is essential to the country's economic progress. Environmentalists are horrified that the plant will emit 25m tonnes of carbon per annum, and point out that much of the new electricity will be used by heavy industry. Despite a concerted lobbying campaign from environmental groups, the loan was approved on Thursday – albeit with abstentions from Britain, America and the Netherlands. A US treasury spokesman explained that the abstention was due to an "incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaption". Considering that the World Bank's first affirmed purpose is to alleviate poverty, we can see how pervasive the reframing of poverty in terms of environment has become. It is up to the developed world to produce the technologies for cleaner energy and implement policies to significantly reduce carbon emissions. **It is not acceptable to use global warming as a way of limiting growth in poor African countries when our own climate emissions continue to rise.** Environmental movements certainly have a role to play in highlighting ecological degradation and its impact on local people, and in some cases the interests of protecting the environment will be perfectly aligned with the needs of the local community. However, it is unacceptable for poverty reduction in the developing world to become a staging post for ideological battles lost elsewhere. **We should embrace whatever methods provide the best outcome in alleviating poverty – whether that be new roads or airports, power**

stations or renewables. To do otherwise is to be guilty of the worst kind of eco-imperialism – where the poor are held back for the benefit of the rich.

Link-Ins

No Author, xx-xx-xxxx, "," No Publication, https://translogconnect.eu/uploaded/BLOG/_Silk-Road_Arviem-White-Paper.pdf

Greencarrier Freight services, a Scandinavian Freight Forwarder operates container services out of China via the north corridor destined for Warsaw in Poland. It has adopted the China-Europe rail route as part of their green transport solutions towards their goal of reducing CO2 emissions by 15% by the end of 2017. The reduction of the mileage the cargo covers being transported on the roads has helped cut down on carbon emissions. Though not the most environmentally-friendly mode of freight transportation, rail freight transport beats air transport. If a 12-meter container with cargo weighing 20 tons was to be ferried via rail freight, it would account for about 4% of CO2 that would result from the use of air transport. In the case of ocean transport, the level of emissions would be cut in half again. Additionally, according to Far East Land Bridge Ltd., the New Silk Road train journey also saves 75% of the carbon footprint of the ocean route while running only 11,000 km instead 22,000 km on the sea route. It reduces the severe congestion which exists in and around the seaports involved in the east-west container trade, by moving containers from truck to rail.

EXTRAS

UQ – Why China wants BRI

China sees the BRI as critical to its economic development

Daniel Fernandez 7/7/2019 1:17 AM
Comment [4]: This should be the most important card and should frame the debate around China's interests

Peng 19 Zhang Peng, 5-21-2019, "China's Massive Belt and Road Initiative," Council on Foreign Relations, https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative //DF

China has both geopolitical and economic motivations behind the initiative. Xi has promoted a vision of a more assertive China, while the new normal of slowing growth has put pressure on the country's leadership to open new markets for its consumer goods and excess industrial capacity. To date, more than sixty countries—accounting for two-thirds of the world's population—have signed on to projects or indicated an interest in doing so. Experts see the BRI as one of the main planks of Chinese statecraft under Xi, alongside the Made in China 2025 economic development strategy. For Xi, the BRI serves as pushback against the much-touted U.S. "pivot to Asia," as well as a way for China to develop new investment opportunities, cultivate export markets, and boost Chinese incomes and domestic consumption. In this sense, Xi's aggressive approach is a shift away from his predecessors, who followed Deng's maxim: "hide your strength, bide your time." CFR's Elizabeth C. Economy writes, "Under Xi, China now actively seeks to shape international norms and institutions and forcefully asserts its presence on the global stage." Nayan Chanda, former editor of the Far Eastern Economic Review, calls the BRI "an overt expression of China's power ambitions in the 21st century," arguing that Beijing's goal is to remake the global geopolitical balance of power. Others frame it in less adversarial terms, saying the Chinese leadership simply hopes the BRI will improve China's image among its neighbors, and help to rejuvenate them economically. For some, the BRI is a Chinese response to a renewed U.S. focus on Asia, launched by the Obama administration in 2011. Many in Beijing read this as an effort to contain China by expanding U.S. economic ties in Southeast Asia. In a 2015 speech, retired Chinese General Qiao Liang described the BRI as "a hedge strategy against the eastward move of the US." At the same time, China was motivated to boost global economic links to its western regions, which historically have been neglected. Promoting economic development in the western province of Xinjiang, where separatist violence has been on the upswing, is a major priority, as is securing long-term energy supplies from Central Asia and the Middle East, especially via routes the U.S. military cannot disrupt. More broadly, **Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap. In this scenario, which has plagued close to 90 percent of middle-income countries since 1960, wages go up and quality of life improves as low-skilled manufacturing rises, but countries struggle to then shift to producing higher-value goods and services.** Zhang Yunling of the Chinese Academy of Social Sciences, a state-backed think tank, argues that **the BRI will offer new import and export options, creating new production chains that will spur the development of the Chinese economy.** What are the potential roadblocks ahead? While several developing countries in need of new roads, railways, ports, and other infrastructure have welcomed BRI investments, the initiative has also stoked opposition. For some countries that take on large amounts of debt to fund the necessary infrastructure, BRI money is seen as a potential poisoned chalice. BRI projects are built with low-interest loans as opposed to aid grants, explain CFR's Alyssa Ayres and Elizabeth C. Economy and Johns Hopkins's Daniel Markey. Some BRI investments have required the use of Chinese firms and their bidding processes have lacked transparency. As a result, contractors have inflated costs, leading to canceled projects and political pushback.

Economic growth is the main motive behind the BRI

KOSTECKA-TOMASZEWSKA 18 Luiza KOSTECKA-TOMASZEWSKA, PhD [Faculty of Economics and Management, University of Bialystok], 12-2018, "Economic security of China: the implications of the belt and road initiative," the 35th International Scientific Conference on Economic and Social Development: Sustainability from an Economic and Social Perspective 10.15290/oes.2018.04.94.14 //DF

Guaranteeing long-term economic security is a priority for the economic policy of any state. The effectiveness of any strategy of building economic security is largely dependent on recognising and optimising the utilisation of internal and external conditions. In 2018, China is celebrating the 40th anniversary of its reforms and opening-up which has led to the spectacular growth and impressive reduction of poverty. Over the past 40 years, the Chinese strategy of ensuring economic security has been successful. China has undergone tremendous changes from a centrallyplanned to market economy that have transformed an impoverished country into an economic power. Currently, the Chinese economy is an unattainable role model for many developing countries. However, we can observe that the economy of China is slowing down, because the sources which were the foundation of the growth are slowly losing their driving power. In order to ensure economic security in the long run and maintain a stable economic growth as well as avoid the middle income trap China has introduced the BRI. It should be stressed that **the main motive behind the Chinese Belt and Road initiative is to develop transport and energy infrastructure which will allow China to gain access to natural resources and new markets**. An efficient transport network will facilitate trade, while energy infrastructure will prevent problems with energy and resource supply, which the Chinese economy needs. The New Silk Road concept aims to use the advantages of the Chinese economy and the states participating in the initiative to stimulate its economic growth. Therefore, it is a strategy of providing long-term economic security.

UQ – CN Can't Fund BRI

Minxin **Pei**, 2-15-20**19**, Nikkei Asian Review, "Will China let Belt and Road die quietly?," https://asia.nikkei.com/Opinion/Will-China-let-Belt-and-Road-die-quietly

For starters, China's external environment has changed almost beyond recognition since Xi rolled out BRI in 2013. **At that time, China foreign exchange reserves were approaching $4 trillion.** It seemed a brilliant idea to use some of the foreign exchanges to invest in infrastructure. Coupled with the use of Chinese contractors and materials, BRI could also help solve China's problem of excess capacity in its steel, cement, and construction industries. But the world has changed in the last five years. **China's economic slowdown has triggered a capital flight, draining more than $1 trillion from its foreign exchange reserves. If we factor in the trade war's impact on Chinese balance of payments in the future, China will unlikely generate sufficient foreign exchange surpluses to finance BRI on the same scale.** The tariffs imposed by the U.S. and the uncertainty about U.S.-China commercial relations will significantly reduce Chinese exports to the U.S. and, to a lesser extent, other developed markets. Since China's trade surplus with the U.S. accounts for nearly all its overall current account surplus, a substantial fall in Chinese exports to the U.S. will result in a current-account deficit for China if it cannot offset the shortfall with increased exports to other markets (an impossible feat). China's deteriorating balance of payments will force Beijing to use it foreign exchange reserves mainly to defend its currency, the yuan, and maintain investors' confidence in China's macroeconomic stability. **As a result, Beijing will have to review its external commitments carefully. Grandiose projects conceived and launched when it was flush with foreign exchange will be reassessed. Some will have to be curtailed or even abandoned altogether.**

On the domestic front, Beijing faces a perfect storm of rising pension costs, slowing economic growth and dwindling tax revenues. The grim fiscal outlook was conveyed with unusual bluntness by the Chinese Minister of Finance at the annual finance conference at the end of December last year. Minister Liu Kun warned, "All levels of the government must lead by tightening their belts and do their utmost to reduce administrative expenses." **Shortly after the meeting, Shanghai, the richest city in China, ordered a 5% cut for most departments in 2019. This bout of austerity fever was precipitated by declining fiscal revenue growth and Beijing's decision to cut taxes to stimulate faltering growth. In 2018, the growth of fiscal revenues fell 1.2 percentage points compared with 2017. The fiscal outlook is expected to worsen this year due to tax cuts and slower growth. The biggest hole in Beijing's budget is spending on pensions for a rapidly aging population. The province of Heilongjiang had a net deficit of 23 billion yuan in its pension account as of 2016, and six other provinces, with a combined population of 236 million, were taking in less pension contributions than outlays in 2016. The pension picture for the entire country looks equally grim. According to the Ministry of Finance, the government had to contribute 1.2 trillion yuan in 2017 to fund the shortfalls in pension spending.** Some may argue that BRI would be safe from Beijing's budget cutters because it is Xi's top foreign policy priority. But harsh economic reality will present Chinese leaders increasingly unpalatable choices as various demands compete for limited resources. President Xi and his supporters may continue to back BRI. But they must also know that BRI has few domestic supporters and taking money away from Chinese pensioners to build a road to nowhere in a distant land will be a tough sell politically. **In what might be an early sign of newfound Chinese parsimony abroad, Beijing has granted cash-strapped Pakistan just $2.5 billion in new loans -- compared to the $6 billion Islamabad reportedly sought.**

The BRI has a $500 billion yearly funding gap, which China is turning to international investors to make up

Huifeng 18 He Huifeng, 4-15-2018, "Is China's belt and road infrastructure development plan about to run out of money?," CNBC, https://www.cnbc.com/2018/04/15/is-chinas-belt-and-road-infrastructure-plan-running-out-of-money.html //DF

China's ambitious plan to recreate the old Silk Road trading routes across Eurasia and **is facing a serious financing challenge**, according to the country's senior bankers and government researchers. Speaking on Thursday at a forum in Guangzhou, capital of southern China's Guangdong province, Li Ruogu, the former president of Export-Import Bank of China, said that most of the countries along the route of the "Belt and Road Initiative", as the plan is known, did not have the money to pay for the projects with which they were involved. Many were already heavily in debt and needed "sustainable finance" and private investment, he said, adding that the countries' average liability and debt ratios had reached 35 and 126 per cent, respectively, far above the globally recognized warning lines of 20 and 100 per cent. "It would be a tremendous task to raise funds for the countries' development," Li said. China's new central bank chief Yi Gang said on Thursday that **Beijing was keen to work with international organisations, commercial lenders, and financial centers like Hong Kong and London to diversify funding sources for the plan.** Wang Yiming, deputy head of the Development Research Centre of China's State Council, said at the forum that although many belt and road projects were funded by major financial institutions — including the Asian Infrastructure Investment Bank, New Development Bank, China Development Bank (CDB), the Export-Import Bank of China and the Silk Road Fund — there was still a huge funding gap of up to US$500 billion a year. The limited participation of private investors, narrow financing channels and low profitability levels were major problems, Wang said. "Countries involved in belt and road projects have low financial capabilities and high liability ratios" he said. "It is important to encourage financial innovation to raise funds to support the development of the belt and road."

He Huifeng, 18. [He Huifeng, . "Is China's belt and road infrastructure development plan about to run out of money?." CNBC. 4/15/18.] https://www.cnbc.com/2018/04/15/is-chinas-belt-and-road-infrastructure-plan-running-out-of-money.html

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Yasheng Huang, 19. [Yasheng Huang, . "Can the Belt and Road Become a Trap for China?." Project Syndicate. 5-22-2019.] https://www.project-syndicate.org/commentary/china-belt-road-initiative-trap-by-yasheng-huang-2019-05

This is an encouraging signal, as it shows that China has become more aware of the debt implications of BRI. A study by the Center for Global Development concluded that eight of the 63 countries participating in the BRI are at risk of "debt distress." Unsurprisingly, some BRI partner countries are now demanding to renegotiate terms, and typically after the projects have started. China may be forced to offer ever more favorable concessions in order to keep the projects on track. In mid-April, for example, Malaysia announced that a major BRI rail project, put on hold by the government after last year's election, would now go ahead "after renegotiation." According to media reports, the costs of construction were reduced by as much as one-third. Other BRI countries will probably also ask for debt forgiveness and write-offs, the costs of which will ultimately be borne by Chinese savers. The BRI's massive scale, coupled with the lack of profitability of China's state sector, means that projects under the scheme may need substantial support from Chinese banks. BRI investments would then inevitably compete for funds – and increasingly precious foreign-exchange resources – with China's domestic private sector, which is already facing a high tax burden and the strains of the trade war with the US. **Along with the debt piling up at BRI beneficiary countries, China, too, is facing constraints in investing in the projects. China's plan was to use at least $400 billion in funding from government-run banks, but the program has ballooned beyond infrastructure construction. "BRI lending by major [Chinese]banks has dropped by 89% since 2015, and lending by commercial banks — who are dealing with their own financial issues domestically — has ceased almost entirely,"** according to a report last August by The Jamestown Foundation. **"Policy banks have also scaled back, despite their status as arms of**

government policy." China's slowing economy means it may not have sufficient resources to invest in overseas projects, Zhao noted. On the other hand, BRI projects help use up China's excess capacity, and help divert attention from the slowing economy, she added. One concern Zhao raised is whether China "will lump projects that would have been going on anyway into the Belt and Road Initiative." She noted that by labeling projects as part of the BRI, it would be easier to get funding and government support.

Garcia-Herrero 17 Alicia García-Herrero [Senior Fellow at Bruegel and a non-resident research fellow at Real Instituto El Cano. She is also the Chief Economist for the Asia Pacific at NATIXIS. Alicia Garcia Herrero is currently adjunct professor at City University of Hong Kong and Hong Kong University of Science and Technology (HKUST) and visiting faculty at China-Europe International Business School (CEIBS)], 5-12-2017, "China cannot finance the Belt and Road alone," Breugel [Brussels-based economic think-tank], http://bruegel.org/2017/05/china-cannot-finance-the-belt-and-road-alone/ //DF

Chinese authorities have come up with their own estimates of the projects that will be financed. The numbers start at USD 1 trillion and go all the way to USD 5 trillion in only 5 years. In the same vein, the official list of countries does nothing but increase over time to more than 65 countries today. but there is a limit to how much China can finance Such a-priori was probably well taken when China was flooded with capital inflows and reserves had nearly reached USD 4 trillion and needed to be diversified. In the same vein, Chinese banks were then improving their asset quality if, anything, because the economy was booming and bank credit was growing at double digits. The situation today is very different. China's economy has slowed down and banks' balance sheets are saddled with doubtful loans, which keep on being refinanced and do not leave much room for the massive lending needed to finance the Belt and Road initiative. This is particularly important as Chinese banks have been the largest lenders so far (China Development Bank in particular with estimated figures hovering around USD 100 billion while Bank of China has already announced its commitment to lend USD 20 billion). Multilateral organizations geared towards this objective certainly do not have such a financial muscle. Even the Asian Infrastructure Investment Bank (AIIB), born for this purpose, has so far only invested USD 1.7 billion on Belt and Road projects. As if this were not enough, China has lost nearly USD 1 trillion in foreign reserves due massive capital outflows. Although USD 3 trillion of reserves could still look ample, the Chinese authorities seem to have set that level as a floor under which reserves should not fall so that confidence is restored (Chart 3). This obviously reduces the leeway for Belt and Road projects to be financed by China, at least in hard currency. Against this background, we review different financing option for Xi's Grand Plan and their implications. The first, and least likely, is for China to continue such huge projects unilaterally. This is particularly difficult if hard-currency financing is needed, for the reasons mentioned above. China could still opt for lending in RMB, at least partially, with the side-benefit of pushing RMB internationalization. However, even this is becoming more difficult. First, the use of the RMB as an international currency has been decreasing as a consequence of the stock market correction and currency devaluation in 2015 but still some of the Belt and Road projects could be financed in RMB in as far as the borrowing of a certain host country would be fully devoted to pay Chinese construction or energy companies (Chart 4). This quasi-barter system can solve the hard-currency constraint but poses its own risks to the overly stretched balance sheets of Chinese banks. In fact, their doubtful loans have done nothing but increase during the last few years, which is eating up the banks' room to lend further (Chart 5). A second option is for China to intermediate overseas financial resources for the Belt and Road projects. The most obvious way to do this, given the limited development of bond markets in Belt and Road countries as well as the still limited size of China's own offshore bond market is to borrow from international banks. Cross border bank lending has been a huge pool of financial resources, especially in the run up to the global financial crisis. Since then they have moderated but the stock of cross border lending still hovers above 15 USD, out of which, nearly half is lent by European banks. Out of the USD 15 trillion, about 20% is already being directed to Belt and Road economies, with European banks being again the largest players (Chart 7). Still, in order to finance the USD 5 trillion targeted in Xi's grand plan for the next five years, you would need to see growth rates of around 50% in cross-border lending. While such a surge in cross-border lending is not unheard of (in fact, it happened in the years prior to the global financial crises), the real bottleneck would be the rapid increase in China's external debt, which would go from the currently very comfortable level (12% of GDP) all the way to more than 50% if China were taken on the debt, or something in between if co-financed by Belt and Road countries. A mix of option 1 and 2 lies on the use of multilateral development banks to finance the Belt and Road projects. In fact, China is a major shareholder of its newly created multilateral banks (AIIB and New Development

Bank) but less so in existing ones (such as ADB, EBRD or the World Bank). This means that the financing burden can be shared (to a lesser or larger extent) with other creditors, while still keeping a tight grip on the construction of such infrastructure (at least in China-led new organizations). While apparently ideal, the problem with this option is that the available capital in these institutions is minimal compared to the financing needs previously discussed (Table 1). It seems that **China cannot rely on its banks alone** – no matter how massive – **to finance such a gigantic plan. The key source of co-finance would logically be Europe** at least as long as bank lending dominates, which will be the case for quite some time in the countries under the Belt and Road. In fact, **European banks are already the largest providers of cross border loans to these countries so it is only a question of accelerating that trend. Furthermore, the geographical vicinity between Europe and some of the Belt and Road countries could make the projects more appealing** (Chart 8 and Chart 9). In addition, the European Union has its own grand plan for the financing of infrastructure – among other sectors – namely the Juncker Plan, which could serve as a basis to identify joint projects of interest to both EU and China. In this vein, EU-China connectivity platform was launched by the European Commission in late 2015 exactly to identify projects of common interest for the Belt and Road and the EU connectivity initiatives, such as the Trans-European Transport network. All of this bodes well for Europe to become an active actor in China's Belt and Road initiative, not only to provide the financing but also to identify projects of common interest. It goes without saying that other lenders, beyond Europeans, are welcome to finance Belt and Road projects as the ensuing reduction in transportation costs and improved connectivity should be good for the world as a whole. However, Europe's particular advantage in this project should make it a leader on the financing front bringing the old continent closer to China.

No BRI without European participation — China needs the EU's money to expand and complete the project

Horia Curtin, 2017, A PIVOT TO EUROPE: CHINA'S BELT-AND-ROAD BALANCING ACT, http://ier.gov.ro/wp-content/uploads/publicatii/Final_Policy-Brief-5_Horia-Ciurtin-A-Pivot-to-Europe_web.pdf, Mr Horia Ciurtin is a legal adviser in the field of international investment law and international arbitration; Managing Editor of the EFILA Blog which appears under the auspices of the European Federation for Investment Law and Arbitration (Brussels). He is also an Expert for New Strategy Center (Bucharest), a prominent Romanian think-tank in the field of strategy and international relations. In 2017, he co-founded DAVA | Strategic Analysis, a think-tank providing indepth strategic, cultural and geo-economic analyses.

However impressive the sums might appear at a first glance, they fall short of the needed amount. The first stages of developing the Belt-and-Road require no less than $3 trillion (according to some accounts, even more). And this is a task that China – despite its constant growth and increasing economic power – cannot accomplish alone.36 It really needs co-interested parties. And that is where the European Union (with its unbearable economic force) comes into the spotlight: it is not supposed to be just a "passive" destination at the end of the road, but also a co-owner in this joint venture. Without European cash – from public and private sources – it is highly improbable that other actors could feasibly join China in funding the initiative. Russia, Iran, Turkey or Kazakhstan (or even Japan and India37) are in an entirely different economic league than what is needed for such a massive project. For a path to Europe to emerge, Europe itself is needed along the way. In reality, EU-based institutions already are the largest lenders in the region (see Figure 3 below). And Europe is highly interested in developing infrastructure and connectivity with its marginal areas…. However, as shown before, China cannot financially and logistically manage such an ambitious project on its own. And, this time, prominent regional actors such as Russia, Iran and Turkey (who are unable) or India and Japan (who are unwilling) cannot be counted upon to build the Belt and Road. The only possible – and the truly necessary – partner is the European Union. The path to Europe can open up only with Europe's support and financial participation

Derek Scissors. June 12, 2019 | Senate Committee on Finance Subcommittee on International Trade, Customs, and Global Competitiveness Testimony: The Belt and Road is overhyped, commercially. https://www.aei.org/publication/belt-and-road-overhyped-commercially/

Reserves are what make the BRI go. While China and others fuss over the yuan becoming a globally used currency, the share of the yuan in global transactions is about two percent, with most of those in Hong Kong. For global reserve holdings, the yuan is about as important as the Canadian dollar.7 BRI governments and local businesses want dollars or other hard currency from Beijing, hard currency which it increasingly cannot spare. **Unless the foreign exchange pattern of the past five years is flipped, the BRI as a global program will slowly starve to death.**

UQ – What is BRI

Chatzky and McBride 19 Andrew Chatzky and James McBride, 5-21-2019, "China's Massive Belt and Road Initiative," Council on Foreign Relations, https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative //DF

In 2013, Chinese President Xi Jinping announced the launch of both the Silk Road Economic Belt and the 21st Century Maritime Silk Road, infrastructure development and investment initiatives that would stretch from East Asia to Europe. The project, eventually termed **the Belt and Road Initiative** (BRI) but sometimes known as the New Silk Road, is **one of the most ambitious infrastructure projects ever conceived. It harkens back to the original Silk Road, which connected Europe to Asia centuries ago, enriching traders from the Atlantic to the Pacific.** Some analysts see the project as an unsettling extension of China's rising power, and as the costs of many of the proposed projects have skyrocketed, opposition has grown in some participant countries. Meanwhile, the United States shares the concern of some in Asia that the BRI could be a Trojan horse for China-led regional development, military expansion, and Beijing-controlled institutions. Under President Donald J. Trump, Washington has raised alarm over Beijing's actions even as it has abandoned some U.S. efforts to isolate China and deepen its own ties with economic partners in the region.

What are China's plans for its New Silk Road? President Xi announced the initiative during official visits to Kazakhstan and Indonesia in 2013. The plan was two-pronged: the overland Silk Road Economic Belt and the Maritime Silk Road. The two were collectively referred to first as the One Belt, One Road initiative but eventually became the Belt and Road Initiative. **Xi's vision included creating a vast network of railways, energy pipelines, highways, and streamlined border crossings**, both westward—through the mountainous former Soviet republics—and southward, to Pakistan, India, and the rest of Southeast Asia. Such a network would expand the international use of Chinese currency, the renminbi, while new infrastructure could "break the bottleneck in Asian connectivity," according to Xi. (The Asian Development Bank estimates that the region faces a yearly infrastructure financing shortfall of nearly $800 billion.) In addition to physical infrastructure, China plans to build fifty special economic zones, modeled after the Shenzhen Special Economic Zone, which China launched in 1980 during its economic reforms under leader Deng Xiaoping.

<u>Link – Trade</u>

The BRI will increase and stabilize Chinese trade, enabling it to transfer from an industrial to a services economy

KOSTECKA-TOMASZEWSKA 18 Luiza KOSTECKA-TOMASZEWSKA, PhD [Faculty of Economics and Management, University of Bialystok], 12-2018, "Economic security of China: the implications of the belt and road initiative," the 35th International Scientific Conference on Economic and Social Development: Sustainability from an Economic and Social Perspective 10.15290/oes.2018.04.94.14 //DF

<u>The main focus of the BRI is to facilitate economic connectivity and foster much closer economic integration across Asia and between Asia and Europe through infrastructure connectivity. The development of infrastructure is a key objective of the BRI and is largely a prerequisite for effective further cooperation and connectivity improvements.</u> Enhancing connectivity involves removing bottlenecks and providing missing links in existing transportation routes, building port facilities, and improving intermodal operation [Enright et al., 2016]. <u>China aims to develop not only transportation infrastructure (railways, expressways, tunnels, bridges, air routes and airports, land and sea ports, transshipment terminals, etc.) but also energy infrastructure (oil and natural gas pipelines, power plants, etc.) and telecommunication infrastructure throughout the B&R region to facilitate free movement of goods, raw materials, information and people between the partner countries</u> [Vision and Actions ..., 2015]. By connecting all of the belt-road economies together and creating an extensive network of infrastructure in which all roads lead to China, China will become a central part of the BRI. <u>Better developed infrastructure will facilitate trade exchange, improve access to foreign markets for the Chinese goods and ensure energy security through diversification of import sources.</u> Moreover, the development of land route of the Belt and Road project will help to reduce the dependence of the Chinese economy on maritime trade. It should be emphasized that the majority of exports as well as a considerable part of China's imports, including strategic resources such as oil and iron ore, are transported by ships. An estimated 85% of China's imports and between 70-85% of its energy supplies pass through several maritime chokepoints such as the Strait of Malacca in the South China Sea which is secured by the USA. China's overreliance on energy supplies by maritime transport routes, which are vulnerable to potential interdiction by foreign navies, is so-called the Malacca dilemma [European Parliament, 2016]. That is why, the energy and transport security is very important component of the BRI. China wants to secure transport routes and energy supplies by creating the Maritime Silk Road and building up new pipelines across the BRI countries. The Maritime Silk Road will enable to increase China's influence over shipping and port operations throughout the belt-road region. An alternative routes will facilitate trade, while energy infrastructure will prevent problems with energy and resource supply, which the Chinese economy needs. Moreover, as the world's trade power, China's main interest is to ensure markets for its goods and to reduce the costs of transporting goods. <u>**China seeks to access new markets in order to maintain stable growth during its transition from an exportdriven and investment-led economy to one more based on domestic consumption and services.**</u> <u>In order to enhance trade and investment opportunities, China aims to reduce trade and investment barriers, lower trade and investment costs, and promote regional economic integration</u> [Vision and Actions ..., 2015]. Consequently, better connections and trade facilitation and the resulting reductions in transaction costs are expected to increase international trade and foster economic growth of both China and the other countries along the routes. <u>China's foreign trade with countries along the New Silk Road has seen rapid growth in recent years. In 2017, the total imports and exports of China and the Belt and Road countries increased 13.4 percent year on year</u> to $1440.32 billion. China's trade with countries covered by the Belt and Road Initiative accounted for 36.2 percent of the country's total foreign trade. Moreover, in 2017 China's imports from those countries grew faster than exports for the first time [Big data shows ..., 2018].

Link – Overproduction

Chinas Overproduction of goods - like steel and cement - need a place to go; BRI gives access to those goods

CSIS, 2017, "How will the Belt and Road Initiative advance China's interests?," https://chinapower.csis.org/china-belt-and-road-initiative/ (NK)

The BRI has the potential to yield considerable economic and political gains for China. Many of these have been explicitly acknowledged in China's official policy communiques, such as the expansion of China's export markets, the promotion of the Renminbi (RMB) as an international currency, and the reduction of trade frictions like tariffs and transport costs. Developing and connecting hard infrastructure with neighboring countries will help reduce transport times and costs. Establishing soft infrastructure with partner countries will allow for a broader range of goods to be traded with fewer regulatory hurdles. Raising capital for these infrastructure projects by issuing bonds in RMB will encourage its use in international financial centers. China will also boost growth in its lower-income western provinces by building overland economic connectivity with Central Asia. Many of the potential benefits of BRI are less publicly articulated. For instance, some of China's SOEs – such as cement, steel, and construction companies – have built up significant capacity (expanding factories and hiring workers) **to serve the once booming domestic economy. As China's economy has slowed, these companies are struggling to find productive uses for their resources. Similarly, China has a large reserve of savings that is not being invested productively. Investing in large-scale overseas infrastructure projects enables China to export its excess savings and put its SOEs to work.**

Chinese overproduction bad for the economy

Wutke, 6-29-2017, "The Dark Side of China's Economic Rise," Global Policy Journal, https://onlinelibrary.wiley.com/doi/full/10.1111/1758-5899.12439 (NK)

The extremely low utilisation rates of industries characterised by overcapacity means that resources continue to be wasted. Chinese companies in these industries are forced to reduce their costs in order to maintain profit margins. Often, reducing costs is not enough. Companies may feel forced to cut corners, disregard environmental, health and safety standards and circumvent labour and social laws. In practical terms, overcapacity contributes to slower wage growth and may increase inequalities between provinces, with the low-income segment being hurt most. **As companies in industries characterised by overcapacity face low profit margins, they lack sufficient funds for R&D projects, which leads to less innovation.** Since they cannot move up their value chain, affected companies are forced to further increase capacity in the hope of increasing their overall competitive situation. This negative spiral is self-perpetuating as well as a major obstacle on the government's intended path to becoming both an innovative and sustainable economy.

How overproduction harms the Chinese economy

Shuaihua Wallace Cheng, 2015, "Overcapacity a time bomb for China's economy," South China Morning Post, https://www.scmp.com/comment/insight-opinion/article/1862024/overcapacity-time-bomb-chinas-economy (NK)

One major reason is industrial overcapacity. Overcapacity is not new in China, but in sectors such as iron and steel, glass, cement, aluminium, solar panel, and power generation equipment, **the overcapacity rate has recently surpassed 30 per cent, the threshold at which overproduction may trigger loan defaults by companies that have borrowed and then watched their profits fall**. Production has run rampant because of vicious competition between local governments. In order to achieve high GDP growth, local governments attract new manufacturing facilities by offering all kinds of financial subsidies such as tax holidays and rent-free use of government land. Further, local governments help firms to get cheap loans from state-owned banks. These favours unnaturally decrease production costs. Industrial overcapacity has become a time bomb that threatens the Chinese economy because it has led companies to take on debt to repay loans. **The combination of economic slowdown, excess production in manufacturing and rising debts at the macroeconomic level may cause a massive wave of firm closures and bad loans. If this bomb**

detonates, the repercussions could be extraordinary. Because China does not have the mature social safety net of a country like Japan, and also lacks the political stability of the United States, it could face not only an economic blow-up but also serious social and political upheaval. To avoid a crisis, President Xi Jinping and his policymakers must focus on reining in China's overcapacity problem. First, Xi should set up strict rules for local governments that regulate tax concessions, and ensure that all government subsidies to private firms are transparent

Frontlines

AT: Chinese Workers

1. China has promised to reform the BRI and hire more local workers

Daniel Fernandez 7/9/2019 5:35 PM
Comment [5]: Bad card

Goodman 19 Matthew P. Goodman [Senior Vice President; Simon Chair in Political Economy and Senior Adviser for Asian Economics], 4-24-2019, "China's Second Belt and Road Forum," Center for Strategic and International Studies, https://www.csis.org/analysis/chinas-second-belt-and-road-forum //DF

On April 25-27, President Xi Jinping will welcome leaders from 37 countries and delegates from over 150 countries at the second Belt and Road forum in Beijing. Chinese officials aim to use the gathering to help repair the Belt and Road Initiative's (BRI) brand—which scandals have tarnished since the first forum in May 2017—but promises for reform will require further monitoring and scrutiny. Q1: What is China's BRI? A1: China's BRI is Xi's signature foreign policy vision and consists of two main components: an overland Silk Road Economic Belt connecting China with Central Asia and beyond and an ocean-based 21st Century Maritime Silk Road to China's south. Announced in 2013 and enshrined in the Communist Party Constitution in 2017, it aims to put China at the center of global economic affairs through improving hard infrastructure, soft infrastructure, and even cultural ties. Although the BRI looks like a grand strategy on aspirational maps, on the ground, it has been shaped and skewed by a host of competing actors. There have been no criteria for what qualifies as a BRI project, allowing interest groups within and outside China to repackage their own efforts as supporting the initiative. Reflecting these dynamics, the BRI has grown since its announcement to include activities in the Arctic, cyberspace, and even outer space. Over 125 countries have signed BRI cooperation documents according to Chinese state media, but participation is no guarantee of benefits, which have ranged greatly. Given its ambiguity, the BRI's size and scope are often misinterpreted. Guesstimates for BRI-related spending have ranged as high as $8 trillion, but a closer look suggests that even China's promise to provide $1 trillion of infrastructure beyond its borders has not yet been met. The BRI is often compared to the Marshall Plan, through which the United States helped rebuild Western European economies after World War II. But unlike the Marshall Plan, the BRI has been open-ended, less centrally controlled, and focused primarily on developing economies, where governance is weaker and investment risks are higher. Q2: What does Xi hope to accomplish at the forum? A2: Scandals have damaged the BRI brand since the first forum in May 2017, and Xi will be aiming to repair it. Outside observers, as well as China's partners, have raised concerns about corruption, debt sustainability, environmental impacts, and local benefits, as well as questioning China's underlying strategic aims. High-profile projects in Sri Lanka, Malaysia, Montenegro, and elsewhere have undercut the BRI's promise to deliver "win-win" outcomes, appearing to benefit China at the expense of its partners. The forum provides an opportunity to demonstrate that China is adapting the BRI to address these concerns. One draft communique, for example, includes new language on debt sustainability and environmental concerns. Chinese officials are considering steps to improve project selection and assert greater control of the BRI, including adopting criteria for BRI projects. Beijing also wants to attract more partners to finance BRI projects, helping it share the burden for backing projects and the reputational risk when things go wrong. Chinese officials can also point to the BRI's expanding roster, particularly recent additions in Europe. Recent symbolic victories include Italy signing an MOU and Greece joining China's regional grouping for Central and Eastern Europe. Switzerland has announced that it will sign an MOU as well. But Europe's three largest economies— the UK, Germany, and France—have resisted pressure to join, and there are indications that the EU is preparing to mount a stronger response to Chinese investments within the EU and its backyard. Q3: Is this a new phase for the BRI? A3: China's promises for a revamped BRI will require further monitoring and scrutiny. Real changes will not be easy because they involve costs for China. **Ensuring that projects deliver more local benefits, by hiring more local workers, for example, means hiring fewer Chinese workers.** Bringing in more outside partners could mean less control over project specifics. Increasing transparency will make it harder to favor certain firms and funnel money to friends in high places. While it is encouraging that Chinese officials are talking more openly about prioritizing debt sustainability and environmental sustainability, real change will require more than signing symbolic documents. These promises are politically expedient but will remain empty without greater transparency and enforcement.