# NC – Reform

We negate

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

## Our Sole Contention is Reforming the Initiative.

Currently, the BRI is riddled with problems that have rendered it ineffective. **Hillman** explains in **2019** that a lack of oversight and transparency in the BRI has bred corruption. Chinese firms have bribed local officials in recipient countries to green light more and bigger projects without regard to financial viability. Because of this, more than half of BRI projects are expected to provide little value. Even more, **Chin** explains in **2018** that Chinese contractors have colluded with countries to embezzle BRI funds by grossly overpricing projects. Moreover, **Chandran** explains in **2019** that Chinese state-owned entities offer loans to build projects, but this is causing several countries to take on overwhelming debt loads, which is why 23 BRI countries are facing high debt distress. **Akpaninyie** explains in **2018** that these countries get trapped in debt servitude and China demands steep concessions as part of debt relief. On top of that, **Tan** finds in **2019** that China’s lending to other countries is often shrouded in secrecy resulting in “hidden debt”. **Watts** quantifies in **2019** that about half of China’s overseas loans are “hidden”. **Tan** reports for CNBC in **2019** that one example is how Chinese loans to Venezuela were denominated in barrels of oil. He furthers that this has the effect of masking the exact amount of payments that China made to Venezuelan officials and that Venezuelans are expected to make to China in the future.

Fortunately, this trend is shifting. **Kastner** highlights in **2019** that the next phase of the BRI looks set to bring the initiative in line with international standards as Beijing appears to understand that the darkening outlook for emerging markets and international backlash means that reforms are urgently needed.

However, affirming would strip away China’s incentive to reform for 2 reasons.

First, is by satisfying China’s need for legitimacy.

Currently, the BRI is facing a legitimacy crisis. **Balding** finds in **2018** that China is facing backlash to the BRI at home and abroad. Many Chinese complain of wasteful spending and China faces backlash internationally as countries grow wary of Beijing’s influence. Critically, **Li** reports that such backlash has forced Xi to stop the building of or terminate some BRI projects all together.

Crucially, **Bespalov** writes in **2019** that support of Western governments, specifically France and Germany, is crucial and can change the situation. Because of this, **Ciurtin** of the European Institute for Romania finds in **2017** that the EU is in the position to exercise its leverage and make strong demands from China to reform the BRI. This leverage has already been used to force reform. **Khanna** of Politico finds in **2019** that Europe has successfully wrestled concessions from China on cutting industrial subsidies and forced technology transfer.

If the EU were to join the BRI, it would ease pressure on China to reform. **Van Loon & Smith** find in **2019** that endorsing the BRI lends legitimacy to China’s predatory investments finding empirically that Italy’s decision to join the initiative could have eased pressure on Beijing to reform.

Second, is by canceling the EU Connectivity Plan.

**Elmer** of the South China Morning Post reports in **2019** that the European Union has released a strategy for connecting Europe and Asia with the promise to redouble its efforts to build infrastructure across a region in which China is already very active. The EU’s Plan is more sustainable than the BRI and their focus on environmental assessments and sustainable financing makes the European approach to infrastructure very attractive. Because of this, countries are increasingly turning to the EU for their infrastructure needs.

Crucially, the EU Plan will force China to reform the BRI. **Cameron** of the Diplomat explains in **2018** that because the EU was well aware that peer pressure would not force China to reconsider their strategy, the EU had to put forth their own comprehensive response that would provide an alternative offer to countries. **Emmott** of Reuters continues in **2018** that the EU plan is a response to the BRI that the EU believes they can use to steer Chinese policy into abiding by certain standards. Moreover, reforms have already begun to take place. **Herrero & Xu** of Bruegel find in **2019** that the EU Plan has caused China to make a number of strategic changes such as easing their own control and offering more opportunities for countries to get involved.

However, affirming will reverse this trend. If the EU were to join the BRI it would have no need to build its own infrastructure plan to compete against China.

The impact is creating a BRI that benefits everyone.

**The World Bank** finds in **2019** that the BRI has the potential to reduce poverty for dozens of developing countries. However, **THIS MUST BE ACCOMPANIED BY POLICY REFORMS** that increase transparency, improve debt sustainability, and mitigate environmental and corruption risks. If these reforms are made, the study concludes that 32 million people could be lifted out of poverty and global trade could be boosted up to 6.2%.

Thus, we negate.

# CARDS

## Case

### Intro

#### Hillman ‘19

Jonathan Hillman, 20 June 2019, Axios, <https://www.axios.com/without-reforms-chinas-belt-and-road-projects-could-fall-short-23c1eee7-be8a-4e30-b57b-fc494578560c.html>

Yes, but: Building infrastructure does not automatically create value, the study warns. Success depends on picking the right projects and delivering them effectively, otherwise they destroy more value than they create. While Chinese officials sell the BRI as “win-win,” some partner countries, like Mongolia and Tajikistan, could lose out as the costs of infrastructure exceed the gains. They also face particularly [high risks](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.cgdev.org_sites_default_files_examining-2Ddebt-2Dimplications-2Dbelt-2Dand-2Droad-2Dinitiative-2Dpolicy-2Dperspective.pdf&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=YTJD2vziajArXa_NqHNh3ILxYRgBWhWSR8kQJjIi2ic&e=) of default from BRI–related financing. About half of BRI transportation projects are expected to provide little value, according to another recent World Bank [study](https://urldefense.proofpoint.com/v2/url?u=http-3A__documents.worldbank.org_curated_en_333001554988427234_pdf_Assessing-2Dthe-2DValue-2Dof-2DMarket-2DAccess-2Dfrom-2DBelt-2Dand-2DRoad-2DProjects.pdf&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=Q-JfNtr5ZCLwRuPo6XViSEUzphaBXOQEv3ov6XKA_Zs&e=). Where it stands: China likes the BRI just the way it is. Part of the problem is that its state-owned enterprises are eager to build regardless of economic viability; having poured [more concrete](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.washingtonpost.com_news_wonk_wp_2015_03_24_how-2Dchina-2Dused-2Dmore-2Dcement-2Din-2D3-2Dyears-2Dthan-2Dthe-2Du-2Ds-2Ddid-2Din-2Dthe-2Dentire-2D20th-2Dcentury_-3Futm-5Fterm-3D.c781cfc70db5&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=pc5QRhpUMSTtqr7prp_B0V7yia0C1j_6DEaPE2HixGs&e=) between 2011 and 2013 than the United States used during the entire 20th century, they have run out of things to build at home. In the absence of transparency and effective oversight, these firms can bribe local officials in recipient countries to greenlight more and bigger projects.

#### Chin ’18

Stephen Chin, 10 October 2018, The ASEAN Post, <https://theaseanpost.com/article/bri-corruption-magnet>

China’s Belt and Road Initiative (BRI) was intended to empower developing countries with improved infrastructure and trade relations. In the five years since it was mooted, the BRI is now being demonised as a debt-trap that ensnares poor nations into subservience to China. Another unintended consequence is its alleged connection to corruption. Infrastructure projects are notoriously vulnerable to corruption, featuring inflated costs and kickbacks. According to Will Doig in his book, High-Speed Empire, local politicians often have opportunistic motivations to approve BRI projects. They can claim credit for bringing development to their constituents while getting kickbacks for themselves. Interestingly, a large number of BRI-linked countries rank high on the global corruption perception index. This increases the likelihood of corruption when massive funds come to town. In Kyrgyzstan, government officials there were accused of colluding with Chinese contractors to embezzle BRI funds by grossly overpricing project costs. Two former prime ministers were arrested on corruption charges. Allegations of corruption in BRI-related projects have even caused the downfall of several governments. Sri Lanka’s President Mahinda Rajapaksa was ousted in 2015 elections. Malaysia’s decades-long rule by the National Front coalition was ended this year. Likewise, the incumbent party lost in Pakistan’s elections. Most recently, Maldives’ authoritarian President Abdulla Yameen lost in the country’s presidential election.

#### Kastner ’19

Jen Kastner, 14 January 2019, Cheung Kong Graduate School of Business, <http://knowledge.ckgsb.edu.cn/2019/01/14/belt-and-road-initiative/belt-and-road-initiative-changing-rapidly/>

The next phase looks set to bring BRI further in line with international standards. This could lead to fundamental changes in the way the initiative operates. Beijing appears to understand that the darkening outlook for emerging markets means that reforms are urgently needed. “Current international conditions are very uncertain, with lots of economic risks and large uctuations in interest rates in newly emerged markets,” said Hu Xiaolian, head of the Export- Import Bank of China, one of China’s two state policy banks, in July. “Our enterprises and Belt and Road Initiative countries will face financing difculties.” In August, Beijing issued policy papers to SOEs involved in BRI projects covering best practices in due diligence, project feasibility and ongoing operations. According to Deloitte, Chinese firms involved in BRI are looking to reduce their interest and exchange risks and financing interest associated with long-term loans. This is leading to greater involvement for Western banks and financing companies and a more balanced portfolio of funding. Most tellingly, several major Chinese institutions are stepping up cooperation with multilateral lenders. In April, Beijing set up the new China-IMF Capacity Development Centre (CICDC), which has the aim of developing the capacity to address implementation challenges on issues arising from BRI. “IMF is the acknowledged leader on dealing with balance of payment crises,” said Henry Chan, an adjunct research fellow at the East Asia Institute in Singapore, in August. “The new economic realities mean that China must accelerate the learning process.” The two Chinese policy banks, Ex-Im Bank and the China Development Bank, are also discussing cooperation with the European Bank for Reconstruction and Development (EBRD) with a view to co-lending with it. If the two sides agree a deal, it would be a watershed moment, as the EBRD would likely insist that co-funded BRI projects adhere to international standards, including the opening of bidding processes to non-Chinese contractors. Using a Chinese company to carry out projects has usually been a precondition for Chinese loans. Research by the Center for Strategic and International Studies (CSIS) found that 89% of BRI projects used a Chinese contractor. “EBRD has a long experience of nancing projects, and a strong geographical knowledge of the market it covers, and both of these are clearly desirable for Ex-Im and CDB, who wish to learn about them,” says Agatha Kratz, Associate Director at the Rhodium Group, whose research focuses on Chinese outward investment and infrastructure diplomacy. As China focuses more on sustainability and implementation, this opens up more opportunities for global companies to get involved by using their expertise to help Chinese contractors navigate headwinds. ABB, a Switzerland-based conglomerate, helped 400 Chinese rms resolve inter- country differences in design and industrial standards in 2016 alone. Gauff, a German engineering rm, is working closely with Chinese SOEs on several major African projects, including the Maputo-Katembe Bridge in Mozambique, which will be the longest suspension bridge in Africa when completed. General Electric has also received orders worth billions of dollars through BRI projects and is bidding for $7 billion worth of new business over the next year or so, according to Deloitte. The key question, according to Kratz of the Rhodium Group, is whether China will be willing to nance major infrastructure projects without insisting that Chinese companies deliver at least part of them. “That means making sure Chinese banks’ participation really comes with no strings attached,” says Kratz.

#### Chandran ‘19

Nyshka Chandran. Jan 18 2019. https://www.cnbc.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html

Under the trillion-dollar endeavor, Chinese state-owned entities flush with cash [offer participating countries cheap loans and credit](https://www.cnbc.com/2018/09/18/countries-need-to-invest-well-to-avoid-debt-burdens-says-china-led-bank.html) to build large-scale projects such as ports and railways. These arrangements are usually negotiated government-to-government with below-market interest rates but many nations are growing wary over their debt loads. Sierra Leone, one of Africa’s poorest countries, also scrapped plans to build a $318-million airport with a Chinese company last year while Malaysian Prime Minister Mahathir Mohamed has [suspended $22 billion worth of Chinese-backed projects](https://www.cnbc.com/2018/08/17/malaysia-prime-minister-mahathir-mohamad-heads-to-beijing.html). Shock waves rippled throughout the developing world when Colombo handed over a strategic port to Beijing in 2017, [after it couldn’t pay off its debt to Chinese companies](https://www.cnbc.com/2017/12/13/india-and-china-rivals-compete-for-control-of-empty-sri-lanka-airport.html). It was seen as an example of how countries that owe money to Beijing could be forced to sign over national territory or make steep economic concessions if they can’t meet liabilities. The phenomenon has been dubbed debt-trap diplomacy, which Chinese President [Xi Jinping’s](https://www.cnbc.com/xi-jinping/) government has denied engaging in. The worries among BRI countries aren’t surprising given the numerous warnings of sovereign debt risks — the Center for Global Development last year said [23 countries faced high risks of debt distress](https://www.cnbc.com/2018/03/05/chinas-belt-and-road-initiative-raises-debt-risks-in-8-nations.html).His comments come as criticism mounts on China’s globe-spanning infrastructure program known as the [Belt and Road Initiative](https://www.cnbc.com/2018/09/07/us-proposal-aims-to-be-alternative-to-china-investment-in-asia.html). One of the biggest complaints about the project is [its reliance on Chinese workers](https://www.cnbc.com/2018/09/14/china-must-do-more-to-tap-locals-in-belt-and-road-initiative-panel.html) and unsustainable loans which many participating nations may not be able to afford in the long term. If emerging economies can’t generate enough cash to pay the interest on China’s loans, Beijing may seek economic or political concessions as compensation [as was the case with Sri Lanka](https://www.cnbc.com/2017/12/13/india-and-china-rivals-compete-for-control-of-empty-sri-lanka-airport.html). The phenomenon has been dubbed [debt-trap diplomacy](https://www.cnbc.com/2017/12/22/one-belt-one-road-china-loans-are-debt-bondage-says-brahma-chellaney.html), which Chinese President [Xi Jinping’s](https://www.cnbc.com/xi-jinping/)administration has denied engaging in.

#### Akpaninyie ‘19

March 12 2019. https://thediplomat.com/2019/03/chinas-debt-diplomacy-is-a-misnomer-call-it-crony-diplomacy/

Some small countries “take on loans like it’s a drug addiction and then get trapped in debt servitude,” [opined](https://www.nytimes.com/2017/09/13/magazine/what-the-worlds-emptiest-international-airport-says-about-chinas-influence.html) the influential Indian strategist Brahma Chellaney. “It’s clearly part of China’s geostrategic vision.” Through debt diplomacy, China exerts bilateral influence by bankrupting partner nations with unsustainable debt and then demanding steep concessions as part of the debt relief – or so the thinking goes.

#### Tan ‘19

Tan, Weizhen. Jun 11 2019. “China’s loans to other countries are causing ‘hidden’ debt. That may be a problem. CNBC. https://www.cnbc.com/2019/06/12/chinas-loans-causing-hidden-debt-risk-to-economies.html

One example of those opaque loans is how Chinese loans to Venezuela were denominated in barrels of oil, according to a speech last year from David Malpass, the current president of the World Bank who was then the U.S. Treasury Undersecretary for International Affairs. “This has the effect of masking the exact amount of payments that China made to Venezuelan officials and that Venezuelans are expected to make to China in the future,” he said. “If you ask China for its terms you will not find them,” he said in that speech. Both the IMF and World Bank have called for more transparency on those loan amounts and terms in their annual Spring Meetings in April this year.

### 1 – Legitimacy

#### Bohman ‘17

June 18 2017. https://nationalinterest.org/feature/why-america-must-participate-chinas-belt-road-initiative-21206

Against this background, it becomes imperative that Western governments consider attending events such as last month’s forum. The meeting cemented the general direction of many large projects and might have been the last chance to join the inner circle of participants. It was an important opportunity for observation and could have been a starting point for Western efforts to steer the initiative toward economic development rather than Chinese geopolitical dominance. At the same time, idly participating in BRI-related events and mechanisms will change little and may even help China legitimize some of its dubious projects. Like-minded governments should therefore join hands and make clear that their support for the BRI will come only in exchange for a high level of transparency and the implementation of fair, collective decision-making processes. Chinese strategists may be reluctant to accept, but dominant voices in China often prioritize economic success over geostrategic expansion. If successful, these efforts would ensure that the BRI becomes the peaceful economic project that China portrays it to be, rather than a covert geopolitical tool

#### Li ‘19

Li, Dandan. July 18 2019. “China’s built a railroad to nowhere in Kenya.” Bloomberg. https://www.bloomberg.com/news/features/2019-07-19/china-s-belt-and-road-leaves-kenya-with-a-railroad-to-nowhere

Construction of what was intended to be a flagship infrastructure project for Eastern Africa was halted earlier this year after China withheld some $4.9 billion in funding needed to allow the line’s completion. Beijing’s sudden financial reticence appeared to catch the governments of Kenya and Uganda off guard: Both may now be forced to reinstate a colonial-era line in a bid to patch the link and boost regional trade. The reason for China’s attack of cold feet may lie in the project’s high profile. Chinese state media repeatedly used the Mombasa-Nairobi Standard Gauge Railway (SGR) project as a showcase for President Xi Jinping’s Belt and Road Initiative. But with concerns rising globally that Belt and Road was loading poorer nations with unsustainable debt, Xi signaled in April that Beijing would exert more control over projects and tighten oversight. The Chinese “are adopting a more cautious approach to their debt exposure in Africa,” said Piers Dawson, a consultant at London-based investment consultancy Africa Matters Ltd. He cites “increased noise around its sustainability and potential default.”

#### Ciurtin ’17

Horia Ciurtin, December 2017, European Institute of Romania, “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>

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. For this reason, the EU is in the position to exercise its considerable leverage and make limited (but strong) demands on China, before getting to the actual build-up.

#### Bespalov ’19

Anton Bespalov, 7 January 2019, Valdai Discussion Club, <http://valdaiclub.com/a/highlights/global-china-neighbours-fears/>

France and Germany are entirely different: if they decide to join the Belt and Road, it will drastically change the situation. “China’s official argument for the BRI is to promote global economic and social connectivity, he writes. The BRI “would help maintain the importance of multilateral institutions in the world, especially the UN and the WTO, thereby reducing international conflict. France and Germany are more or less on the same page with China on this and their support is crucial. On the other hand, the real success of the BRI depends on a sustained flow of international investment. Italy cannot deliver either of these. China alone cannot ensure that this project works in the long run. The BRI is doomed to failure if it cannot leverage third party financing, or stimulate a multinational joint-venture in investment projects, especially huge infrastructure projects.”

#### Khanna ’19

Parag Khanna, 30 April 2019, Politico, <https://www.politico.com/magazine/story/2019/04/30/washington-is-dismissing-chinas-belt-and-road-thats-a-huge-strategic-mistake-226759>

Europe is showing how to engage with China while competing with it at the same time. It is precisely because Europeans have so much to gain from BRI that they successfully wrested concessions from China on cutting industrial subsidies and forced technology transfer before signing the final communique at the April 9 EU-China Summit in Brussels with Chinese Premier Li Keqiang. And as Europe pursues free-trade agreements with Japan, the Association of Southeast Nations and India, BRI will give European countries better access to Asia’s other wealthy markets as well. Each year, eastbound trains to Asia are catching up to westbound trains from China in volume. The more connected Europe becomes to Asia, the more it can compete commercially and diplomatically to dilute Chinese influence across the region.

#### Van Loon & Smith ’19

Fabio Van Loon, Jeff Smith, The Heritage Foundation, 30 May 2019, <https://www.heritage.org/asia/commentary/xi-goes-rome-course-correction-chinas-belt-and-road-initiative>

Lastly, the MoU was controversial in an international context — so much so that the U.S. National Security Council issued an unusual tweet [warning](https://twitter.com/whnsc/status/1104402719568203776?lang=en): “Endorsing BRI lends legitimacy to China’s predatory approach to investment and will bring no benefits to the Italian people.” The concern was well-founded: shortly following Italy’s decision, Switzerland signed an MoU to cooperate with China in third countries participating in the BRI and New Zealand signaled a potential softening of its opposition to the initiative. Arguably more problematic is the prospect that Italy’s decision could ease the pressure on Beijing to reform the initiative. From Sri Lanka to the Maldives, and from Australia to Kenya, critics have been raising legitimate concerns about the BRI’s lack of transparency, accountability, high standards, and fiscal sustainability. There are signs Beijing had begun to internalize this pushback, and perhaps even adapt the BRI in response to these criticisms. If the Chinese government believes it has successfully assuaged these concerns, however, it could weaken the motivation to implement more meaningful reforms.

### 2 – Connectivity Plan

#### Elmer ’19

Keegan Elmer, 27 April 2019, South China Morning Post, <https://www.scmp.com/news/china/diplomacy/article/3007878/eus-connectivity-plan-more-sustainable-beijings-belt-and-road>

The EU’s strategy for connecting Europe and Asia is greener and more sustainable than China’s “ [Belt and Road Initiative](https://multimedia.scmp.com/news/china/article/3007692/belt-and-road/)”, but there remains scope for the two sides to work together, a senior European official said on Friday. Speaking in an interview on the sidelines of the second Belt and Road Forum in Beijing, European Commission Vice-President Maros Sefcovic said the European Union would be happy to increase its cooperation with Beijing as long as it could improve the transparency of its grand plan for boosting trade and infrastructure. “For us, connectivity is a little bit wider than the concept covered by the belt and road,” he said of the EU’s global development ambitions. “We [The EU] focus[es] on sustainable financing, avoid debt traps and always do our due diligence. We are also very careful about environmental assessments and the impact {of projects} on the public. This is something that makes the European approach to infrastructure very attractive.” The EU released its connectivity plan for Asia last year, with the promise to redouble its efforts to build transport, digital and energy infrastructure across a region in which China is already very active. Sefcovic, who said in a recent article that countries were [are] increasingly turning to the EU for their connectivity needs, was the first senior official to meet Chinese Premier Li Keqiang when the forum opened on Thursday. He said he told Li that Europe was happy to boost trade with China – currently worth about €1.6 billion (US$1.78 billion) a day – and cooperation on the belt and road, as long as Beijing dealt with the concerns of European businesses. At the EU-China Summit in Brussels last month, several member states [threatened to walk away](https://www.scmp.com/news/china/diplomacy/article/3005470/joint-statement-threat-eu-diplomats-nearly-walked-out-talks) from the talks as a result of Beijing’s failure to follow through on its promises for market reforms. It was only at the last minute that a [joint statement](https://www.scmp.com/news/china/diplomacy/article/3005604/hopes-high-eu-china-joint-statement-opening-more-just-words) – in which the two sides agreed to create a mechanism for monitoring each other’s pledges regarding the opening up of their markets – was drafted and approved. “Our trade relationship has become so important that it forces the EU to have a very close look at the current and future relationship with China,” Sefcovic said. “Therefore we spent quite a lot of time discussing our relationship, which was reflected in our new China strategy.”

#### Cameron ’18

Fraser Cameron, 19 September 2018, The Diplomat, <https://thediplomat.com/2018/09/europes-answer-to-chinas-belt-and-road/>

Today’s [The] adoption by the European Commission of a new “Connectivity Strategy” linking Europe and Asia throws down the gauntlet to an increasingly assertive China. The new strategy, released on September 19, will offer a different approach to that taken by Beijing with its flagship Belt and Road Initiative (BRI). The EU emphasis is on sustainability, proposing that investments should respect labor rights, not create political or financial dependencies, and guarantee a level playing field for businesses. Given the rapidity of China’s economic development in the past 30 years, it has taken the EU some time to acknowledge the growing power and influence of Beijing. Not only has China become a trading giant, it sits on the world’s largest currency reserves and is an increasingly important provider of foreign investment, including in Europe. Recently, however, a number of developments have generated a sense of caution among European politicians and policymakers. China’s refusal to tackle the dominant position of its state-owned enterprises led the EU to refuse to grant China market economy status. Beijing’s targeting of European technology has also led to plans for screening of Chinese investments in Europe. But it was the massive infrastructure investments under BRI that raised the most concerns in Brussels, as well as Washington, New Delhi, and other capitals, about the implications of China’s approach. This spring, EU ambassadors in China penned a report critical of the BRI for being economically, environmentally, socially, and financially unsustainable. The report also criticized China for discriminating against foreign businesses, the lack of transparent bidding processes, and the limited market access for European businesses in China. China’s involvement in the EU and its neighborhood also rang warning bells. In 2014, Montenegro concluded an agreement with China Exim Bank on the financing for 85 percent of a highway construction project, with the estimated cost close to 25 percent of the country’s GDP. The IMF has repeatedly stated that construction should only continue on the basis of concessional funds. Many believe that a debt default is likely, which may result in the involuntary handover of critical infrastructure to China. There is already worrying precedent in that regard. Sri Lanka has been unable to repay Chinese loans for the construction of the Hambantota port. As a result, the port and surrounding acres of land, strategically located at the crossroads of the Indian Ocean, the Bay of Bengal and the Arabian Sea, will now be under Chinese control until the year 2116. Likewise, China’s entire or partial acquisition of ports in Belgium, the Netherlands, Spain, Italy, and most notably Greece, has not gone unnoticed. Without serious hindrance, China is buying up critical infrastructure in Europe, whereas European foreign direct investment in China is decreasing. China has already reaped some political benefit from these investments, with some EU member states blocking resolutions critical of human rights in China or condemning Beijing’s conduct in the South China Sea. Similarly, European officials have also questioned the environmental and economic sustainability of various Chinese connectivity projects. The planned construction of six coal-based power plants in Pakistan, whose joint output capacity equals 27 percent of the country’s current capacity, has been criticized as environmentally unsustainable. These examples have increased EU concerns as China has expanded its influence in Asia, Central Asia, and Europe. This influence is not only about money and politics. It also extends to technical standards and distorting trade flows. But the EU was well aware that mere peer pressure would not drive China to reconsider its strategy. To secure its own political and economic interests, the EU had to put forward an ambitious and comprehensive response, which was to strengthen its own links with the host countries and to present them with a credible and sustainable alternative offer for connectivity financing. The new strategy will give Asian and European states a much clearer idea on the basis of which the EU wishes to engage with them, and what they can expect.

#### Emmott ’18

Robin Emmott, Reuters, 19 September 2018, <https://www.reuters.com/article/us-eu-asia/eu-unveils-asia-infrastructure-plan-denies-rivalry-with-china-idUSKCN1LZ1XF>

Jan Weidenfeld, an expert on Europe-China relations at the Mercator Institute for Chinese Studies (MERICS) in Berlin, said the EU plan was “very much a response to Belt and Road.” “The main message is that when you’re creating large-scale infrastructure projects, you need to abide by certain norms or standards, whether they be environmental or financial. The EU sees a window of opportunity to steer Chinese policies here,” Weidenfeld said.

#### Herrero & Xu ’19

Alicia García-Herrero & Jianwei Xu, February 2019, “Countries’ perceptions of China’s Belt and Road Initiative: A big data analysis”, Bruegel Working Paper. <https://bruegel.org/wp-content/uploads/2019/02/WP-2019-01final.pdf>

The fact that the BRI is backfiring is not only demonstrated in its worsening image globally, but also by the announcement of alternative proposals both by the US, through the Indo-Pacific Strategy with Australia, India and Japan, and the European Union, in the form of its EU-Asia Connectivity Plan. The US confronts mainly the geopolitical aspects of the BRI, as it focuses on the political and military coordination among states in the Indo-Pacific region through the Quadrilateral Security Dialogue (QUAD). The European Union’s response, on the other hand, is clearly narrower, focusing on the economics behind the BRI, in particular on physical connectivity. Beyond the Indo-Pacific Strategy, the US-led trade war could also be seen as an economic response to China’s rise, not only domestically, but also in other countries through BRI. Although the response seems painful for China, it is not a completely disastrous as it provides an opportunity for the big country to learn how to acquire international soft power. In fact, such backlash offers China an opportunity to shift from its earlier BRI strategy to a more sustainable one. China seems to be realising that creating confrontation with the US might not be a winning strategy in spite of the economic benefits. Given the diminishing returns on investment, China needs to expand in the overseas markets. Against this backdrop, the next step for China’s Belt and Road is definitely to take a more flexible and open pathway to building its soft-power image. To that end, China has recently made a number of strategic changes regarding the BRI, which have probably remained unnoticed given the much more low-key approach. First, China has sharply increased the number of countries signing memorandums of understanding (MOUs) from the original 63 to 126. The key is to make the Belt and Road less targeted to ease the West’s geopolitical concerns about this project. Second, China is trying to use a more multilateral framework to push the BRI, i.e. the Asian Infrastructure Investment Bank (AIIB). Such multilateral framework retains Chinese characteristics, allowing China to keep ultimate control of key projects, but at the same time offers room for other developed countries to get involved, especially the European countries and Korea. In other words, China is willing to make compromises and share benefits with other countries, but it ultimately strives to preserve the BRI’s non-Western model.

### Impacts

#### World Bank ’19

18 June 2019, 18 June 2019, <https://www.worldbank.org/en/news/press-release/2019/06/18/success-of-chinas-belt-road-initiative-depends-on-deep-policy-reforms-study-finds>

China’s Belt and Road Initiative (BRI) could speed up economic development and reduce poverty for dozens of developing countries—but it must be accompanied by deep policy reforms that increase transparency, improve debt sustainability, and mitigate environmental, social, and corruption risks, a new World Bank Group study on the BRI transportation corridors has found.

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.

## Frontlines

#### Emmott ’18

Robin Emmott, Reuters, 19 September 2018, <https://www.reuters.com/article/us-eu-asia/eu-unveils-asia-infrastructure-plan-denies-rivalry-with-china-idUSKCN1LZ1XF>

The plan, which would be backed by additional funds from the EU’s common budget from 2021, private sector loans and development banks, amounts to a strategic response to China’s largesse in much of central Asia and south-eastern Europe, where Beijing has invested billions of dollars. The 13-page strategy outlined by the EU executive did not specify how much the bloc would spend, but the Commission is relying on a proposed 60 billion euro ($70 billion) fund that would act as an insurance for investors if projects fail. That fund could raise more than 300 billion euros between 2021 and 2027 by attracting investors into projects by offering a guarantee to cover the costs if a project fails. Although not all money would be spent in Asia, the Commission’s strategy, once agreed by EU governments, would make spending on infrastructure links with Asia official EU policy.

#### Smith ’19

Jeff Smith, 26 April 2019, The Heritage Foundation, <https://www.heritage.org/asia/commentary/the-end-belt-and-road-or-just-the-beginning>

Leaders from [Australia](https://www.scmp.com/news/asia/australasia/article/2171901/australian-prime-minister-rebukes-state-government-broke-ranks) and several [European countries](https://thediplomat.com/2018/04/eu-ambassadors-condemn-chinas-belt-and-road-initiative/) soon began voicing their own concerns—about the lack of transparency, accountability, and financial sustainability, while highlighting the risks of corruption and debt traps. Rumblings of discontent then spread to the developing world. Sri Lanka, the Maldives, Malaysia, Burma, Indonesia, Pakistan, and several African countries began scrutinizing, amending, or canceling BRI deals. Meanwhile, the U.S., India, and some European countries had official endorsements of the BRI [scrubbed](https://thewire.in/diplomacy/india-china-belt-and-road-united-nations) from UN resolutions.

# FRONTLINES

### F/L Legitimacy Doesn’t Matter

Legitimacy is crucial. **Smith** finds in **2019** for the Heritage Foundation that because European leaders have been voicing their concerns of the BRI about lack of transparency, accountability, and financial sustainability, countries in the developing world such as Sri Lanka, Malaysia, and Burma have begun scrutinizing, amending, and canceling BRI deals. Some European countries even had official endorsements of the BRI removed from UN resolutions.

### F/L EU Connectivity Plan Has No Funding

**Emmott ’18** writes that the plan is backed by funds from the EU’s common budget, private sector loans, and development banks, and the EU has set up a $70 billion fund that would act as insurance for investors if projects fail which will raise over $300 billion euros.

# EXTRA

Kastner ’19, Jen Kastner, 14 January 2019, Cheung Kong Graduate School of Business, <http://knowledge.ckgsb.edu.cn/2019/01/14/belt-and-road-initiative/belt-and-road-initiative-changing-rapidly/>

The next phase looks set to bring BRI further in line with international standards. This could lead to fundamental changes in the way the initiative operates. Beijing appears to understand that the darkening outlook for emerging markets means that reforms are urgently needed. “Current international conditions are very uncertain, with lots of economic risks and large uctuations in interest rates in newly emerged markets,” said Hu Xiaolian, head of the Export- Import Bank of China, one of China’s two state policy banks, in July. “Our enterprises and Belt and Road Initiative countries will face financing difculties.” In August, Beijing issued policy papers to SOEs involved in BRI projects covering best practices in due diligence, project feasibility and ongoing operations. According to Deloitte, Chinese firms involved in BRI are looking to reduce their interest and exchange risks and financing interest associated with long-term loans. This is leading to greater involvement for Western banks and financing companies and a more balanced portfolio of funding. Most tellingly, several major Chinese institutions are stepping up cooperation with multilateral lenders. In April, Beijing set up the new China-IMF Capacity Development Centre (CICDC), which has the aim of developing the capacity to address implementation challenges on issues arising from BRI. “IMF is the acknowledged leader on dealing with balance of payment crises,” said Henry Chan, an adjunct research fellow at the East Asia Institute in Singapore, in August. “The new economic realities mean that China must accelerate the learning process.” The two Chinese policy banks, Ex-Im Bank and the China Development Bank, are also discussing cooperation with the European Bank for Reconstruction and Development (EBRD) with a view to co-lending with it. If the two sides agree a deal, it would be a watershed moment, as the EBRD would likely insist that co-funded BRI projects adhere to international standards, including the opening of bidding processes to non-Chinese contractors. Using a Chinese company to carry out projects has usually been a precondition for Chinese loans. Research by the Center for Strategic and International Studies (CSIS) found that 89% of BRI projects used a Chinese contractor. “EBRD has a long experience of nancing projects, and a strong geographical knowledge of the market it covers, and both of these are clearly desirable for Ex-Im and CDB, who wish to learn about them,” says Agatha Kratz, Associate Director at the Rhodium Group, whose research focuses on Chinese outward investment and infrastructure diplomacy. As China focuses more on sustainability and implementation, this opens up more opportunities for global companies to get involved by using their expertise to help Chinese contractors navigate headwinds. ABB, a Switzerland-based conglomerate, helped 400 Chinese rms resolve inter- country differences in design and industrial standards in 2016 alone. Gauff, a German engineering rm, is working closely with Chinese SOEs on several major African projects, including the Maputo-Katembe Bridge in Mozambique, which will be the longest suspension bridge in Africa when completed. General Electric has also received orders worth billions of dollars through BRI projects and is bidding for $7 billion worth of new business over the next year or so, according to Deloitte. The key question, according to Kratz of the Rhodium Group, is whether China will be willing to nance major infrastructure projects without insisting that Chinese companies deliver at least part of them. “That means making sure Chinese banks’ participation really comes with no strings attached,” says Kratz.

Greer ’18, Tanner Greer, 6 December 2018, Foreign Policy, <https://foreignpolicy.com/2018/12/06/bri-china-belt-road-initiative-blunder/>

This has not happened: [one analysis of 173 BRI projects concluded](https://www.csis.org/analysis/chinas-belt-and-road-full-holes) that with the exception of the China-Pakistan Economic Corridor (CPEC) “there appears to be no significant relationship between corridor participation and project activity… [suggesting that] interest groups within and outside China are skewing President Xi’s signature foreign policy vision.” This skew is an inevitable result of China’s internal political system. BRI projects are not centrally directed. Instead, lower state bodies like provincial and regional governments have been tasked with developing their own BRI projects. The officials in charge of these projects have no incentive to approve financially sound investments: by the time any given project materializes, they will have been transferred elsewhere. BRI projects are shaped first and foremost by the political incentives their planners face in China: There is no better way to signal one’s loyalty to Xi than by laboring for his favored foreign-policy initiative. From this perspective, the most important criteria for a project is how easily the BRI label can be slapped on to it. This is why many of the more promising BRI projects were already slated or under construction well before Xi announced his vision for the initiative. These projects have simply been rebranded with the BRI label to curry favor with the party leadership. (Sometimes this rebranding reaches comical proportions: Turkey’s Marmaray rail tunnel, for example, [was recently lauded by the World Bank as an exemplary BRI investment](https://jamestown.org/program/world-bank-offers-timely-dubious-praise-for-belt-and-road/), even though it is funded by a Turkey-EU-Japan consortium and appears to have no Chinese involvement.) It is easier to rebrand a successful project as part of the Belt and Road Initiative than it is to create successful projects from scratch. This reality helps explain the coolness with which private investors have treated the initiative. Despite stringent capital controls on non-BRI investment, [only 12 percent of Chinese foreign direct investment has been directed to the countries participating in the Belt and Road Initiative](https://www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%203%20Section%201-%20Belt%20and%20Road%20Initative_0.pdf) (and [one third of that goes to](https://www.aei.org/wp-content/uploads/2018/11/Updated-BRI-Report.pdf) the developed economies of South Korea, Israel, and Singapore). Government calls for participation from international partners and private investment have been ignored: large state-owned enterprises and government policy provide more than 95 percent of [BRI funding.](https://www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%203%20Section%201-%20Belt%20and%20Road%20Initative_0.pdf) BRI is not a brand investors trust. This might not matter if BRI projects were driving favorable political outcomes. They aren’t. Prolonged exposure to the BRI process has driven opposition to Chinese investment and geopolitical influence across the region. In the Maldives, the pro-Beijing Progressive Party of Maldives was unseated this year by the Maldivian Democratic Party, which ran on an explicitly anti-BRI platform. The Maldives’ new president [calls the BRI](https://www.reuters.com/article/us-maldives-china-debt/maldives-nasheed-vows-to-renegotiate-china-loans-if-opposition-wins-september-poll-idUSKCN1J01J6) “a big cheat” and a “debt trap” that must be abandoned or renegotiated. He has a kindred spirit in Mahathir Mohamad, the new prime minister of Malaysia, [who has described BRI projects](https://www.ft.com/content/7566599e-a443-11e8-8ecf-a7ae1beff35b) as a form of “new colonialism” that must be rejected. Beijing’s quest to create a stable pro-China tilt in Sri Lanka has only spawned [political instability](https://www.seattletimes.com/business/rivals-china-india-cautiously-watch-sri-lankan-crisis/), with President Maithripala Sirisena sliding up to and away from Sri Lankan politicians connected to China as the situation demands. In Bangladesh [authorities recently blacklisted](https://bdnews24.com/business/2018/01/16/bangladesh-blacklists-china-harbour-engineering-for-bid-to-bribe-secretary) China Harbour Engineering Company, one of the region’s most active BRI construction firms, on accusations of corruption. Burma was so alarmed by regional trends that [it put a hold on its own BRI-funded port project in Kyaukpyu until](https://www.theguardian.com/world/2018/aug/02/myanmar-scales-back-chinese-backed-port-project-over-debt-fears) the Chinese agreed to cut its scale by 80 percent. Nepal and Pakistan [have also](https://thediplomat.com/2018/06/nepal-china-reality-sets-in/) [demanded](https://www.ft.com/content/d4a3e7f8-b282-11e8-99ca-68cf89602132) that China cancel or completely retool ongoing projects in their countries. In western Pakistan opposition to the initiative has turned violent. Last week Baluchi separatists attacked the Chinese consulate in Karachi, treating Chinese infrastructure investment in their region as a threat to their dreams of independence. Chinese analysts who hoped that the BRI investment would help stabilize China’s borderlands and ease the threat it faces from ethnic separatists inside China now must come to terms with an initiative that is embroiling China in conflict with separatists outside of it. The problems China has had with the BRI stem from contradictions inherent in the ends party leaders envision for the initiative and the means they have supplied to reach them. BRI projects are chosen through a decentralized project-management system and then funded through concessional loans offered primarily by PRC policy banks. This is a recipe for cost escalation and corruption. In countries like Cambodia, a one-party state ruled by autocrats, this state of affairs is viable, for there is little chance that leaders will be held accountable for lining their pockets (or, more rarely, the coffers of their local communities) at the entire nation’s expense. But most BRI countries are not Cambodia. In democracies this way of doing things is simply not sustainable, and in most BRI countries it is only so long before an angry opposition eager to pin their opponents with malfeasance comes to power, armed with the evidence of misplaced or exploitative projects.

Currently, the BRI is only serving Chinese interests. **The Associated Press** finds in **2018** that the BRI is actually intended to expand China’s political influence and military presence. In an analysis of policy documents and reports, a non-profit research institute concluded that BRI projects are not driven by “win-win” economic development for the individual host countries, as Beijing claims. Instead investments appear only to generate political influence and stealthily expand China’s military presence.