

China's Belt and Road Initiative (BRI): Debt Quagmire or a Ridge Rope for Struggling Economies

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Abstract *China as an emerging superpower expanding its influence all over the world. But China's rise is a peaceful one and will be beneficial for the countries that are being involved in the process of development through BRI. This project is a comprehensive portrait of complex interdependence between China and the developing economies. China is getting the opportunities to expand its market and to secure its integrity beyond its borders. Emerging China is offering a chance to the developing economies to recover and further promote their economies. BRI can be a debt quagmire or a ridge rope for the concerned states, depending upon the perception and use of it. Unfortunately, the growing influence of China is troubling the current hegemonic positions. This paper is to analyze the reality of the debt trap diplomacy, whether it actually is a trap or is being negatively propagated to contain China's rapidly growing power*

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Introduction

The French revolutionary Napoleon Bonaparte said, China is a “sleeping giant” and when it will wake up, it will astonish the world (Lee, 2007), this statement was the prediction of China's present growth and the abilities to dominate the world. China's progress in its economy and military over the last two decades has developed the country to the extent that on the world stage it is competing with great powers like the United States, Russia, and Europe. Today, China has acquired the status of the world's second-largest economy and is determined to dominate the world in manufacturing and trade (Balogun, 2016). China's progress has been steady, peaceful and strategic.

Here in this research paper, the discussion mainly focuses on how the Chinese debts are processed; what are the motives behind it? And why is it propagated negatively?

China is rising economically. After Deng Xiaoping initiated the economic reforms of the country, China achieved growth in its economy approximately by a factor of ten (Weede, 2010). In 2019, the USA economy is estimated to grow by 2.5%, while China's economy is expected to grow by 6.3% (Focus Economics, n.d.). This ratio shows the rapid growth of China and is a solid reason for the west to contain China. This project of the BRI

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is a tool for regional connectivity and would be helpful for the developing states to get trade opportunities and for China to rise as a peaceful power. But the initiative is being victimized by the negative propaganda so as to reduce China's influence in those regions. To analyze the reality of the debt trap, there needs to be a discussion from two angles; first is China actually trapping the developing states with easy loans, and second, is the debt trap diplomacy actually negative propaganda by the USA and its allies, against China's liberal trade policies?

Challenges for China in the 21st century

Since 1978, China's average gross domestic product (GDP) has maintained a level of about 9.8 percent, and by 2030 it is perceived that it would exceed the United States as the world's largest economy (Goswami, 2013). Today, China is able to contribute to world organizations and help neighbouring countries' economies to grow. With its big check book, China is a saviour to the developing states. The people's Republic of China, having an astonishing history, has emerged from domestic Chinese rebels, state collapse, imperial exploitation, civil wars, and the Japanese invasion. Within just three decades, China has evolved from being a poor developing nation into an economic giant globally. The journey is still not completed yet as Great China has set up eyes on becoming the world superpower. This research paper is going to highlight China's growing influence on the world, economically as well as politically and militarily. Undoubtedly, China's communist party has all the guts to use the economic strategies for political, military and economic gains.

In 2013, Chinese President Xi Jinping proposed the project of OBOR, which is an incredible initiative to connect three continents to China. Recently, it is named as the Belt and Road Initiative, which comprises two major programs entitled Silk Road Economic Belt and 21st Century Maritime Silk Road. The Silk Road Economic Belt, connects China to the European continent, the Persian Gulf, the Indian Ocean and the Mediterranean to China, while the 21st Century Maritime Silk Road has routes based on the waterways existing between the member states of OBOR initiative (Du, 2016). It comprises 65 nations; 8,158 contracts were signed by Chinese enterprise in 61 states and 900 projects, and this investment volume is of \$850 billion (Chua, 2017). Since 2013, Beijing has invested approximately 700 billion dollars' worth of Chinese currency into more than 60 states (according to RWR Advisory research); much of the investment is in the form of huge infrastructure projects and loans to the governments of those states, which would connect these states closer to China while encouraging China's soft power globally (Balding, 2018).

The project of BRI is the modern form of the Maritime Silk Road; it connects these three continents, Asia, Africa, and Europe. These least developed states are getting some handsome amount of debt from China's state-owned banks and these states are desperately willing to attain these easy loans and investments from China which will help them recover their economic setup. The states like Pakistan, Sri Lanka, Malaysia, Maldives, Kenya, Zambia, and Montenegro are being assisted by Chinese banks financially and Chinese companies are constructing infrastructure projects in these states. But the question is whether these states will be able to improve their economic strength enough to pay back these loans? Or will this economic assistance end up as a quagmire of debt for them. Unlike the West, China doesn't attach any strings as to how the infrastructure will be utilized (Carr, 2019); it all depends on the owning state. Then how will China recover its money? These

questions here can be unpredictable, if the developing states are not able to repay the amount, they will face a debt crisis.

If China's BRI is successful and is able to meet the set goals, or becomes unsuccessful, both ways, it will be an issue of concerns for the United States. The success of the BRI will result in the reduction of dependence of the developing world on the USA and its allies. Moreover, it will ensure the Chinese influence over the developing states. But if the project of the BRI is not successful and the developing countries are drowning in the debt crisis, for which they will pay, this may result handing over infrastructure to China as was in the case of the Hambantota port of Sri Lanka, which will threaten the US. BRI engagements are certainly a recognized threat to the United States and the other members of its block. China's grasp on the regional as well as on global politics will threaten the interest of the current superpower, the USA. The USA would struggle for the maintenance of the status quo and one cannot underestimate the abilities of the USA to contain China. The project of the BRI is making the Chinese dream come true by integrating into a peaceful global system via diplomatic and economic engagements and a network of normative obligations (Balogun, 2016). China believes that trade is the best policy to have peace in the world, and economic prosperity is possible only by introducing trade to the developing world. But the United States and its like-minded states will never be in favour of the idea of a successful trade through the BRI.

The BRI has become a nightmare for the rival states of China and they can easily calculate the terms such that if the BRI project is successful, then the Chinese sphere of influence will be inevitable. The United States is the current leader of the global community, but China's rapid growth is making them rivals in terms of power and politics. For this, the USA needs to either counter China with some effective strategy to reduce the influence of BRI, or use another strategy to defame the project of the BRI. The USA has decided to propagate the BRI in negative terms so that the good reputation of China can be demolished and to create an environment of confusion and fear for the developing states. This strategy can be explained by the theory of realism that believes that your rival's security is your insecurity (Camisao, 2018). The USA intends to defame China to secure its global status.

On the other hand, China is facing India as a strong rival in the region. China and India both are trying to compete for regional hegemony. This is the reason why India is trying its best to counter China's influence, so it is negatively propagating the BRI to decrease its rapid progress. The BRI is China's opening-up policy that focuses on the external economic interactions of China which will help to increase its role in the global community (Ohashi, 2019). China's idea of free trade is a key point for the greatest global infrastructure project of the BRI, through which it is expanding the trade development in the developing countries. The BRI is the brainchild of complex interdependence theory which believes that states should cooperate in social political and economic fields and discourage military tactics (Zhao, 2010).

On the accusation of the debt trap, Chinese leaders, in fact, encouraged the comparison of the BRI with the Marshall plan. The Marshall plan was economic assistance for the development and recovery of war-torn Europe. In the same manner, China offers the construction of roads, ports, railways, and pipelines which would resultantly expand investment, commerce, and infrastructure connections from Europe to Asia. They would integrate different regions, build markets, and stabilize China's periphery (Small, 2018).

China believes that global peace relies on economic expansion and growth. The theory of liberalism preaches the idea of free trade and relative gains, therefore it can be concluded that China is trying to secure its national integrity and economic strength and also nurture the economies of the developing states, to reduce their dependence on external forces. It is indeed a win-win situation for all the partners in BRI.

The China-Pakistan Economic Corridor (CPEC) is a framework of regional connectivity. CPEC, in addition to China and Pakistan, will be beneficial for India, Afghanistan, the Central Asian Republics, and other regions (Abbas and Maaz, 2018). A joint venture of Pakistan and China, CPEC is designed to connect Kashgar in China's Xinjiang Uygur Autonomous Region with the South-western Pakistani port of Gawadar (Hussain & Hussain, 2017). Pakistan and China have been in a very cordial relationship and this venture will further tighten up the friendship bond. CPEC has been perceived as the "pilot project" of the BRI network and it is also believed that the BRI's fate is highly dependent on this mega project (Tiezzi, 2018). Under CPEC, China will invest \$62 billion in Pakistan (Siddiqui, 2017) for the development of infrastructure and energy for the next 15 to 30 years, which is a huge investment for Pakistan. And for those accusations that CPEC can be a trap, is not true because Gawadar is not only under the influence of China, but Saudi Arabia has also become a 3rd partner to the scheme, through a huge investment of \$15 billion (Samaa Digital, 2019). For Pakistan, it is a healthy opportunity if their government is able to take benefits of this project.

Historically it is proven that no state can develop without external assistance and investments. Sri Lanka was war-torn and had been suffering from very intense political instability, but no state was ready to assist them in the development of the Hambantota district. The Sri Lankan government was desperately in need of assistance; China offered to assist the government to construct the infrastructure project. They signed the agreement, in which it was decided that they will provide a handsome amount of loans to the Sri Lankan government; the project was funded by the People's Republic of China. Hambantota Port could have become a successful door to the economic structure of the Sri Lanka, but unfortunately, they could not utilize it as per their needs, and thus lost a big opportunity. To free its government out of the debt, Sri Lanka leased the seaport to China.

Similarly, Malaysia welcomed Chinese investments in the country for economic development. In 2012, Chinese investment is estimated as much as \$84 billion, making the country the world's 3rd largest outward investor after the US and Japan (Lim, 2015). It is understandable that a state cannot survive or develop without foreign investments and economic interactions. Similarly, Malaysia has been highly penetrated by FDI by China which has contributed a lot to the development of Malaysia's economic and social sectors.

Debt Trap and the Containment Policy

India and China are two rising regional powers of the political arena. There are many cases that show that India is trying its best to contain Chinese influence in the region considering the BRI as a threat to India. So, they either defame the project of the BRI or they make sure their presence is parallel to the BRI, e.g. they leased the Matala Rajapaksha Airport, known as the world's emptiest airport, to keep an eye on the Seaport of Sri Lanka that is on lease to China.

In addition, India is involved in the Chabahar Port of Iran that is considered as an alternate of CPEC. By investing in the Iranian port of Chabahar, India may hope to prevent

the consequences of the growing economies on its doorstep. It also implies that India is trying its level best to counter Chinese influence in the region. As the BRI progresses, India is becoming more vigilant to peruse its own connectivity projects (individually or with other partners) and is also creating suspicions about some of the BRI projects as a source of difficulties for dependent countries (Sachdeva, 2018).

The Indian ambassador Vikrim Misri said the BRI is a huge intercontinental connectivity project worth hundreds of billions of dollars, and doesn't respect India's "core concerns" of sovereignty and territorial integrity (Patranobis, 2019). The China Pakistan Economic Corridor- the pilot or flagship project under the BRI- passes through Pakistan-occupied-Kashmir (PoK) and is viewed as a violation of Indian territorial integrity (Patranobis, 2019). There are many other occasions where India strongly opposes the network of the BRI. But Opposition to the Belt and Road will become meaningless if it is to make sense as a long-term economic strategy.

The United States has been engaged with China bilaterally in the fields of economics, but they are never in favour of allowing the Chinese influence to hijack the USA's status as a superpower. China is a strong rival for USA polarity, as it has the complete ability and worth to challenge the power status of the United States; thus they desperately need to contain Chinese growth globally.

Ray Washburne added "China was overfilling poor nations with unbearable debt for the development of the infrastructure projects that are economically not viable" (Mbanda, 2018). And at the 10th annual summit of BRICS at Johannesburg, South Africa, the US executive commented that the China-led Belt and Road Initiative, which is designed to improve connectivity and economic integration among continents, was creating a debt trap for many developing nations (Mbanda, 2018). This statement by the USA's statesman was biased and a pretention in front of an international forum, to defame BRI and to reduce Chinese influence over Africa. It is uncertain whether the US executive was genuinely raising this issue for the well-being of states of Africa or if it was an outcome of the current trade dispute between the USA and China because the BRI is seen as a challenge to the US and world financial institutions, the International Monetary Fund and the World Bank, which are losing their significance and monopolistic status as lenders (conditionally) to the borrowing states of the world.

The project of the BRI is progressing so rapidly that it can threaten the economic, political and strategic interests of the USA and its allies in Asia, Africa, and the Pacific. If China lives out Xi Jin Ping's vision, it will be the first-ever non-democratic country to acquire this position of superpower in the history of World politics. If, in the near future, the world is introduced to a new superpower or the USA is supposed to share its position, in the form of bipolarity, it will damage the imperialistic interests of the USA. But will the USA being the world hegemon let this happen? Won't they adopt any counter strategy for their strategic gains? Yes, the United States of America has put down all their strength to negatively portray the image of the BRI, and to reduce its influence. China is accused of a strategy called *trap diplomacy*, which indicates that China provides easy loans to poor and strategically located states. But it is for sure that development needs finance, and if the funds are provided by China, then the indebted state is all responsible itself for its development or bankruptcy.

For a long time, the West has advocated giving aid to developing countries rather than directly investing in them. The aid received couldn't improve the poverty record of these

states. According to Mbanda (2018) in the year 2013 around \$10 billion of aid was "repatriated" back to the foreign states as a result of corruption and unfair practices.

Sellin (2018) argued that China's debt-trap diplomacy is obvious from the lease of the Sri Lankan port and presence in Djibouti, but an important fact which is not highlighted is that the USA, Japan, and France also have military bases in Djibouti, for which the government of Djibouti is being paid, but why is only the Chinese base being accused of the debt trap?

Developing nations have historically received conditional debts and advice from the global financial institutions, the World Bank and the IMF. The current economic status of these states indicates that these loans were never given for development, but it ensured their poverty and dependence on these institutes that are ruled by some major powers. Unfortunately, those loans had further led the developing states to poverty rather than boost up their economies. This assistance proved to be a hindrance and further accelerated their poverty and today they are against China's BRI loans.

The Washington Times has published an article that discusses the Chinese military base in Pakistan, "A joint naval and air facility for Chinese forces, located a short distance up the coast from the Chinese built a commercial port facility at Gwadar, Pakistan" (Gertz, 2018). This statement has clearly explained that the Chinese base in Pakistan is a joint venture, which will be equally beneficial for Pakistan to secure its borders. Then how can it be a trap?

In fact, it is favour by China that they are funding the joint military base in Pakistan. Also, Montenegro is the only European state that has no highway. China has funded a highway for Montenegro, which is portrayed in such a way by a news website, "highway to nowhere" (Barkins, 2018). On the other hand, the government of Montenegro calls it "the construction of the century and a pathway to the modern world". This explains well that the USA is currently dedicated to defaming the network of the BRI, which is providing loans for the development of infrastructure projects for the developing states. The BRI can be an effective instrument for China to compete for world hegemony, which definitely will reduce the power of the United States.

Conclusion

One thing about time is that it keeps changing; today the USA is the leading power of the world. But international politics is the most unpredictable dilemma. In the next world order, China can be a superpower, leading a peaceful world with much economic prosperity rather creating artificial wars and ensuring one's abilities by using force. China is expanding its sphere of influence to secure its borders, economy and diplomatic influence over the world. The BRI is a network of infrastructure projects that connects to China and plays a significant role in the development of the countries that have been in agreement with China.

Why cannot the borrowing states choose what is best for them? The development projects in the African continent are funded by China via the Chinese Development Bank and the Export-Import Bank of China. The African continent has got China as the continent's biggest development and trading ally. And today the Western countries are not Africa's largest sources of foreign aid, but China, India, and Brazil. In the year 2018, the Export-Import Bank of China decided a loan facility of \$500 million for 15 nations in Africa. It is easy to understand the strength and productivity of the BRI, but the propaganda against it can be a hindrance in its way to progress.

Developing states also have a dream of growth and prosperity and are eager to cooperate with all associates to bring an end to misery and poverty as long as the bond between collaborators is favourable and there is shared respect between the rich and the poor countries.

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