Belt and Road Initiative (BRI)

What is the issue?

- The Chinese leadership was compelled to review the Belt and Road Initiative (BRI) because of the following reasons.
- China's trade war with the US, mounting criticism of its BRI, and growing division in its Political Bureau on handling these issues.

Why BRI was formed?

- The BRI was conceived as a response to the vast overcapacity in infrastructure-related industries in China in 2008 followed the global economic recession when its exports started dwindling.
- In 2009, former Deputy Director of China's State Administration of Taxation came up with a proposal called the Chinese Marshall Plan.
- This plan suggested that China should utilise its vast foreign exchange reserves, expertise in building infrastructure, overcapacity in iron, cement, aluminium, etc, shipbuilding industries, and unemployed labour to meet the infrastructure demand in Southeast, Central Asia and Africa.

What BRI exactly does?

- It was announced by Chinese President Xi Jinping in September 2013.
- The BRI consists of a belt of rail routes, highways, oil and gas pipelines and other infrastructure projects extending from Xian in Central China through Central Asia, Russia, West Asia and Europe.
- There is also a branch extending from Kashgar in Xinjiang to Gwadar in Balochistan via Pakistan occupied Kashmir (PoK).
- The 'road' segment comprises a network of ports and coastal infrastructure stretching from eastern China across Southeast Asia and South Asia, the Gulf, East Africa through the Mediterranean up to Rotterdam in Europe.
- More than 120 countries have signed and joined the BRI.
- China's trade with these countries since 2013 has grossed more than $5 trillion and investment has totalled about $200 billion.
- In the first seven months of 2019, China's trade with BRI countries was 6%

higher than the growth of its global trade.

What are the roadblocks?

- BRI has not succeeded in the full utilisation of overcapacity in infrastructure industries.
- China has been forced to close many companies. About 1/3rd of its projects are failing due to several anomalies.
- No open tendering, competitive bidding or practice of an independent pre-feasibility or environmental impact studies, as per global norms.
- Many projects suffer from lack of local inputs, protests on land procurement, pollution, performance delays, corruption, financial viability, unsustainable debt and low investment returns.
- The interest rates charged by China are high, upward of 3% on government loans and 17%-18% on commercial loans with a sovereign guarantee of the local government.
- As many loans turn non-performing assets, China is becoming selective in giving new loans.
- Some BRI projects do not make economic sense.
- For example, the cost of supplying crude oil and gas from Gwadar port to Tianjin in north-eastern China via the pipeline proposed by China will be $10/barrel costlier than the ocean freight.
- Many countries such as the Maldives, Pakistan, Sri Lanka, Bangladesh, etc., have asked China to restructure or downsize the BRI projects.
- India has rightly decided not to participate in BRI over concerns relating to sovereignty, lack of transparency, openness, financial sustainability, high interest and the 'tied' nature of these loans.

What is the real challenge?

- After international criticism, the old swagger about BRI has faded.
- President Xi promised at the second Belt and Road forum in April 2019 that China would fine-tune the BRI with open consultation, clean governance and green projects.
- The growth of BRI is down as China's investment in these projects in the first quarter of 2019 grew only by 4% compared to 22% in 2018.
- The real challenge is whether best practices can be incorporated in BRI or it will remain only a 'Chinese' scheme given that state-owned enterprises play the lead implementing role.

Source: The Hindu

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