

China's Massive Belt and Road Initiative

China's Belt and Road Initiative is the most ambitious infrastructure investment effort in history. But is it also a plan to remake the global balance of power?

Backgrounder by Andrew Chatzky and James McBride

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A cyclist passes by construction cranes in Xi'an, China, a starting point of the New Silk Road. Zhang Peng/LightRocket via Getty Images

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 was the original Silk Road?

The Silk Road came into being during the westward expansion of China's Han Dynasty (206 BCE–220 CE), which forged trade networks throughout what are today the Central Asian countries of Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, as well as modern-day India and Pakistan to the south. Those routes extended more than four thousand miles to Europe.

Central Asia was thus the epicenter of one of the first waves of globalization, connecting eastern and western markets, spurring immense wealth, and intermixing cultural and religious traditions. Valuable Chinese silk, spices, jade, and other goods moved west while China received gold and other precious metals, ivory, and glass products. Use of the route peaked during the first millennium, under the leadership of first the Roman and then Byzantine Empires, and the Tang Dynasty (618–907 CE) in China.

But the Crusades, as well as advances by the Mongols in Central Asia, dampened trade, and today Central Asian countries are economically isolated from each other, with intra-regional trade [making up just 6.2 percent](#) of all cross-border commerce. They are also heavily dependent on Russia, particularly for remittances—they make up one-third of the gross domestic product (GDP) of Kyrgyzstan and Tajikistan. By 2018, remittances had [dipped from their 2013 highs](#) due to Russia's economic woes.

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.

Xi subsequently announced plans for the 21st Century Maritime Silk Road at the 2013 summit of the Association of Southeast Asian Nations (ASEAN) in Indonesia. To accommodate expanding maritime trade traffic, China would invest in port development along the Indian Ocean, from Southeast Asia all the way to East Africa.

Land and Sea Corridors of the Belt and Road Initiative

--- Silk Road Economic Belt --- 21st Century Maritime Silk Road



China's overall ambition for the BRI is staggering. 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. Analysts estimate the largest so far to be the \$68 billion China-Pakistan Economic Corridor, a collection of projects connecting China to Pakistan's Gwadar Port on the Arabian Sea. In total, China has already spent an estimated \$200 billion on such efforts. Morgan Stanley has predicted China's overall expenses over the life of the BRI could reach \$1.2–1.3 trillion by 2027, though estimates on total investments vary.

What does China hope to achieve?

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.

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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.

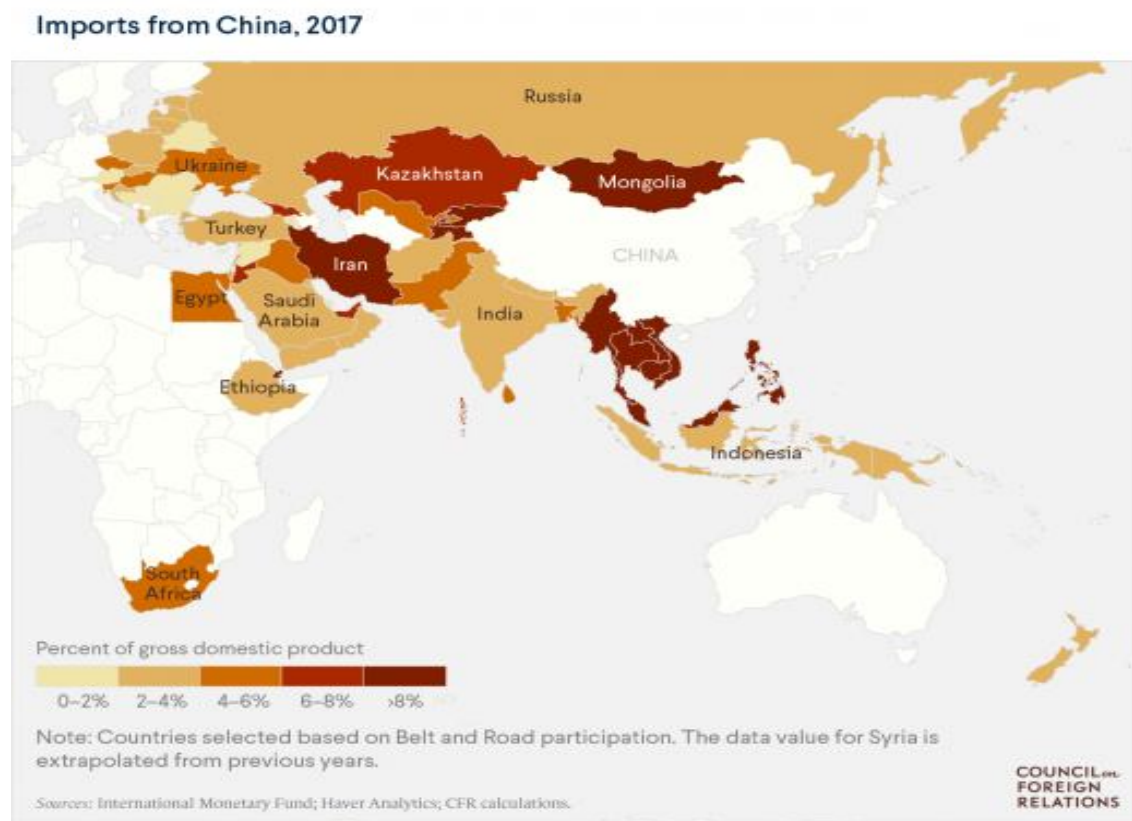
What are the potential roadblocks ahead?

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.

Examples of such criticisms abound. In Sri Lanka, President Maithripala Sirisena sought to renegotiate Colombo's repayment schedule, but China asked for a long lease on a major port in return for debt forgiveness—some reports indicate [Sri Lanka owed \\$13 billion](#) on its debt in 2018, with expected total government revenues of just \$14 billion. In Malaysia, Mahathir bin Mohamad, elected prime minister in 2018, campaigned against overpriced BRI initiatives, which he claimed were partially re-directed to funds controlled by his predecessor. Once in office, he canceled \$22 billion worth of BRI projects. The new

Maldivian government has also [begun to unwind](#) some of the BRI projects introduced under former President Abdulla Yameen Abdul Gayoom, while the China-Pakistan Economic Corridor is at risk as Islamabad faces a balance-of-payments crisis. In 2018, as debts to China began to weigh on its economy, Pakistan sought billions of dollars in loans from Saudi Arabia, the International Monetary Fund, and China.

More such stories are likely, according to [a report](#) by the Center for Global Development, which notes that eight BRI countries are vulnerable to debt crises. Five of the eight border China, and two more—Djibouti and the Maldives—are choke points on the Maritime Silk Road.



Arguments against the BRI have in some cases helped propel politicians across the region into office. Christopher Balding, a former professor at the HSBC Business School in Shenzhen, says that the BRI’s “no-strings approach” has, counterintuitively, [made some of its investments less attractive](#). The approach “has fueled corruption while allowing governments to burden their countries with unpayable debts,” he says. Political backlash is perhaps less of a concern in authoritarian countries taking part in the BRI, where autocrats face less public scrutiny and where the Chinese model of governance might hold more appeal. But some governments, in places such as Kenya and Zambia, are carefully studying BRI investments before they sign up, and candidates in Malaysia have explicitly run—and won—campaigns on anti-BRI platforms.

How has the United States responded to China-led regional integration?

The United States has [shared other countries' concerns](#) about China's perceived intentions. At the 2018 Asia-Pacific Economic Cooperation (APEC) summit, U.S. Vice President Mike Pence told regional leaders that the United States doesn't "offer a [constricting belt or a one-way road](#)."

Developing the economies of South and Central Asia is a longstanding U.S. goal that intensified after the start of the U.S. war in Afghanistan and President Barack Obama's pivot to Asia. The Obama administration frequently referenced the need for the Afghan economy to move past foreign assistance, and in 2014 then Deputy Secretary of State William Burns [committed the United States](#) to returning Central and South Asia "to its historic role as a vital hub of global commerce, ideas, and culture." In this spirit, the Obama administration supported a [\\$10 billion gas pipeline](#) through Turkmenistan, Afghanistan, Pakistan, and India. It also spent billions of dollars on roads and energy projects in Afghanistan and used its diplomatic muscle to help craft new regional cooperation frameworks to foster Central Asian economic links.

The Trump administration has pursued a more confrontational strategy in the region. Some analysts [have called on](#) the United States to respond by deepening its own ties with Asian partners, as the Obama administration tried to do with the [Trans-Pacific Partnership](#), a deal rejected by Trump in favor of seeking to strengthen relationships [on a bilateral basis](#). The Trump administration, with bipartisan support in Congress, has instead tried to counter the BRI with [the BUILD Act](#). This [consolidated](#) the Overseas Private Investment Corporation (OPIC), a U.S. government agency for development finance, with components of the U.S. Agency for International Development (USAID) into a separate agency with a \$60 billion investment portfolio. Although this pales in comparison to the more than \$1 trillion that financial analysts expect China to spend on the BRI, advocates say it seeks to crowd in a larger pool of private investment by underwriting risk.

Some have argued that the United States might find a silver lining in the BRI. Jonathan E. Hillman of the Center for Strategic and International Studies says the United States could use BRI projects as a way to have China [pay for infrastructure initiatives](#) in Central Asia that are also in the U.S. interest.

What is the role for third countries?

Other countries have sought to balance their concerns about China's ambitions against the benefits that the BRI promises.

India. India has tried to convince local countries that the BRI is a plan to dominate Asia, warning of what some analysts have called a "[String of Pearls](#)" geoeconomic strategy whereby China creates unsustainable debt burdens for its Indian Ocean neighbors and potentially takes control of regional choke points.

Policymakers in New Delhi have long been unsettled by China's decades-long embrace of traditional rival Pakistan, and since the George W. Bush administration, U.S. leaders have seen India as a regional balancer against a China-dominated Asia. The Trump administration's 2017 [Indo-Pacific Strategy](#) framed India as a counterweight to China's "repressive vision of the world order" based on "economic inducements and penalties, influence operations, and implied military threats." India has provided its own development assistance to neighbors, most notably Afghanistan, where it has [spent \\$3 billion](#) on infrastructure projects, including the parliament building, roads, hospitals, and dams.

Yet, despite U.S. misgivings, India was a founding member of China's Asian Infrastructure Investment Bank (AIIB), and Indian and Chinese leaders have invested in developing closer diplomatic ties. "India does a lot with China in the multilateral arena for its own reasons," says Ayres.

Japan. Tokyo has maintained a similar strategy, balancing increasing interest in regional infrastructure development with longstanding suspicions about China's intentions. In 2016, Japan committed to spending \$110 billion on infrastructure projects throughout Asia. Japan has, with India, also agreed to develop the Asia-Africa Growth Corridor (AAGC), a plan to develop and connect ports from Myanmar to East Africa.

Europe. Some European countries are torn between traditional ties to the United States and the economic opportunities that the BRI presents. Several countries in Central and Eastern Europe have accepted BRI financing for their own infrastructure shortfalls. French President Emmanuel Macron has urged prudence, suggesting [during a trip to China](#) that the BRI could make partner countries "vassal states."

Russia. Moscow has become one of the BRI's most enthusiastic partners, though it responded to Xi's announcement at first with reticence, worried that Beijing's plans would outshine Moscow's vision for a "Eurasian Economic Union" and impinge on its traditional sphere of influence.

As Russia's relationship with the West has deteriorated, however, President Vladimir Putin has [pledged to link up](#) his Eurasian vision with the BRI. Some experts are skeptical of such an alliance, which they argue would be economically asymmetrical. Russia's economy and its total trade volume are both roughly one-eighth the size of China's—a gulf that the BRI could widen in the coming years.

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