Competitive Connectivity
Crafting Transatlantic Responses to China’s Belt and Road Initiative

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Executive Summary

China launched the Belt and Road Initiative (BRI)—originally called “One Belt, One Road”—nine years ago, pledging to use its vast financial resources and construction capacity to build roads, railways, ports, and other infrastructure across the world. Beijing claimed the massive initiative would help other countries develop their economies and extend China’s connectivity through the Eurasian continent, to the African coast, and eventually to the Mediterranean Sea.

China seeks to achieve multiple objectives through the BRI, including providing a foreign outlet for excess production capacity in industrial sectors such as steel, cement, and high-speed rail and deepening integration and alleviating disparities between China’s wealthy eastern coastal provinces and its poorer central and western inland provinces by steering more commerce through east-west routes. Internationally, Beijing aims to embed China at the center of regional and global trade routes and expand its share of global trade.

BRI also is designed to advance Beijing’s diplomatic and security objectives. BRI boosts Chinese Communist Party (CCP) General Secretary Xi Jinping’s focus on engaging countries on China’s periphery and throughout Asia, including Central, South, and West Asia (the Middle East). It also allows Beijing to claim it is offering a model for development that does not require countries to move toward liberal democratic governance standards. And finally, BRI provides a tool for Xi’s ambition to “lead the reform of the global governance system” by setting up new institutions such as the Belt and Road Forum and the Silk Road Fund, and by linking BRI to existing international organizations, from the United Nations to the Asia-Pacific Economic Cooperation (APEC) grouping.

While countries were initially eager to sign up for the initiative and take advantage of what China was offering, more recently the sheen has come off BRI projects as they face mounting obstacles, including cost and time overruns, low quality results, lack of proper feasibility studies, politicization and corruption, and an influx of Chinese workers in countries that struggle to provide jobs to the local population.

The heavy debt burdens associated with BRI projects also have come into focus, particularly in the case of Sri Lanka, where the country’s leaders in 2017 were forced to lease a major port to China for 99 years in exchange for $1 billion in debt relief. While Sri Lanka’s recent economic crisis has been fueled by decades of economic mismanagement and more recently economic shocks from COVID-19 and Russia’s war in Ukraine, several questionable BRI investments in recent years are also viewed as contributing to Colombo’s current economic woes. China has repeatedly offered Sri Lanka credit for various projects at increasingly high interest rates, even when it was clear the Sri Lankan government would be unable to pay back the loans. Similarly, the China-Pakistan Economic Corridor (CPEC) appears to have exacerbated Pakistan’s economic problems. Beijing is now Islamabad’s largest creditor, with Pakistan owing 27 percent of its total external debt of $90 billion to China. CPEC has not achieved the grand vision laid out seven years ago of helping to industrialize Pakistan and turn it into a manufacturing hub, demonstrating BRI’s limits in bringing substantial economic change to recipient countries.

In Europe, BRI has evolved as Europeans have changed their view of China from being a partner to a competitor and even a “systemic rival.” While there are varying views of China throughout Europe, Beijing’s refusal to condemn Russia’s recent invasion of Ukraine has the potential to further harden European views on China. Key BRI projects have stalled in the Baltic States and countries such as Romania due to concerns over Beijing’s behavior and the potential risks associated with Chinese investment. However, BRI projects have retained strong commitment in European countries that are less inclined to take a harsh view of China, such as Greece, Serbia, and Hungary.

The United States and Europe have launched initiatives that seek to address the challenges from BRI and offer alternative infrastructure financing, such as the Partnership for Global Infrastructure and Investment (PGII) and the Global Gateway initiative. While the United States and the European Union (EU) on their own would not be able to match the scale of China’s global infrastructure investments, together they can at least provide an alternative source of financing. To avoid overstretching resources, the EU should prioritize investing in infrastructure in its immediate neighborhood, such as the western Balkan states, where China has attempted to gain influence in recent years. For the United States, the priority should be on the Indo-Pacific countries that are central to strategic competition with China. While these areas should be prioritized, the United States and Europe should also continue cooperating on investment and infrastructure efforts throughout the Global South, especially in Africa.

Given the uncertain future of BRI, researchers at the Center for a New American Security (CNAS) identified the major drivers likely to influence the direction of the program and examined their numerous permutations.
The authors selected three scenarios and focused on how conditions of each scenario would play out in Europe and the Indo-Pacific. For each scenario, the report identifies the risks and implications for the United States and its allies. The scenarios are designed to prepare policymakers and planners for the possible futures they could face, including key challenges and opportunities that may arise in the years to come.

Lastly, this paper identifies additional policy steps that will prepare the transatlantic allies to both compete with China’s investments and increase their own resilience. More specifically, the paper recommends the transatlantic partners:

**Understand Shared Vulnerabilities**

- **Map existing BRI projects in key regions to evaluate where U.S. and EU strategic interests may be at highest risk.** In addition, they should assess future infrastructure needs in key regions and states that could present opportunities for U.S. or European investment.

- **Wargame critical vulnerabilities.** The United States must work with its allies and partners to “wargame” China’s economic tools of coercion, including examining security risks in smart infrastructure and green technology.

**Compete against BRI in the Informational Domain and Multilateral Arenas**

- **Enhance strategic communications campaigns.** To push back on Chinese misinformation and to ensure countries are aware of the potential downsides of BRI investment, the United States and Europe must step up their strategic public communications campaigns. In addition to highlighting the advantages associated with U.S. and European investment, Washington and Brussels must emphasize that expedience and initial low sticker price often translate to poor-quality projects that are unsustainable over time.

- **Encourage the creation of a global consortium to partner with and support local journalists and research organizations conducting fact-based inquiries into BRI projects around the world.** Efforts could include a comprehensive public database that provides examples of both successful BRI projects and those that display patterns of problems.

**Enhance Defenses against China’s Economic Influence**

- **Protect vulnerable European economies.** To prevent exploitation of weakened economies in the aftermath of economic challenges such as those brought on by Russia’s war in Ukraine, the EU should establish an infrastructure rapid response fund that could be mobilized to counter potential Belt and Road investments once they reach a high threshold of concern. This fund could be made available to EU member states as well as to EU candidates such as Serbia that are at the highest risk of undue Chinese influence.

- **Develop a collective response to economic coercion.** The United States should work with its allies and partners to develop a framework for collective economic response in the spirit of NATO’s Article 5. Countries could agree to respond collectively in the event of foreign economic coercion, including through measures such as sanctions.

- **Protect green tech supply chains.** To mitigate potential harm from a future Chinese effort to weaponize European green technology dependence, the transatlantic partners should work together to forge more resilient supply chains.

- **Share legislative best practices.** The United States, European Union, and national legislatures should increase dialogue and the sharing of ideas and best practices to update and advance their collective tools to mitigate China’s influence. For instance, the United States could share best practices in the development of its inbound and outbound investment screening mechanisms.

- **Secure critical infrastructure on the basis of national security.** The European Union should prevent the purchase of 5G telecommunications hardware or services from companies that lack a transparent ownership structure. There should be clear red lines about what constitutes an unacceptable foreign investment in critical infrastructure, including in the energy sector. Similarly, the United State and Europe should begin aligning their risk assessments for 6G technology early to avoid repeating the mistakes from the 5G rollout.

- **Continue to increase EU-NATO cooperation.** NATO and the EU should continue to enhance consultations on the ways in which Chinese investment could threaten the safety and security of the NATO allies and conduct joint monitoring of specific acquisitions or takeovers—especially ports—and help educate member states on the risks.
Implement Alternatives to BRI

- Facilitate private-sector investment through financial tools that enable companies to enter risky markets, where they can compete more effectively with BRI investments. The United States and Europe should find ways to incentivize companies to take greater risks with international infrastructure investments, particularly in ports, energy, and information and telecommunications.

- Encourage and pressure China to manage debts for struggling economies through coordinated multilateral programs such as the G20’s Common Framework. U.S. and European countries should continue efforts to build a coalition within the G20 and beyond to push for Beijing’s full cooperation with the G20’s Common Framework for debt service suspension and eventual restructuring, which followed the shorter-term Debt Service Suspension Initiative set up in May 2020 to address financial challenges and defer payments early in the pandemic.

- Pool technical capacity in the fields of finance, engineering, and law to offer technical assistance to countries that lack the capacity to evaluate projects or renegotiate the terms with China. The United States has done this in the Maldives and Burma and could carry out similar efforts jointly with European and Indo-Pacific allies in other nations.

- Encourage the World Bank to prioritize infrastructure investment. The World Bank should reinvigorate its infrastructure spending and reduce bureaucracy surrounding the loan process that extends the timelines for completing the financing arrangements.

- Connect Global Gateway with the Partnership for Global Infrastructure and Investment. The U.S. Department of State and European External Action Service should coordinate development finance efforts in the resilience working group of the U.S.-EU Dialogue on China. This working group provides a venue for sustained, institutionalized coordination of the Global Gateway and PGII initiatives. Likewise, the EU-U.S. Trade and Technology Council’s new task force on public financing for secure connectivity and information technology supply chains is an encouraging first step to further institutionalize transatlantic cooperation. However, to be effective, this task force should ensure it has dedicated financing and should link its work with other development finance initiatives, including the Global Gateway and PGII.

Introduction

In the early years of its existence, BRI’s enticing promise afforded Beijing broad economic and geopolitical influence, as leaders around the world sought to secure for their countries a piece of what China was offering. By contrast, Xi’s plan caught leaders in the United States, Europe, and other liberal democracies flat-footed and struggling to respond. They worried that BRI projects would come at the cost of environmental, labor, and transparent governance goals in the developing world. They were also concerned that Beijing would leverage developing countries’ debts to China into commercial, technological, and geopolitical influence. And they were wary that countries replicating China’s domestic economic model might adopt its authoritarian governance model too. In the intervening years, BRI has notched important wins but also faced a mounting set of obstacles as optimistic plans encountered the often-difficult realities of financing and building infrastructure.

Those obstacles, along with China’s economic problems at home and, in some places, darkening perceptions of China, make BRI’s future uncertain. Still, at the global level, building infrastructure and related systems to facilitate trade—often lumped together under the banner of “connectivity”—remains a critical part of fostering sustainable economic development. Connectivity is also a major area of strategic competition between the United...
States and its allies and partners, and China. This paper examines the evolution of the BRI since its introduction and provides policy recommendations for how the United States and Europe can work together to meet some of the current and future expected challenges posed by the massive Chinese initiative. The paper starts by laying out China’s economic and trade objectives for BRI and then explains Beijing’s diplomatic and security goals. The first section concludes by briefly examining BRI’s evolution over the nine years since its inception.

The paper then turns to an assessment of BRI’s progress in both Europe and the Indo-Pacific, two regions central to Washington’s network of allies. The authors chose to focus on the status of BRI in Europe under the assumption that transatlantic cooperation must start there. If Washington and Brussels are unable to meet BRI challenges in Europe, they will likely fail to address them anywhere else. The authors chose to examine the status of BRI in the Indo-Pacific as this region has become the focal point of U.S. strategic competition with China and a growing focus in Europe. As evidence that the Indo-Pacific region has taken top priority in the respective foreign policies of Brussels and Washington, in September 2021, the European Commission released a joint communication to the European Parliament and the Council on The EU Strategy for Cooperation in the Indo-Pacific, while the White House released its own Indo-Pacific Strategy of the United States, in February 2022.

Given the challenges and uncertainty surrounding the future of the BRI, the authors then turn to analyzing anticipated trends for the initiative in Europe and the Indo-Pacific, using three broad-based scenarios they developed. Finally, the authors offer a series of policy recommendations for U.S. and European officials that will help address the current and likely future challenges presented by China’s BRI.

# China Sets Ambitious Goals for BRI

Leaders of the People’s Republic of China (PRC) designed the BRI to advance multiple priorities for the country under Xi. Xi initiated BRI in 2013 during his first five-year term and will soon seek his third term as the country’s top leader, breaking norms of Chinese elite politics in the process. BRI is Xi’s signature initiative. He has called it the “project of the century,” enshrined the program into the CCP’s constitution, and released a stand-alone book of his speeches on the initiative.¹

## Economic and Trade Objectives

China’s leaders designed BRI to serve several economic and trade purposes. Domestically, Beijing wants BRI to help address challenges facing the country’s domestic political economy. BRI provides a foreign outlet for excess production capacity in industrial sectors such as steel, cement, high-speed rail, and telecommunications. Those industries expanded massively after China went on an infrastructure-building binge following the 2008 global financial crisis, but eventually they outstripped domestic demand. BRI is also meant to deepen integration and alleviate disparities between China’s wealthy eastern coastal provinces and its poorer central and western inland provinces by steering more commerce through east-west routes and bolstering cross-border trade with China’s western neighbors.²

Internationally, BRI seeks to embed China at the center of regional and global trade routes and value chains. As one PRC official put it, “The plan is to lead the new globalization 2.0.”³ BRI builds on earlier efforts to boost the role of Chinese companies in international commerce, especially the “going out” campaign initiated by former Chinese leader Jiang Zemin around the beginning of the century.⁴ BRI was first formally included in China’s 13th Five-Year Plan that covered 2016–2020 and also features in China’s 14th Five-Year Plan that covers 2021–2025.⁵

BRI was meant to deepen and accelerate the long-standing trend of China rapidly expanding its share of global trade, which first started to pick up after the country’s accession to the World Trade Organization in 2001 and has carried through to China’s recent accession to the Regional Comprehensive Economic Partnership (RCEP) and aspiration to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).⁶ Moreover, BRI aligns with Xi’s “dual circulation” strategy for China’s economy. That strategy calls for increasing foreign countries’ reliance on China and simultaneously decreasing China’s reliance on international suppliers and demand, while substituting domestic demand in its place.⁷
BRI also supports major pillars of China’s state-directed industrial strategy. Building and operating ports, along with the roads and railroads leading to them, aligns with China’s related program to subsidize its shipbuilding and shipping industries to gain a dominant global market position in those sectors. Beijing further seeks to leverage BRI in support of its ambition to shape technical standards, including through its China Standards 2035 plan. Standards play a critical role across numerous industries, from high-speed rail to telecommunications, clean energy, and many others.

In addition, Beijing is trying to become the dominant manufacturer of key technologies through plans such as Made in China 2025, with BRI helping to expand markets for China-made products in priority sectors. China wants to position itself to drive both the existing and future digital economies, including the integration of the digital and real economies. One specific benefit Beijing would gain from such a central position in digital markets would be access to large and diverse pools of data. The CCP and China’s State Council showed the importance they place on data when, in April 2020, they officially labeled it as a factor of production—the basic building blocks of economic activity—joining land, labor, capital, and technology.

**Diplomatic and Security Goals**

BRI also is designed to advance China’s diplomatic and security objectives. BRI boosts several lines of effort that fall under the current diplomatic and foreign policy of the PRC, as spelled out in the Xi Jinping Thought on Diplomacy, which discusses building a “community of common destiny for mankind.” That seemingly anodyne phrase is shorthand for building a world order that safeguards China’s authoritarian domestic governance system and contributes to its emergence as a global power. Beijing claims that BRI provides an opportunity for partner countries to benefit from China’s economic and technological development. In Beijing’s telling, China’s growing power benefits the rest of the world, rather than posing a threat, or even just being benign. As Chinese State Councilor and Foreign Minister Wang Yi declared in his 2021 annual speech on Chinese diplomacy, “The BRI is fast becoming ‘a belt of prosperity’ benefiting the world and ‘a road of happiness’ benefiting all peoples.”

China’s messaging surrounding BRI seeks to convince developing countries that, in Wang’s words, they “are China’s natural partners and reliable allies.” Chinese leaders—who have a decades-long history of claiming leadership of the developing world—say their guiding role stems from China’s status as a developing country, and because Beijing offers a model for development that does not require countries to move toward liberal democratic governance standards. As Xi proclaimed in his October 2017 speech at the 19th Party Congress, China’s example “offers a new option for other countries and nations who want to speed up their development while preserving their independence.” Next, BRI boosts Xi’s focus on engaging countries on China’s periphery and throughout Asia, including Central, South, and West Asia (the Middle East). And finally, BRI provides a tool for Xi’s ambition to “lead the reform of the global governance system” by setting up new institutions such as the Belt and Road Forum and the Silk Road Fund and by linking BRI to existing international organizations, from the United Nations to the Asia-Pacific Economic Cooperation (APEC) grouping.

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Beyond diplomatic narratives, China’s leaders want BRI to further several concrete security objectives. Domestically, boosting the economies of its western provinces is one component of Beijing’s campaign to “Sinicize” those areas, especially Xinjiang and Tibet. PRC leaders also want to guard against what they call the “three evil forces” of ethnic separatism (or “split-tism”), religious extremism, and terrorism. Of course, that campaign also includes draconian repression that rises to the level of genocide against Uyghur people and other ethnic minorities in Xinjiang and beyond. In addition, BRI routes through Pakistan and, to a lesser extent, Burma provide China’s western provinces an outlet to the Indian Ocean. Such routes bypass the Malacca Strait and therefore, at least in theory, would make it harder for adversaries to interdict seaborne energy supplies and other trade to China as part of a blockade.
Internationally, BRI provides a vehicle for Beijing’s efforts to shift some strategic focus westward toward the Eurasian continent and the Indian Ocean and away from its eastern flank as relations deteriorate with the United States and Japan.\(^{22}\) China also uses the incentive of BRI projects as leverage in its relations with other countries at both the elite and popular levels to get them to support China’s diplomatic priorities, such as blunting human rights criticisms over Xinjiang, Tibet, and Hong Kong. In addition, BRI acts simultaneously as a driver of, and enabler for, the expanding global operations of China’s military, the People’s Liberation Army (PLA). BRI drives the PLA’s expansion because China’s leaders have assigned its military the mission of protecting the growing number of Chinese citizens and assets overseas.\(^{23}\) Chinese private security companies play a major role in protecting BRI, too.\(^{24}\)

BRI helps enable the PLA’s overseas operations through a global network of ports and the associated logistics and support services that are owned or operated by Chinese companies. One analysis found that Chinese firms own or operate terminal assets in 96 ports in 53 countries, although it is not clear how many resulted from BRI.\(^{25}\) The PLA relies heavily on commercial facilities but also seeks dedicated military bases. China’s first overseas base opened in Djibouti in 2017, and credible reports show Beijing is exploring the development of facilities in Cambodia and the Solomon Islands. According to the Department of Defense, China seeks additional bases but has yet to acquire PLA facilities or permanent access agreements in places such as Pakistan and Sri Lanka—both countries with heavy BRI exposure.\(^{26}\) Another key military implication of BRI is that China-owned or -operated infrastructure, both physical and digital, can pose security risks for U.S. and allied military bases by creating possibilities for China to surveil operations or use its economic leverage to deny U.S. access or overflight during critical moments.

**BRI Evolves in the Face of Challenges**

In its years into its existence, BRI remains a nebulous program with seemingly few limits on its geographic or functional scope. Chinese leaders have always described BRI in broad terms. That vagueness appears to be, at least in part, by design to keep policy articulation and implementation flexible. Xi himself has headlined several major meetings with BRI partner countries, including Belt and Road Forums in May 2017 and April 2019 and a high-level symposium in November 2021.\(^{27}\) Over the course of those meetings, the messaging has focused more on promoting “high-quality” and green projects than it did in the early years of BRI.

A series of obstacles to BRI have forced those changes in approach. The research group AidData found that 35 percent of infrastructure projects in AidData’s data set explicitly labeled as BRI had encountered major implementation problems such as corruption scandals, labor violations, environmental hazards, and public protests (see more details in section below).\(^{28}\) Additional challenges have come from technical and engineering issues, changes in governments in partner countries, security risks to the projects given that many happen in conflict-prone places, and scrutiny from the international community.\(^{29}\) Perhaps the biggest obstacle BRI has faced is the COVID-19 pandemic, the economic fallout from which has made it harder for BRI partner countries, many of whom were already facing high debt levels, to make their payments.\(^{30}\)

No official Chinese source tracks all BRI spending to date, so analysts must rely on data sets built by third parties. The American Enterprise Institute’s China Global Investment Tracker documents $330 billion invested and $510 billion in construction since BRI’s inception.\(^{31}\) AidData compiled a data set of 13,427 China-financed projects worth $843 billion across 165 countries, although that data set includes projects from the years 2000–2017, so many of them pre-date BRI.\(^{32}\) For its part, the Green Finance & Development Center at Fudan University in Shanghai tallied $932 billion in BRI activity since 2013, including $561 billion in construction contracts and $371 billion in nonfinancial investments.\(^{33}\) Assuming these calculations are broadly accurate, headline estimates that BRI’s size would eventually be counted in the multiple trillions of dollars appear to be overblown.

Given these developments, four major trends have reshaped BRI in recent years and are poised to continue. The first trend is a general funding slowdown from the early years of the initiative when Beijing announced BRI projects and financing at a breakneck pace.\(^{34}\) China’s domestic economic slowdown, the result of COVID lockdowns and structural problems in real estate and other sectors, will put additional downward pressure on BRI. The second trend is Beijing’s attempt to improve BRI’s image regarding project standards across the board but especially on climate and environmental standards and financial viability. In March 2022, China’s National Development and Reform Commission—the country’s top economic planning body—along with the Ministries of Foreign Affairs, Ecology and Environment, and Commerce issued a new set of guidelines on promoting green development under the BRI.\(^{35}\)
A third trend is the changing composition of BRI projects, which in the infrastructure realm means a further turn toward digital infrastructure, or what China calls in its domestic context “new infrastructure.”36 This trend started in 2015 when China announced the Digital Silk Road through a white paper and has gained momentum since.37 The composition of BRI projects is also likely to change in a larger sense. Officially, BRI has five pillars, only one of which is infrastructure connectivity.38 PRC leaders are likely to place more emphasis on the other four pillars—policy coordination, unimpeded trade, financial integration, and people-to-people ties—as traditional infrastructure projects lose steam. In doing so, BRI would become even more indistinguishable from China’s economic statecraft writ large.

The fourth BRI trend is that the initiative is receding in prominence and being supplemented with new priorities in China’s foreign policy. In September 2021, Xi rolled out a Global Development Initiative.39 And in April 2022, he announced a Global Security Initiative.40 Those initiatives now occupy some of the space that BRI had previously in Beijing’s foreign policy agenda, leaving BRI as just one initiative among several. In sum, the future of BRI will look different from the early years as the program evolves to stay viable, continue to serve China’s interests, and avoid some of its most costly missteps.

Uncertain Future for BRI in Europe

The Belt and Road Initiative in Europe has evolved as Europeans have changed their view of China as a partner to a competitor and even a “systemic rival” during the last few years.41 This change has taken place in the context of growing concerns about China’s aggressive influence operations and economic coercion, particularly in the aftermath of the outbreak of COVID-19, and human rights violations and crackdowns on fundamental freedoms within China. This has led to a greater convergence of views about China between Europe and Washington, presenting opportunities for transatlantic cooperation on the BRI. Despite the growing convergence, however, there is still some variance in views on China—not just between the United States and Europe, but within Europe itself—that continues to make consensus difficult to achieve.

Intra-European friction has led to splintered and sometimes even contradictory responses to Chinese behavior. For instance, while the European Union (EU) agreed in May 2021 to sanction China over its use of forced labor against the Uyghur Muslim minority in Xinjiang, numerous German companies such as tech giant Siemens continue to protect their business interests in the region.42 Similarly, while Lithuania’s European partners have made rhetorical pledges to stand up for the country in its ongoing trade dispute with China, they have offered little in the way of substantive economic countermeasures.43 Finally, European countries have differing assessments of the security challenges posed by aggressive Chinese actions in the Indo-Pacific region. While France’s recently published Indo-Pacific strategy directly addresses “the need to prevent the emergence of a new hegemon,” Germany’s guidance for the region places a much larger emphasis on economic opportunities in the region.44

Europe from China’s Perspective

China’s views of Europe have historically focused on potential economic and technological opportunities, particularly European investment in China as well as access to the massive internal market and cutting-edge industrial technologies of the European Union (EU).45 Beijing has voiced concerns in recent years that Europe will pursue a partial or full decoupling from Chinese markets and reduce its reliance on People’s Republic of China (PRC) supply chains. Meanwhile, mounting European criticisms on human rights infuriate China and have led to reciprocal sanctions that are now a major obstacle to the deepening of economic ties—including through the stalled China-EU Comprehensive Agreement on Investment—that Beijing desires.

Geopolitically, China wants Europe to act as an independent pole in a multipolar world order and exercise European “strategic autonomy” to carve its own diplomatic and security path separate from the United States.46 Beijing opposes Europe strengthening transatlantic ties through NATO and other institutions, saying it leads to “bloc confrontation” and provoking a “new Cold War.” China saw transatlantic rifts during the Trump administration as an opportunity to deepen China-Europe cooperation, with some success. But improved transatlantic relations under the Biden administration, along with hardening European views toward China, have reversed the situation. Finally, while China nominally supports European integration, Beijing has frequently sought to leverage individual countries’ grievances with Brussels—including in Serbia, Hungary, Turkey, Greece, and, for a time, the United Kingdom—to advance China’s position on Europe’s periphery using both BRI and other economic tools.
Russia’s reinvasion of Ukraine in February 2022 has the potential to further harden European views on China. Many countries have a negative view of China’s refusal to condemn Russia and its unwillingness to push Moscow to end the war. They also worry about the risk that Beijing could actively undermine the sanctions and economic pressure Europe has sought to impose on the Kremlin. While many European nations are growing wary about China’s actions toward Russia, an alternative European narrative about relations with China also is gaining traction. This narrative contends that Europe cannot afford to compete with two powers at once. Some European businesses worry about jeopardizing access to China’s market at the same time that Europe has cut business relations with Russia. It is still uncertain which of these two narratives will prevail and whether these competing views will continue to thwart European consensus on how best to navigate relations with Beijing.

Against this backdrop of varying attitudes, China’s Belt and Road Initiative has had an uneven track record in Europe. As of March 2021, a total of 31 European countries, including 17 EU member states, had formally joined the infrastructure investment program by signing memorandums of understanding (MOUs) with China. This group notably includes Italy, which in 2019 became the first G7 country to agree to an MOU. While not every country with an MOU currently hosts BRI projects, they have all at least endorsed the concept of the Belt and Road Initiative and pledged to cooperate with China to promote it. Yet in the past few years there has been increasing pushback against the initiative among some European participants, with key BRI projects stalling in places such as the Baltic States and Romania due to concerns over Beijing’s behavior and the potential risks associated with Chinese investment. On the other hand, BRI projects have retained strong political commitment in countries that are less inclined to take a harsh stance toward China such as Greece, Serbia, and Hungary, despite the presence of external criticism.

Some of the most decisive action against the Belt and Road Initiative has come from the Baltic States. In May 2021, Lithuania withdrew from the 17+1 grouping, a diplomatic format that China uses to promote its Belt and Road projects in Central and Eastern Europe. Since then, the government has blocked planned Chinese investment in the port of Klaipėda and suspended Chinese freight train services to Vilnius under the Belt and Road Initiative as part of the growing diplomatic

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**European Signatories of BRI Memorandums of Understanding**

As of March 2021, a total of 31 European countries, including 17 European Union (EU) member states, had formally joined the infrastructure investment program by signing memorandums of understanding (MOUs) with China.

<table>
<thead>
<tr>
<th>Country</th>
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standoff between the two countries. Lithuania’s neighbor Estonia, meanwhile, decided in July 2020 to end a project that would have seen China fund the construction of a tunnel to Finland under the Baltic Sea, citing security concerns. More recently, Estonian Prime Minister Kaja Kallas has called for the United States and Europe to develop a clearer joint alternative to the Belt and Road Initiative that would offer investment in infrastructure without the risks posed by Chinese finance.

Romania, too, has pulled out of important BRI projects. In May 2020, the government in Bucharest directed Nuclearelectrica, the state-owned company that operates the Cernavoda nuclear power plant, to cancel its plans to have China General Nuclear Power Corporation (CGNPC) construct two new nuclear reactors at the site. Under the terminated agreement, originally negotiated in 2015, CGNPC would have held a majority stake in the venture. Under the terminated agreement, originally negotiated in 2015, CGNPC would have held a majority stake in the venture. Former Prime Minister Ludovic Orban did not cite a specific reason for the reversal, simply stating that it would “not work with the Chinese.” Yet the decision may have been influenced by a desire for closer alignment with the United States, as in October 2020 the Export-Import Bank of the United States replaced CGNPC as an investor in Cernavoda.

The picture looks substantially different elsewhere, however. One of the biggest European success stories for the Belt and Road Initiative is the port of Piraeus in Greece. While Greece did not officially join the Belt and Road Initiative until 2018, Athens has steadily deepened financial ties with Beijing since the financial crisis, with Chinese shipping firm COSCO first beginning operations at Piraeus in 2009 and then purchasing a majority stake in the port in 2016. Viewing Piraeus as the primary entry point for its trade with Europe, China routinely touts the nearly sevenfold increase in the port’s container volume since COSCO’s takeover as an example of the promise of the Belt and Road Initiative. Though poor work conditions at the port have begun to give rise to resentment among the local population, the Greek government shows no signs of wavering in its commitment to the project, having permitted COSCO to increase its stake in Piraeus from 51 percent to 67 percent in October 2021. More recent investments in other European ports—such as Taranto in Italy, which is especially notable given that it hosts a key NATO base—suggest that China seeks to replicate its success at Piraeus throughout the European continent.

Some of China’s most notable infrastructure investments in Europe have included ports in Greece, Italy, and elsewhere. The outcome of ongoing negotiations for Chinese investment in the port of Hamburg, a key strategic asset and pictured here, will provide an indication of the appetite in Europe for continued cooperation with China. (Westend610/Getty)
Another flagship BRI project is the Budapest-Belgrade railway, which China hopes will serve as its future commercial “aorta” in Europe by providing a high-speed link between Piraeus and western Europe. While China, Serbia, and Hungary originally agreed on the project in 2014, construction is not expected to be complete until at least 2025. A significant reason for the delay was an infringement procedure that the European Union opened against Hungary in 2016 over concerns about a lack of transparency in the tender procedure. Many observers have also alleged that the project is unprofitable and serves as a tool of Chinese influence in the region. Nevertheless, political commitment to the railway has remained strong in both Belgrade and Budapest—the Hungarian government signed a new 10-year $2.1 billion loan agreement with China in April 2020, while Serbian President Aleksandar Vučić presided at the opening of the section of the railway between Novi Sad and Stara Pazova in August 2021. In addition to hard infrastructure, China attempted to make inroads in European digital infrastructure, especially in 5G telecommunications networks. From 2008 to 2020, Chinese company Huawei controlled 45 percent of the market for 4G network products in Europe and was poised to capture similar market share for 5G network products. Given the security risks introduced by Huawei in networks, the United States began pressuring European governments to reassess their stance on Huawei. In October 2019, the European Union released the EU Coordinated Risk Assessment of the Cybersecurity of 5G Networks, which assesses risk in 5G networks and recommends risk mitigation strategies. A major blow to Huawei’s efforts in Europe was the United Kingdom’s decision to ban Huawei from its 5G networks in July 2020. Europe’s reluctance to adopt Huawei’s 5G kit accelerated with the UK’s move and sustained pressure from the United States, including the U.S. Department of Commerce’s decision to add Huawei to the department’s Entity List and the U.S. Department of State’s Clean Network initiative. In August 2020, the U.S. Commerce Department delivered the final blow when it strengthened export controls on Huawei, blocking all globally produced chips from being sold to the company and consequently slowing Huawei’s production of 5G base stations. Despite this, a few European countries still plan to use Huawei equipment in their 5G networks.

The future of the Belt and Road Initiative in Europe remains uncertain. The outcome of ongoing negotiations for Chinese investment in additional strategic assets such as the port of Hamburg in Germany will provide an indication of the appetite in Europe for such cooperation with China. While views of China may be hardening in some parts of Europe, limiting receptivity to the Belt and Road Initiative, the waning interest in BRI is by no means guaranteed and unlikely to take hold in Europe as a whole.

### Growing Disappointment with BRI in the Indo-Pacific

In the last few years, even before the COVID-19 pandemic, China’s BRI had begun to show its limitations in the Indo-Pacific. Several high-profile projects in the Indo-Pacific have faced implementation problems or turned out to be lower in quality than expected. Several projects have been delayed or canceled altogether due to financial difficulties or for operational reasons, including travel restrictions and supply chain issues caused by COVID-19. As one foreign official told the authors, “The sheen has come off BRI,” and many in the region view it primarily as a way for China to recycle its money back to Chinese companies. There have also been numerous complaints that corruption has tainted BRI projects and that the Chinese do not hire enough local workers. As Indo-Pacific economies seek to recover in the post-pandemic world, they will continue to rely on Chinese investment but will be more circumspect about where the financing is directed and on what terms.

The heavy debt burdens associated with BRI projects also have come into focus, particularly in the case of Sri Lanka, where the country’s leaders in 2017 were forced to lease a major port to China for 99 years in exchange for $1 billion in debt relief. While Sri Lanka’s recent economic crisis has been fueled by decades of economic mismanagement and more recent economic shocks from COVID-19 and Russia’s war in Ukraine, several questionable BRI investments in the last several years are also viewed as contributing to Colombo’s current economic woes. China has repeatedly offered Sri Lanka credit for various projects at increasingly high interest rates, even when it was clear the Sri Lankan government would be unable to pay back the loans. After clashes broke out in Colombo in May 2022 over rising fuel and food costs, protesters pointed to Chinese “white elephant” projects in now-former President Gotabaya Rajapaksa’s hometown, like the Hambantota port and the unused airport and convention center, as examples of the mismanaged economy. Sri Lanka’s collapsing economy almost certainly will serve as a cautionary tale for future BRI funding recipients to perform careful due diligence and demand greater transparency on Chinese lending before they conclude major infrastructure deals.
Malaysia has also renegotiated BRI projects to lessen its debt burden and to restructure the projects more in its own favor. After Kuala Lumpur initially signed on to several major projects, concerns related to economic viability, exposure to strategic vulnerability, and the COVID-19 pandemic prevented many of these projects from getting off the ground. Several Chinese financiers of Malaysian BRI projects were also heavily implicated in the corruption controversy that eventually ousted Prime Minister Najib Razak in 2018 after nearly 10 years in office.

Indonesia has largely welcomed Chinese BRI investments but often on its own terms and with certain conditions. The Indonesian government executes most BRI projects through a joint holding company—an Indonesian state-owned enterprise (SOE) in partnership with a Chinese SOE—to shield its state budget. To deal with concerns about an influx of Chinese workers in contract negotiations with China, Indonesia has insisted that there will be four Indonesian workers for every Chinese worker brought into the country. Even though Jakarta has demonstrated prudence in its dealings with Beijing, several projects in Indonesia have faced the same problems as other BRI initiatives in the region. For instance, the Jakarta-Bandung high-speed rail project—which is 40 percent owned by China Rail—is three years behind schedule and at least $1.4 billion over budget due to COVID-related delays, land acquisition issues, and other financial and economic problems.

Other examples of BRI not living up to expectations lie in Pakistan. The China-Pakistan Economic Corridor (CPEC) was unveiled in 2015 as China’s flagship BRI investment, with Xi pledging to then-Prime Minister of Pakistan Nawaz Sharif that Beijing would invest $46 billion in mainly transportation and power projects throughout the country. China’s pledges toward CPEC soon grew to $62 billion, including a project to modernize the port at Gwadar, located at the mouth of the Strait of Hormuz; several coal-fired and hydroelectric power plants; railways; and a fiber-optic cable from China to Pakistan.

CPEC projects slowed in 2018 after the election of Imran Khan as Pakistan’s prime minister and reports indicating that Chinese contractors were overcharging at two CPEC power plants and that China was benefiting more from CPEC projects than Pakistan. Around the same time, Pakistan began facing unsustainable debt levels, and in 2019 the country signed a three-year $6 billion International Monetary Fund (IMF) bailout package. Similar to what happened in Sri Lanka, CPEC appears to have exacerbated Pakistan’s economic problems. Beijing is now Islamabad’s largest creditor, with Pakistan owing 27 percent of its total external debt of $90 billion to China. CPEC has not achieved the grand vision laid out seven years ago of helping to industrialize Pakistan and turn it into a manufacturing hub, demonstrating BRI’s limits in bringing substantial economic change to recipient countries.
environmental reasons.71 Some Indonesians have criticized the government’s decision to move forward with the Jakarta-Bandung high speed rail project, claiming it made little economic sense since Bandung is a tourist, not industrial, hub. The feasibility study for the project was reportedly conducted in under two weeks. Critics claim Indonesian President Joko Widodo was interested in the project more for political than economic reasons, wanting to showcase to constituents his ability to complete large-scale, high-visibility infrastructure projects. Widodo’s trip to China to meet with Xi in late July 2022 provided an opportunity for Widodo to push for the completion of the high-speed rail project as well as for additional Chinese investment in Indonesia.

Despite these challenges, several BRI projects are making headway in Indonesia, and Jakarta still sees many benefits to BRI investment. Indonesian leaders view BRI projects as relevant for regional connectivity and in line with Indonesia’s strategy to mobilize infrastructure investment and improve industrial development. They believe Indonesia will benefit from BRI investment through improvement in transport and logistics services that will reduce the costs of interregional trade.72 At the same time, Indonesia is committed to not allowing China to invest in critical infrastructure such as ports or in strategic locations such as the North Natuna Sea, where Indonesia’s main hydrocarbon block is located and where China has engaged in increasingly aggressive maritime activities.73

With the election of Ferdinand “Bongbong” Marcos Jr. as president on May 9, 2022, the future of the BRI in the Philippines is uncertain. Former Philippines President Rodrigo Duterte welcomed BRI early in his administration as part of his government’s efforts to reorient the Philippines’ foreign policy more toward China. In November 2018, Duterte signed 29 agreements—including for a massive surveillance system that would place 12,000 cameras in Manila and other cities—with Xi during a visit by the Chinese president.74 In 2019, the Philippines rolled out 5G coverage through a Philippine firm with a 40 percent Chinese stake.

However, during Duterte’s last year in office, he improved relations with the United States by reinstating the Visiting Forces Agreement (VFA) in July 2021 after an 18-month suspension. Chinese maritime aggression in the South China Sea off the coast of the Philippines that occurred in 2020 through 2021 contributed to Duterte’s reinstatement of the VFA, as did the highly favorable opinion of Filipinos toward America. There also has been growing concern among Filipinos regarding Chinese influence in the country’s energy sector. A recent internal report prepared for the Philippine legislature warned that China’s 40 percent stake in the National Grid Corporation of the Philippines provided China the ability to shut down the national grid for 24 to 48 hours, including at military facilities.75

The United States also succeeded in disrupting a potential deal for China to acquire a strategically located shipyard in the Philippines. Amid concerns that China in 2016 was preparing to make a bid for the Subic Bay shipyard, Washington helped broker a deal involving U.S. equity firm Cerberus to acquire the shipyard in a $300 million deal that was completed in April 2022.
China is using the banner of BRI to push forward strategic infrastructure projects in which it has long been interested in Thailand. These include the Kra Canal that would cut across a narrow isthmus that connects Thailand to the Malaysian peninsula. China and Thailand reportedly signed an MOU in 2015 to construct the canal, which would cost $28 billion; however, in February 2022, the Thai Parliament narrowly rejected a feasibility study on the project, stalling the canal’s forward momentum. There are significant strategic implications of the canal as it would link the South China Sea to the Andaman Sea in the Indian Ocean, allowing China to bypass the Malacca Straits, where around 80 percent of Chinese oil imports flow.

Another major infrastructure project in Thailand that falls under the BRI banner is the China-Thailand Railway Link, on which work started in 2015. Construction of the first phase of the high-speed rail project that stretches 253 kilometers from Bangkok to a city in the northeastern part of the country called Nakhon Ratchasima has been plagued by delays and already is two years behind schedule, with a projected completion date in 2026. The second phase of the project would extend the rail line to Nong Khai on the Thai-Lao border with the aim of linking Southeast Asia to China through Laos.

Vietnam has been reluctant to accept BRI projects and did not sign up to the initiative until November 2017. Vietnamese officials were skeptical of the financing arrangements as well as Chinese rhetoric surrounding the BRI strategy, which led them to view it as a tool for Beijing to extend its hegemonic ambitions. Vietnamese officials eventually agreed to engage China on BRI when they realized the extent to which China was making inroads with Cambodia and Laos—neighboring countries with which Vietnam had traditionally shared “special strategic partnerships.”

Vietnamese officials remain privately wary of BRI, however, and have thus limited Vietnam’s sovereign debts to China. Vietnam also has been careful not to allow Chinese companies to dominate its developing digital sector. Vietnam was the first Southeast Asian nation to avoid including Chinese companies in its 5G networks due to security concerns.

While China has made significant inroads into Cambodia through high-visibility BRI projects, it is unclear whether the potential costs will be worth the benefits. The construction of a special economic zone (SEZ) in Sihanoukville, an airport, and numerous roads and bridges appears to have given the Cambodian economy an important modern foundation.

But the opacity of the Chinese investments has raised questions about Cambodia’s sovereignty and Chinese leverage, particularly considering recent reports about China’s secret pursuit of a naval base in Ream, just a few kilometers from the SEZ Beijing financed in Sihanoukville.

Laos, which is struggling with massive debt, has been the recipient of several Belt and Road projects over the past decade. A common theme of the projects—in addition to the large costs—is that they seem to offer more benefit to China than to Laos. China has financed or is planning to finance dozens of dams in Laos, ostensibly to support Laos’ strategy of becoming a regional energy exporter. Even more concerning is the Lao government’s 2021 signing of a 25-year concession that grants control of its power grid to a company that is majority-owned by a Chinese energy SOE.
The United States and Europe Seek to Fill Global Infrastructure Financing Gap

The transatlantic partners have launched several initiatives designed to counter and advance an affirmative alternative to BRI—so far with mixed results. This section highlights U.S. and European initiatives aimed at dealing with the challenges presented by BRI and helping to fill infrastructure financing gaps and discusses the shared challenges across existing projects.

U.S. Infrastructure Initiatives

China’s BRI filled a need for infrastructure financing that has been woefully inadequate in the Indo-Pacific region. The Asian Development Bank in 2017 estimated that the infrastructure financing gap in Asia was nearly $460 billion per year. To meet economic growth targets, the developing countries of Asia need to attract large sums of infrastructure investment. However, from 2015 to 2017, Japan was the only significant investor in infrastructure projects in Asia, committing $13 billion to transportation and energy projects in member countries of the Association of Southeast Asian Nations (ASEAN). In recent years, major traditional infrastructure donors such as the World Bank and the Asian Development Bank (ADB) reduced their focus on large-scale infrastructure projects in favor of social service projects. China’s BRI investments have therefore been welcomed throughout the region.

In 2019, as concerns grew about the lack of transparency in Chinese lending and the increasing indebtedness to China of some BRI recipient nations, the Trump administration, in conjunction with the Australian and Japanese governments, launched the Blue Dot Network (BDN) to promote standards for global infrastructure investment that would encourage transparency in lending and high-quality project implementation. The idea was that the BDN would serve as a clearinghouse for proposed infrastructure projects, grading them according to their level of financial transparency, commercial viability, sustainability, and adherence to environmental and community standards.

COMPARING COMMITMENTS OF U.S. AND EUROPEAN INITIATIVES FOCUSED ON THE INDO-PACIFIC

The transatlantic partners have launched several initiatives designed to counter BRI and advance an affirmative alternative to it. These initiatives encompass a range of different areas, including climate, health, digital technology, connectivity, gender equality, infrastructure, and sustainable finance.
In contrast to the Trump administration’s focus on the BDN to push back against China’s BRI, the Biden administration has centered its counter-BRI efforts on the Partnership for Global Infrastructure and Investment (PGII)—initially dubbed the Build Back Better World (B3W) initiative—which was announced at the June 2022 G7 Summit in Germany. The goal of PGII is to meet the infrastructure needs of low- and middle-income countries through a “values-driven, high-standard, and transparent infrastructure partnership led by major democracies.”88 Pledging to raise $600 billion for the initiative over the next five years, the G7 nations will invest in projects that address climate change, expand secure information and communication technology networks, advance gender equality, and upgrade health systems.89 The collective effort to try to rival China’s BRI investments and provide countries alternative sources of infrastructure financing is laudable, but the key lies in these countries’ ability to follow through with their pledges on an expedited basis.

Finance Corporation (DFC) to replace the Overseas Private Investment Corporation (OPIC) in 2018. Because the United States is unable to match the levels of investment made by China’s state-owned entities in BRI projects, the goal for establishing the DFC was to better leverage private capital in investments in overseas infrastructure projects.97 Unfortunately, nearly four years after the creation of the DFC, it has invested few resources in the Indo-Pacific region, where competition with China’s BRI is most acute. This is despite the fact that DFC’s budget was more than doubled to $60 billion (from OPIC’s $29 billion) and that the new organization, in addition to its traditional role of making loans or loan guarantees, was authorized to also acquire equity in projects as a minority stakeholder.

While U.S. agencies are partnering with other nations such as Japan to strengthen their impact in global infrastructure financing, there are bureaucratic obstacles that impede their ability to operate effectively in Indo-Pacific markets. The DFC in 2018 signed a tripartite agreement with the Japan Bank for International Cooperation (JBIC) and Australia’s Department of Foreign Affairs and Trade and Export Finance and Insurance Corporation to jointly mobilize private capital to support major infrastructure investments. To date, however, they have embarked on only one major investment in a subsea telecommunications cable to promote internet connectivity among the Pacific Islands.98 JBIC also recently signed a Memorandum of Cooperation (MOC) with the U.S. Trade and Development Agency (USTDA) that will increase their collaboration on project preparation and financing to “ensure the bankability of infrastructure projects.”99

One of the major challenges of financing infrastructure projects is finding bankable projects. JBIC has more flexibility than U.S. agencies regarding infrastructure investment in the Indo-Pacific. For example, JBIC can provide financing to regional state-owned enterprises under certain conditions.

To better compete with China’s ability to provide significant amounts of export credit—in 2019, China’s export credits outstripped those provided by the United States by more than six times—Congress granted the Export-Import Bank of the United States (EXIM) authority to offer lower rates and more flexible terms for loans in high tech, renewable energy, and fintech.100 The EXIM Board of Directors also voted to relax U.S. content requirements for companies to qualify for export financing in certain sectors.

In addition to making changes within U.S. lending institutions and galvanizing G7 partners to offer alternatives to China’s BRI, Washington is leading efforts within the Quad (made up of Australia, India, Japan, and the United States) to make global infrastructure financing a priority. The group launched a Quad Infrastructure Coordination Group after the September 2021 Quad Summit at the White House. Given the challenges associated with commingling funds among different nations, however, rather than joint Quad projects that pool resources, the four countries are focusing mainly on mapping regional reconstruction needs and seeking to complement one another’s efforts.101 The four countries can also work on standard-setting for transparent, sustainable, and inclusive infrastructure financing and devise ways to incentivize their respective private sectors to take greater risks in Indo-Pacific markets.

Recent European Initiatives

While the United States views its infrastructure investments and development finance tools through a counter-China lens, Europe so far does not share this perspective. In fact, the European Bank for Reconstruction and Development (EBRD)—a multilateral developmental investment bank owned by 71 countries and two EU institutions—signed an MOU with the People’s Bank of China to support projects in the BRI framework.102 Given the lack of a coherent framework for viewing infrastructure investment, Europe is largely left with a patchwork of initiatives.

The first initiative is the EU’s joint communication, Connecting Europe and Asia – Building Blocks for an EU Strategy, released in September 2018. In this strategy, the
European Commission predicts that Asia will require €1.3 trillion per year in infrastructure investment. The communication develops a strategy to connect Europe and Asia that rests on three pillars: “(1) creating transport links, energy and digital networks and human connections; (2) offering connectivity partnerships to countries in Asia and organizations; and (3) promoting sustainable finance through utilizing diverse financial tools.”

Despite the strong launch for the connectivity strategy, the initiative has been slow to get off the ground due to a lack of funding and resources. Building on the joint communication, the European Union and Japan established a Connectivity Partnership in 2019, which focuses on digital, energy, transport, and people-to-people exchanges in third countries, including in the western Balkans, Central Asia, and the Indo-Pacific. Although the partnership establishes a coordination mechanism between the EU and Japan, it does not mobilize additional infrastructure investment or promote alternatives in third countries.

In addition to the EU’s flagship initiatives, there are several EU initiatives that provide development financing but do not have a deep focus on infrastructure investment. For instance, the EU’s Pre-Accession Assistance Instrument (IPA III) dedicates €14.2 billion to support reforms in EU candidate countries. The primary focus of this instrument is supporting governance and political reforms; however, it also covers transport, digital transformation, and green transition projects. To complement the EU strategies, individual EU member states also rely on development finance tools, such as the German Development Finance Institution and the French Development Agency (AFD).

Yet another EU initiative that seeks to provide an alternative to China’s BRI was launched in April 2021. The EU’s Indo-Pacific Strategy strives to “contribute to the region’s stability, security, prosperity, and sustainable development, in line with the principles of democracy, rule of law, human rights and international law.” There are several priorities of the strategy, including digital connectivity, sustainable and inclusive prosperity, and human security, among others. The EU’s Strategy makes a case for why Europe should partner with Indo-Pacific economies, especially in the wake of the COVID-19 pandemic and the Indo-Pacific’s strong economic outlook.

In December 2021, to bring together the various European initiatives, the European Union launched the Global Gateway, its flagship connectivity initiative. The Global Gateway aims to mobilize €300 billion of current public and private money for investments from 2021–2027. The project focuses on several areas:

- digital, climate and energy, transport, health, and education and research around the world.
- However, the Global Gateway does not dedicate new funding for connectivity initiatives, but rather rebrands current funding and projects under the Global Gateway banner. In advancing this initiative, the European Union aims to “rise above” the Belt and Road Initiative by taking a values-based approach focusing on good governance and democratic values. This approach stands in stark contrast to the Belt and Road Initiative, which is often criticized as lacking transparency and reinforcing dependencies between China and partner countries. Although the Global Gateway is in an early stage of development, the project is at risk of becoming merely a network of local projects, rather than one that can advance a coherent strategy and mobilize additional funding. Furthermore, there are few current linkages between Europe’s Global Gateway and the PGII announced at this year’s G7 Summit in Germany. To realize the potential of these strategies, the United States and Europe must coordinate more closely. Otherwise, the transatlantic partners risk duplicating each other’s efforts.

Drivers for the Future of the Belt and Road Initiative

Although many factors will affect the Belt and Road Initiative’s trajectory in Europe and the Indo-Pacific, the authors assessed that the following five are likely to be most consequential in shaping how the BRI will evolve in the coming years.

China’s economic trajectory. China’s economy will shape both its approach to and resources available for Belt and Road investments. Relatively strong economic conditions in China would allow Beijing to be more risk-acceptant and advance Belt and Road projects in both regions. Conversely, if China’s economy falters—as recent slowdowns in China’s real estate and tech sectors have previewed—Beijing would likely be more risk-averse or would simply lack the available capital to fund BRI. A stagnant economy would likely prompt China to be selective and push forward only those projects that help advance China’s geopolitical or commercial interests or provide a greater return on investment for China.

State of the economy in European and Indo-Pacific countries. The state of European and Indo-Pacific countries’ economies will influence their demand for
BRI investment and perceptions of the desirability of China as a partner. Economic headwinds—including those that result from a slower than expected post-pandemic economic recovery or prolonged inflation stemming from Russia’s war on Ukraine—increase the prospects that countries could seek infrastructure investments from Beijing. Alternatively, if partner countries are economically strong, they may be more likely to prioritize mitigating project risks and choose less-risky infrastructure investments.

**Degree to which China links BRI to its geopolitical objectives.** China claims BRI is not a tool of geopolitical influence, but Beijing’s actions have often shown otherwise. Going forward, the degree to which China links cooperation under BRI with partner countries’ stances on other issues—such as human rights, trade practices, or military access—will shape both perceptions and on-the-ground realities around BRI. If, for example, China were to focus mainly on commercially viable projects that provide economic benefits to the host country, there would be less suspicion that it is using BRI primarily to gain influence with the political elite. How China uses BRI will also affect how European and Indo-Pacific countries will respond. If partner countries perceive BRI as a tool for Chinese geopolitical influence, then it will raise concerns in democratic countries about security risks, host countries’ political relations with China, and Chinese influence in both regions. At the same time, if China insists on linking BRI to other issues, some countries might pursue closer diplomatic alignment with Beijing as a means of garnering assistance through BRI.

**Liberal democratic alternatives to BRI.** A key driver of the BRI’s development will be the viability and success of Western alternatives. The success of the Partnership for Global Infrastructure and Investment, Global Gateway, and related initiatives will influence Beijing’s ability to expand its position and influence in key regions using BRI projects.

**Attractiveness of existing BRI projects.** Government and public perceptions of the attractiveness of existing BRI projects will determine their receptivity to partnering with Beijing on future projects. The attractiveness of BRI projects will be defined by a complex mix of factors depending on the partner country’s circumstances. In general, perceptions of whether China can produce results rapidly and at an acceptable cost will be weighed against whether projects are transparent, adhere to international standards, are environmentally friendly, and do not feed corruption. In some cases, however, the interests of government officials might diverge from the public’s interests.

### Scenarios for the Future of BRI

To gauge how the Belt and Road will develop through 2030, CNAS researchers examined numerous permutations of the above drivers. The authors selected the three scenarios that they judged as having the most significant implications for the national security interests of the United States and its like-minded allies and partners. For each scenario, the report describes the state of the world, with a particular focus on how the scenario’s conditions would play out in two regions most critical to the United States: Europe and the Indo-Pacific. For each scenario, the report also identifies the risks and implications for the United States and its allies. It is important to highlight that the scenarios are not mutually exclusive, and it is likely that future reality will involve elements of more than one scenario. The scenarios are designed to prepare policymakers and planners for the futures they could face, including key challenges and opportunities that may arise in the years to come.

The scenarios consider a mix of several key drivers, and the following tables indicate whether the driver was high (+) or low (−).

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Scenario One: Ascendant China

China’s modest economic recovery and avoidance of a major slowdown—however remote the chances seem at the time of writing—enable Beijing to develop a more assertive stance on the global stage and use its economic leverage for political ends, including establishing its leadership in international standard-setting bodies. Beijing’s economic strength facilitates its efforts to expand its inroads in the European and Indo-Pacific regions where countries’ economies are struggling. China revives the Belt and Road Initiative and returns its focus to its core purpose: critical and digital infrastructure. Beijing also rebrands the Belt and Road Initiative by attempting to address partner countries’ concerns about the initiative. Meanwhile, U.S. and European alternatives to the BRI—such as the Global Investment and Infrastructure Partnership, Global Gateway, and Blue Dot Network—struggle to get off the ground, in part given economic challenges in the United States and Europe. Still without a viable alternative, many countries in Europe and the Indo-Pacific find the BRI attractive.

In Europe,113 Europe and the United States continue to be distracted by the Ukraine crisis and therefore have fewer resources and bandwidth to focus on China’s growing political and economic influence in Europe. Although China faces some costs stemming from the war in Ukraine, Europe’s economies are significantly worse off, suffering from dynamics including inflation, a worsening debt crisis, and the challenges associated with making a swift transition away from Russian energy.

To take advantage of its relatively stronger economic position, China adapts its industrial and development priorities. As part of this effort, it seeks to rebrand the Belt and Road Initiative for European audiences, presenting it as part of China’s strategy to spur global economic growth and sustainable development, with a particular focus on the green transition. China channels much of its BRI-related investments in Europe into green energy, as European policymakers have stressed the need to address the climate crisis with greater urgency while simultaneously reducing energy dependence on Russia.

China also prioritizes critical infrastructure projects in its BRI investments in Europe, including ports, undersea cables, digital infrastructure such as 5G and cloud computing, and components of smart cities infrastructure. As part of this effort, China attempts to address concerns from European governments about BRI projects, including debt traps, carbon footprint, and a lack of transparency. The expansion of its so-called Green BRI plays a key role in winning support from climate-conscious publics and governments.

Given the hurdles to getting viable alternatives to BRI off the ground—especially economic turbulence in the wake of the Ukraine crisis and the resulting lack of funding—BRI investment becomes more attractive to many European countries, even as many of them are aware of the potential risks of partnering with China. The BRI is especially attractive to those countries with a struggling economy in the European South, such as Greece; those with high debt burdens, such as Italy and Spain; and those that already have a strong relationship with Beijing, such as Hungary. As Beijing directs its investments to its closest partners, other European countries are likely to increasingly see the utility of closer political ties to China. China’s influence in stronger economies, such as Germany, may prove more tenuous, although Beijing is making overtures to subnational-level governments and some of Europe’s poorest cities, including in France and Germany, turn to China for cheap technology.

China has also focused on countries on the EU’s periphery, such as Turkey, Serbia, Georgia, and Armenia, where China can extend considerable political influence. Beijing is also looking to increase its goodwill with Europeans by pledging to assist with the reconstruction of postwar Ukraine, including expressing interest in helping Kyiv rebuild and increase the efficiency of its ports, and invest in manufacturing and smart cities. In contrast, the Baltic and Nordic states remain highly skeptical of relations with China, in large part given Beijing’s association with Russia. The divergent approaches to China across the European Union fracture EU consensus and prevent the EU from acting as a bloc, especially on
measures critical of China. This also strains transatlantic relations, with the United States unsure if it can count on Europe as a partner in its competition with China.

At the same time, there are also notable sources of resilience in Europe against a resurgent BRI. For example, China has not been able to exploit an economic crisis in Europe in the same way that it did after the 2008 global financial crisis when it acquired a number of European critical infrastructure assets. This is because the EU has put into place investment screening mechanisms, suspended fiscal policy requirements, and introduced new pan-European investment vehicles.

IN THE INDO-PACIFIC

The fast pace of China’s economic recovery from the pandemic strengthens its inroads in the Indo-Pacific, where other economies are still facing periods of contraction. While Beijing has adopted a more risk-averse approach to its investments in BRI-related projects, project terms become less transparent and more favorable to China because it holds greater leverage given its relatively stronger economic position.

Many of Beijing’s new BRI deals in the region focus on projects with high strategic value. This includes doubling down on digital infrastructure projects, particularly 6G and subsea cables, leveraging the capabilities of Chinese tech giants such as Huawei and ZTE. Due to growing concerns about the effects of climate change in the region, Beijing attempts to further refresh the BRI “brand” through a greater focus on green infrastructure projects of great importance to host countries, especially in the Pacific Islands. Overall, as Beijing becomes more risk-averse, projects do not always result in extreme end-terms such as 99-year leases to China, but they continue to cultivate sustained dependence on Chinese firms and workers for proprietary maintenance and upgrades. Elite capture also remains an integral piece of the BRI strategy, allowing China to corrupt local officials so that Beijing can set its own rules for executing projects and control the narratives surrounding any failures.
Indo-Pacific countries view competing U.S. and European initiatives as ineffective. These initiatives continue to offer financing for small projects in countries such as the Philippines or Thailand, where the United States has historically been popular, but there are no true viable alternatives to the Belt and Road Initiative. While Global Gateway and Build Back Better World were initially promising as alternatives, the region’s countries assess that they do not compare with the Belt and Road Initiative in terms of the speed that results from a lack of Chinese red tape, or the sheer total monetary value of what Beijing offers to the region. Given these views, Washington and Brussels are unable to convince most recipient countries that sustainability, quality, and building local capacity are worthwhile comparative advantages. The timing of China’s economic recovery during a period of Western paralysis due to competing political priorities and limited available development capital means that even as Indo-Pacific countries are increasingly wary of Chinese financing, they have little leverage because there are no real alternatives that will meet their needs.

RISKS AND IMPLICATIONS OF SCENARIO ONE
This scenario would present the following risks and implications for the United States and its allies and partners:

Burnishing views of Beijing’s leadership on the global stage and in international organizations. For many countries, China has positioned itself as a constructive global actor investing, through the BRI, in the development of countries in need of such assistance. These linkages have spillover effects, particularly in international organizations where China can count on support from BRI countries, including the United Nations and international standard-setting organizations. Furthermore, the failure of the United States, Europe, and other liberal democracies to advance an alternative to the BRI undermines perceptions of Western credibility—especially in the developing world—and creates a vacuum for China to fill.

Weakening political will to push back on China’s economic coercion, human rights abuses, and military assertiveness. As dependencies on China grow, Beijing’s leverage would increase. This would make it more difficult for some countries to hold Beijing accountable for unfair trade practices or penalize China for noncompliance. Likewise, China would be able to use its enhanced leverage to dissuade countries from pushing back on China’s economic coercion, human rights abuses, or military assertiveness due to a fear of a retaliatory response from Beijing.

Facilitating data transfers to China. Widespread adoption of Chinese technology, including by local governments and private citizens, would facilitate large-scale transfers of data to China. Such large-scale data transfers would result in two key challenges. First, acquiring and processing the data underpinning these technologies would give Chinese companies a first-mover advantage for applications such as artificial intelligence (AI) that rely on large data sets, provide China with a large customer base, and help Beijing improve its market position. Another risk is that Beijing could use this data for political or economic espionage, especially leveraging data collected from smart cities.

Enhancing China’s influence over global standard-setting. Beijing would build standards from China’s domestic standard-setting bodies into BRI projects. In so doing, it would heighten its influence in international standard-setting for critical technologies, such as data, AI, and surveillance technology. Furthermore, the inclusion of Chinese standards into BRI projects would threaten to fragment the international standard-setting ecosystem, forcing countries to pick one tech ecosystem or another.

Deepening path dependency on Chinese technology. China invests heavily in technology architectures that lock countries into a Chinese vendor—as China did for Huawei’s 4G and 5G technologies. This results in technology dependencies and the necessity to continually rely on Chinese technology and technology maintenance.

Heightening operational risk for the United States and allies due to increased Chinese control of critical infrastructure. China’s growing economic footprint includes control of critical infrastructure such as ports and subsea cables, which could hinder U.S. and allied military operations in Europe and the Indo-Pacific. For example, Chinese control of a port could cause problems for NATO and the United States, especially if it were a port of debarkation critical to offload U.S. reinforcements to Europe. Similarly, Chinese investment in railways could hinder NATO movement if use of these railways were at the mercy of China, or if the railways were not built to carry heavy equipment.13 Further, China’s role in smart infrastructure such as 5G comes with risks to the data traversing those networks.

Increasing amounts of debt owed to China and worsening challenges managing credit crises. A BRI with more staying power would likely result in countries in both Europe and the Indo-Pacific owing a greater percentage of their sovereign debt obligations to China. And in many cases, the overall size of their debt burdens would...
probably grow, too. Beijing would likely continue to lend using the same nontransparent practices, which would result in more disputes over how to manage debt crises and specifically how to address debt owed to China relative to debt from other sources such as multilateral development banks and credit markets.

**Sowing divisions.** A softening EU stance on China could risk growing friction between Brussels and Washington. Likewise, some European capitals could react negatively to strong U.S. pressure to take a harder line on China, undermining transatlantic cohesion.

**Opening doors to China to support the energy transition.** The current looming energy crisis in Europe could push Europe into the arms of China. The EU cannot afford to decouple from both Russia and China, especially in the energy space. China has a leading role in green technologies, such as solar panels, that Europe will have to rely on in exchange for abandoning Russian energy sources. Europe will not be able to respond favorably to U.S. requests for them to take difficult measures against China economically, resulting in a divided front against China.

**Improving the global market position of PRC companies.** China’s companies would be able to leverage an enduring BRI for additional business opportunities around the world. That could make Chinese companies more competitive and help them win out over firms from the rest of the world. As a result, countries and companies trying to diversify their supply chains to reduce dependence on China or pursue selective decoupling from China’s economy more generally would have a harder time doing so.
provide return on investment, and secure access to critical minerals. Priority projects for Beijing include port projects strengthening maritime connections in the Mediterranean and railway and highway projects reinforcing routes into the EU through Turkey and the Balkans, including the Budapest-Belgrade railway and the Gradsko-Prilep highway in North Macedonia.

China’s renewed focus is met with enthusiasm from European leaders in Serbia, Greece, Hungary, and other Balkan countries hungry for infrastructure investment, and these leaders continue to tout the benefits of BRI projects. Although BRI’s overall appeal is waning in Europe, Europe’s right-wing and populist coalitions continue championing the BRI as an opportunity to break free from the EU’s control and as a lifeline for development without strings attached.

The BRI is met with the most resistance in Baltic and Central and Eastern European countries, which remain skeptical of Beijing after the Ukraine crisis. Divergences within the EU drive a wedge among EU member states and between the United States and Europe—making China’s “divide and conquer” policies more potent.

Despite its focus on more geopolitical projects, China also pursues cooperation with Europe in digital transformation and green energy projects due to Europe’s transition away from Russian energy sources. However, Beijing’s advances yield mixed results, with only a few European countries willing to partner with Beijing on digital and critical infrastructure projects. Most European leaders are unwilling to accept the risk of partnering with Beijing, except for several illiberal leaders interested in implementing Beijing’s surveillance technology toolkit to consolidate their grip on power.

Despite BRI faltering in Europe, it continues to gain traction elsewhere and create dependencies among partner countries. Beijing focuses its partnerships on countries with the world’s largest reserves for critical minerals such as lithium and cobalt. This approach enables Beijing to leverage access to critical minerals and reinforce U.S. and European dependence on China for green technology.

Scenario Two: Competition Through Infrastructure

As Beijing ramps up its “wolf warrior diplomacy” and assertive posture on the global stage, European and Indo-Pacific partners shift toward competition with Beijing. Partner countries begin to reassess their strategic dependencies on China and pursue selective decoupling from China in high-risk areas, such as critical and digital infrastructure. Souring relations create headwinds to the Belt and Road Initiative in Europe and the Indo-Pacific. This forces Beijing to narrow its focus and prioritize BRI projects that advance geopolitical objectives, such as port and highway projects. Despite the headwinds, China gains inroads in select countries that adopt Beijing’s digital and critical infrastructure projects. Meanwhile, BRI continues to gain traction in countries outside of Europe and the Indo-Pacific. Beijing focuses its partnerships on countries with large reserves of critical minerals needed for green technology to reinforce the United States’ and Europe’s dependence on China in this area.

IN EUROPE

The COVID-19 pandemic, Beijing’s retaliatory measures against Lithuania, and the imposition of sanctions on European lawmakers and think tankers were already revealing Beijing’s global ambitions. China’s support for Russia in the aftermath of its invasion of Ukraine—which significantly grew once Ukraine moved out of the international spotlight—further tarnished many Europeans’ perceptions of China. As a result, Europe views China primarily as a “systemic rival.” European countries are reconsidering their strategic dependencies on China and pursuing a policy of selective decoupling from China in critical areas, including in investment, research, and deployment of Chinese technology such as 5G and cloud infrastructure. The formerly 17+1 has become the 14+1 as the three Baltic nations have left the arrangement in opposition to China’s support for Russia.

As China’s Belt and Road Initiative begins to lose steam in Europe, China focuses on pushing those BRI projects that enhance its geopolitical influence,
IN THE INDO-PACIFIC

As competition between China and the United States becomes more overt and acute and major EU nations view China as a “systemic rival,” efforts to counter the Belt and Road in the Indo-Pacific are largely led by the G7 countries. More intense competition between the G7 and China leads to entrenched fracturing in the Indo-Pacific and competition over nonaligned countries in Southeast Asia. Beijing seeks to strengthen relations with Russia and Pakistan through deepened political and military cooperation. These quasi-alliances do not add significantly to China’s economic leverage, but their presence creates a formidable bloc that Indo-Pacific nations will be hesitant to oppose. For countries caught in the middle, there is a constant implicit or explicit threat of retaliation for appearing favorable toward G7-led initiatives, including responses to the BRI. Neutrality becomes even more challenging as China more clearly articulates its aim of developing a global network of military facilities, assisted by footholds made through BRI projects.

These developments alarm the United States and major EU players, leading to stronger synchronization across the Atlantic and deeper political buy-in for initiatives such as the Global Gateway and Partnership for Global Infrastructure and Investment. Areas of concentration for development will be in facilitating green energy transitions, securing supply chains of critical raw materials, and offering high-standard digital projects that remain cost-competitive with what Beijing can offer. Cost has historically been one of the most appealing advantages of Chinese projects for recipient countries in the Indo-Pacific. Though it is outmatched by the collective efforts of the other advanced economies working in tandem, China continues to market its strengths in speedy decision-making, streamlined bureaucratic processes, and capacity to work within systems prone to corruption.

To further sweeten deals, Beijing includes loan forgiveness or debt rollover to recipient countries in exchange for commitments to buy into the Chinese...
digital ecosystem. This enables the Belt and Road Initiative to remain competitive despite an increased ability from the United States and European Union to deliver strong counteroffers. Countries caught in the middle face immense pressure to pick a side but are still able to build leverage by taking advantage of competing offers from China or G7-led initiatives. These nonaligned states seek to remain in the middle, but if resources eventually tighten, the United States and other partners may be forced to call the bluff of some countries with low risk of actual defection toward China.

In this scenario, the competition through infrastructure in the Indo-Pacific is most acutely focused on nonaligned countries in ASEAN. The threat of Chinese economic coercion toward middle countries is significant, but European companies attempting to relocate their China-based operations to South and Southeast Asia may mitigate the consequences in some situations. While the transatlantic efforts to counter the Belt and Road Initiative led by G7 nations have significant advantages, Beijing is moderately successful as well, particularly in its efforts executed in partnership with Russia. Thus, the most receptive partnerships with recipients largely remain among those already within the network of U.S. alliances and partnerships in the region.

RISKS AND IMPLICATIONS OF SCENARIO TWO
This scenario would present the following risks and implications for the United States and its allies and partners:

Expanding opportunities to finance and build needed infrastructure. Both China and a coalition of liberal democracies each offering robust connectivity plans would increase the total amount of funding and support for building much-needed infrastructure around the world. A larger pool of funding could mean a “race to the top” and result in more infrastructure that can help facilitate economic growth, advance technological progress, and—ideally—foster climate and energy resilience in the places that need it most.

Giving developing countries options and bargaining leverage. Having multiple options for infrastructure assistance could empower developing countries by giving them choices for whom to partner with and on what terms—as well as the ability to play would-be partners off each other. Such competition could force China to offer better terms and align with higher standards than it would without viable alternatives.

Connecting infrastructure more closely with geopolitical competition. While developing countries will have more options, connectivity competition among developed powers would have a downside: infrastructure could become even more closely associated with taking sides in a burgeoning geopolitical rivalry. And an intensely competitive atmosphere is likely to force countries to associate themselves with one of two competing blocs on many key issues.

Boosting China’s support for illiberal leaders. Beijing will extend support to illiberal leaders by providing an expanding techno-authoritarian toolkit of surveillance technology. This could help illiberal leaders consolidate control, while also growing closer to China.

Splintering of the technology ecosystem. As Beijing advances its own standards in developing countries, it will contribute to the fragmentation of the technology ecosystem, and especially the standard-setting ecosystem.

Thwarting consensus in the European Union. Beijing would likely court right-wing leaders and anti-EU coalitions, which could sow discord among EU member states and sap energy for economic decoupling. This fracturing within the EU would also prevent EU member states from reaching consensus on key issues, including on the China challenge.

Increasing U.S. and EU dependence on Beijing for green technology. Beijing would increase its footprint in countries rich with the critical minerals needed to produce green technology. This would enable Beijing to use BRI to leverage access to critical minerals and weaponize BRI as a source of interdependence. This would hinder any U.S. or European efforts to achieve greater independence in input-intensive technologies like clean energy storage or electric vehicles.

Deepening Russia-China cooperation. Souring relations between China and the United States and Europe could facilitate Russia and China’s deepening alignment. Given Western sanctions on Russia, Russia will likely grow ever more dependent on Chinese investment in Russia, joint ventures, and other forms of support. That increased dependence could increase Russia’s willingness to toe the Chinese Communist Party’s line in other areas, making it harder for Russia to maintain an independent foreign policy and amplifying the China challenge.
To increase its influence in Europe, Beijing revives and significantly rebrands the Belt and Road Initiative and seeks to restore the BRI’s image, including through taking some actions to counter rampant corruption, environmental, and labor issues that historically characterized these projects. For example, Beijing launches a “Transparency First” initiative and acts to counter corruption, environmental, labor, and governance issues that plagued past BRI projects. Further, China highlights its efforts to meet EU standards, particularly environmental and labor standards, in its projects. As an additional measure of goodwill, China also directs banks and state-linked companies to pull back from irresponsible BRI lending and ensure greater transparency in financing, tendering, and project management.

Despite Beijing’s efforts to reframe BRI, European countries remain skeptical of China’s aims, particularly in critical and digital infrastructure. However, European countries are open to hard infrastructure projects, especially those that develop North-South infrastructure and accelerate the clean energy transition given the looming energy crisis in Europe. China doubles down on hard infrastructure projects that connect the Chinese and European markets such as maritime routes and the Budapest-Belgrade railway, in which Beijing claims it has taken significant steps to root out corruption. China makes a major push to assist with the reconstruction of Ukraine. Beijing sees this as an ideal opportunity to burnish its credentials as a responsible actor on the global stage and as an opportunity to gain influence with a future EU member state.

Not all European countries are receptive to Beijing’s overtures. Beijing continues to cement its influence in countries friendlier to China, such as Hungary, Serbia, and Greece. Although Beijing has a stronger economic presence in major European powers, such as Germany, France, and Italy, its economic presence is more limited in Central and Eastern Europe and Beijing strives to use BRI as a cornerstone of its influence. Ukraine is receptive to China’s offers for aid and assistance, especially as it has seen its momentum toward the EU stall. For this phase of the BRI, Beijing focuses its messaging on
Central and Eastern European countries with hopes of salvaging the 17+1 grouping. In addition to Europe, Beijing ramps up its BRI activities in the Global South, especially focused on digital infrastructure projects, including 5G and cloud infrastructure, to cement its position in global markets on these technologies.

**IN THE INDO-PACIFIC**

Beijing has in some cases nominally and in others genuinely resolved some of the major repeated environmental, governance, and labor concerns of previous BRI projects in the Indo-Pacific. As a result, the region’s countries no longer view partnering with China as having the same level of risk as it did previously. Nonetheless, because this progress on development standards is not coupled with significant changes to China’s oppressive domestic governance model, most countries in the Indo-Pacific retain varying levels of skepticism about Beijing’s underlying goals.

China therefore attempts to build goodwill through financing clean energy transition projects in ASEAN member states and mirroring its efforts in Europe to rebuild Ukraine after the war with Russia in parts of Afghanistan and Burma that other members of the international community have not been able to address.

Big-ticket hard infrastructure projects remain a part of the BRI toolkit, but Beijing has made a notable shift in the region toward low-cost, high-impact projects centered on cutting-edge technology, working with local small- and medium-size enterprises, and building human capacity through technical education. A combination of improved transparency, stricter risk assessments, and sophisticated environmental, social, and governance standards assuages many previous concerns among Indo-Pacific nations about erosion of sovereignty and financial viability.

Because the strategic threat due to development finance from Beijing is less apparent, it becomes harder for Washington and EU capitals to justify continuing to allocate the level of resources that had been slated to go into flagship development finance programs created to counter the Belt and Road Initiative in the Indo-Pacific. While China still lags the United States globally and in the Indo-Pacific, its international influence continues to grow in ways that are difficult to criticize. Furthermore, Beijing’s economic reforms in the development space are not accompanied by liberalization at home, leading to a growing tolerance for autocracies globally and weakening the notion that liberal democracies are the inherently superior model of governance.

### RISKS AND IMPLICATIONS OF SCENARIO THREE

This scenario would present the following risks and implications for the United States and its allies and partners:

**Extending BRI’s life span.** A BRI that adheres to higher standards would enhance the durability of the project. More rigorous lending practices increase the likelihood that partners can repay loans to China. And better technical oversight would help ensure the projects result in functioning infrastructure. In addition, improved processes for mitigating negative environmental, labor, and corruption effects would help avoid the worst outcomes that have dogged some BRI projects.

**Reducing the geopolitical importance of infrastructure projects.** China aligning BRI projects with high standards could extend BRI’s life span, but it would also reduce some of the ways in which Beijing leverages BRI for geopolitical gain. For example, higher standards would largely prevent China from lending to debt-stressed countries that multilateral development banks and liberal democracies will not lend to without political or financial reforms. Addressing debt crises emanating from developing countries could become easier if China worked in concert with other major creditors. At the same time, China could still benefit strategically in this scenario if Beijing’s efforts to adopt higher standards allow it to enhance its role in establishing China as a responsible great power leading global prosperity.

**Increasing potential for multilateral coordination on connectivity and development.** Higher standards for BRI would increase the willingness of other countries and multilateral development banks to coordinate with BRI projects to ensure they align with major programs such as the UN Sustainable Development Goals. Expanded coordination would be welcomed in the Indo-Pacific especially. The need for infrastructure in the Indo-Pacific is great, but a growing number of countries have expressed reservations about working through BRI rather than through existing development finance mechanisms. China moving toward higher standards would ease those dilemmas to some extent.

**Exacerbating tensions in the transatlantic relationship over China.** Warming EU-China relations would lead to divisions in the transatlantic relationship, as the United States focuses on competition with China while Europe is more open to cooperation with China. This trend would create a cycle in the transatlantic relationship
where small improvements in EU-China relations cause negative reactions in Washington, which further escalate transatlantic tensions. Transatlantic divisions on China would also hinder U.S. efforts to compete with China, as closer ties between China and the EU would be a boon to China’s economy, give Beijing access to a major market with technologically advanced companies, and degrade Washington’s efforts to build coalitions to counter Beijing’s actions that undermine U.S. interests and values.

**Policy Recommendations**

To deal with the current and expected challenges from China’s BRI, the United States and Europe must consult closely and ensure they are approaching the problem from similar perspectives and coordinating on their responses. While the United States and EU on their own would not be able to match the scale of China’s global infrastructure investments, together their infrastructure investments can at least provide a critical alternative source of financing. To avoid overstretching resources, transatlantic partners should continue to coordinate their investment targets. The EU should prioritize investing in infrastructure in its immediate neighborhood, such as the western Balkan states, where China has attempted to gain influence in recent years. For the United States, the priority should be on the Indo-Pacific countries that are central to strategic competition with China.

The United States is on the right track with the introduction of the Partnership for Global Infrastructure and Investment announced at this year’s G7 Summit. However, it is crucial that tangible investments under the PGII banner move forward quickly to demonstrate there is more to the initiative than lofty rhetoric. The EU’s 2018 connectivity strategy was slow to take off, given the absence of dedicated funding for it, and, similarly, the Global Gateway initiative does not dedicate new resources for infrastructure projects but instead repackages existing sources of funding.

To minimize the negative geoeconomic and geopolitical outcomes from China’s ambitious infrastructure initiative, the United States and Europe must expand existing initiatives such as PGII and the Global Gateway initiative and pursue additional steps that better prepare the transatlantic allies to both compete with China’s investments and increase their own resilience. More specifically, they should:

**Understand Shared Vulnerabilities**

The United States and Europe should:

- **Map existing BRI projects in key regions to evaluate where U.S. and EU strategic interests may be at highest risk.**

To get a handle on the challenges, Washington and Brussels—working with other like-minded countries such as Australia and Japan—must examine existing BRI projects closely to understand the core challenges and potential opportunities for competing with Chinese investments. In addition, they should assess future infrastructure needs in key regions and states that could present opportunities for U.S. or European investment.

- **Wargame critical vulnerabilities.**

The national security community is well-versed in wargames and other structured exercises used to identify risks and enhance capabilities in a conflict. However, it is increasingly likely that should confrontation with China intensify, economic tools of coercion will be a key component of that confrontation. The United States must therefore work in conjunction with its allies and partners to “wargame” China’s economic tools of coercion, including examining security risks in smart infrastructure and green technology. Doing so will enable Washington and its partners to identify in advance key dependencies as well as the types of projects that bring the highest risk, which can help inform strategies to develop alternatives and mitigate the risks, especially in the ports, energy, and telecommunications sectors. Such games and simulations could also allow the EU to explore in advance scenarios for how it would use its new anti-coercion instrument in response to Chinese interference with critical European infrastructure.120

**Boosting Beijing’s influence in the information space.** As other countries increase their dependency on Beijing, China’s influence would spread. A critical pillar of China’s influence strategy is shaping the information space by increasing ties with friendly media and economic elites. This enables Beijing to advance the narrative of China’s benevolence on the global stage compared with a United States that prioritizes geopolitical competition over substantive engagement to address local needs.

**Slowing European initiatives to counter China in other areas.** If China tempers its reactions to human rights criticism and addresses issues around select BRI projects, then it could reduce the appetite in Brussels and national capitals for deepening conversations with Washington on common approaches to economic, technology, and security issues with China. European action could slow in areas such as bolstering investment screenings and deterring and countering economic coercion.

The EU should prioritize investing in infrastructure in its immediate neighborhood, such as the western Balkan states, where China has attempted to gain influence in recent years. For the United States, the priority should be on the Indo-Pacific countries that are central to strategic competition with China.
Compete against BRI in the Informational Domain and Multilateral Arenas
The United States and Europe should:

Enhance strategic communications campaigns.

China’s investments in European infrastructure have been accompanied by persistent information warfare that seeks to promote a pro-CCP narrative and further the CCP’s political agenda. To push back on such influence, the U.S. Department of State’s Global Engagement Center and European External Action Service (EEAS) must step up their strategic public communications campaigns. Washington and Brussels must ensure that countries in Europe and the Indo-Pacific are aware of specific cases in which China has sought to use its infrastructure investments to pedal political influence. In particular, Washington and Brussels should tighten coordination between existing messaging campaigns and focus on third countries of greatest strategic importance. In addition to highlighting the advantages associated with U.S. and European investment, Washington and Brussels must also emphasize that expedience and initial low sticker price often translate to low quality projects that are unsustainable over time. To make current messaging more effective, the United States and the European Union could invite officials and civic leaders from countries that have experienced problematic Belt and Road projects to speak with governments and communities considering PRC infrastructure projects. This would complement the work of the Blue Dot Network by demonstrating the value of thorough and credible evaluations of projects before they get off the ground. Lastly, the United States must do a better job messaging its good work on training, capacity building, and development of human resources and capabilities. The BRI has led many to believe that China is a more significant economic actor in Asia even though U.S. private-sector investment outstrips Chinese investment.121

Encourage the creation of a global consortium to partner with and support local journalists and research organizations conducting fact-based inquiries into BRI projects around the world.

Such an organization could be linked to the International Consortium of Investigative Journalists and the Investigative Journalism for Europe (IJ4EU) fund. It could publish transparent information about existing BRI projects. This could include a comprehensive public database that includes examples of both successful BRI projects and those that display patterns of problems, such as lack of transparency, lack of adequate feasibility studies, cost and time overruns, and erosion of sovereignty.

Enhance Defenses against China’s Economic Influence
The United States and Europe should:

Protect vulnerable European economies.

Economic performance will be a key determinant of European demand for BRI investment going forward. While weak growth may increase the prospects that countries would seek low-cost infrastructure investments from Beijing, stronger economies make it easier to prioritize mitigating risks in projects and choosing less risky infrastructure investments, even if that drives up project cost. The failure of the EU to protect vulnerable countries such as Greece after the 2008 financial crisis allowed China to make significant inroads on the continent by investing in key assets such as the port of Piraeus. To mitigate the risks that economic downturns pose, the EU should establish an infrastructure rapid response fund that could be mobilized to counter potential Belt and Road investments once they reach a high threshold of concern. This fund could be made available both to EU member states as well as to EU candidates such as Serbia, which are often at the highest risk of undue Chinese influence.

Develop a collective response to economic coercion.

Given the risks posed by potential Chinese economic coercion, the United States should work with its allies and partners to develop a framework for collective response—in the spirit of NATO’s Article 5, which declares that an attack on one NATO member should be considered an attack on all members. To apply this concept to the economic domain, countries could agree to respond collectively in the event of foreign economic coercion, including through measures such as sanctions. This kind of collective effort could provide a powerful deterrent against Chinese economic coercion.

Protect green tech supply chains.

As Europe accelerates its efforts to decarbonize its economy, especially in the wake of the energy shock posed by Russia’s invasion of Ukraine, it may become increasingly dependent on Chinese suppliers for critical technologies such as solar panels, wind turbines, and electric vehicle batteries. It therefore runs the risk of exchanging energy dependency on one authoritarian power for reliance on another. To mitigate potential harm from a future Chinese effort to weaponize European green technology dependence, the transatlantic partners
should work together to forge more resilient supply chains. Specific actions that could be taken include:

- Offering market incentives such as tax credits to Western manufacturers to develop viable alternatives to Chinese technology
- Increasing trade with like-minded partners such as Australia or Chile
- Increasing research and development funding for green technology (e.g., for energy storage solutions)
- Coordinating purchases of critical energy resources (e.g., at the EU level)
- Securing sources of critical minerals for green technology
- Investing in nuclear energy
- Investing in recycling capabilities (e.g., for batteries)
- Developing legislation for the renewable energy sector that mirrors the European Chips Act, creating a framework for the renewable energy sector that ensures security of supply and increases coordination among the member states and the European Commission to monitor the supply chain.

**Share legislative best practices.**

The United States has moved ahead of Europe in developing certain legislative tools to protect against China’s coercive economic measures, especially investment screening mechanisms. In other cases, such as the European Union’s development of a dedicated anti-coercion instrument that will allow it to respond to economic aggression by third countries such as China, Europe is setting the standard. The United States, European Union, and national legislatures should increase dialogue and the sharing of ideas and best practices to update and advance their collective tools to mitigate China’s influence. For instance, the United States could share best practices in the development of its inbound and outbound investment screening mechanisms. By creating structured opportunities to bring lawmakers together, allies and partners would enhance their toolkits.

**Secure critical infrastructure on the basis of national security.**

The European Union should prevent the purchase of 5G telecommunications hardware or services from companies that lack a transparent ownership structure. There should be clear red lines about what constitutes an unacceptable foreign investment in critical infrastructure, including in the energy sector. Similarly, the United States and Europe should begin aligning their risk assessments for 6G technology early to avoid repeating the mistakes from the 5G rollout.

**Continue to increase EU-NATO cooperation.**

As Europeans have made progress in developing new tools to minimize the risks associated with Chinese investment, their clear preference has been to work through the European Union. That said, NATO also has a role to play given some of the security challenges created by Chinese investments in critical infrastructure. As demonstrated in the newly published NATO Strategic Concept, the alliance has increased its focus on threats stemming from China. NATO and the EU should continue to enhance consultations on the ways in which Chinese investment could threaten the safety and security of the NATO allies, conduct joint monitoring of specific acquisitions or takeovers—especially ports—and help educate member states on the risks.  

**Implement Alternatives to BRI**

The United States and Europe should:

- Facilitate private-sector investment through financial tools that enable companies to enter risky markets, where they can compete more effectively with BRI investments.

The United States and Europe should find ways to incentivize companies to take greater risks with international infrastructure investments, such as through debt financing or acquiring small amounts of equity in projects to signal confidence. The White House, for instance, should provide guidelines to the U.S. International Development Finance Corporation, directing it to prioritize strategic investments in the Indo-Pacific that would compete with BRI projects. The successful bid by a U.S. firm to purchase the Hanjin shipyard in the Philippines demonstrates that public-private collaboration on strategic infrastructure investments helps protect vital U.S. national security interests.

**Encourage and pressure China to manage debts for struggling economies through coordinated multilateral programs such as the G20’s Common Framework.**

Many developing countries with large debt loads are suffering the economic fallout from the pandemic, Ukraine war, and other macroeconomic stresses such as inflation, which make their already high debt burdens worse. U.S. and European countries should continue efforts to build a coalition within the G20 and beyond to push for Beijing’s full cooperation with the G20’s Common Framework for debt service suspension and eventual restructuring, which followed the shorter-term Debt Service Suspension Initiative set up in May 2020 to address financial
challenges and defer payments early in the pandemic.\textsuperscript{124} Coordinated handling of debts for developing countries can mitigate the most severe impacts, avoid total financial collapse, and prevent broader economic contagion.

Pool technical capacity in the fields of finance, engineering, and law to offer technical assistance to countries that lack the capacity to evaluate projects or renegotiate the terms with China.

The United States has done this in the Maldives and Burma and could carry out similar efforts jointly with European and Indo-Pacific allies in other nations.\textsuperscript{125}

Encourage the World Bank to prioritize infrastructure investment.

The World Bank should reinvigorate its infrastructure spending and reduce bureaucracy surrounding the loan process that extends the timelines for completing the financing arrangements. In recent testimony before Congress, the Biden administration nominee for the position of Treasury Undersecretary for International Affairs Jay Shambaugh said he would work with the World Bank and International Monetary Fund to ensure they are providing good alternatives for countries that need infrastructure investment. He also said there should be mechanisms for preventing poorer countries from using IMF Special Drawing Rights reserves for paying off debts owed to China for BRI projects.\textsuperscript{126}

Connect Global Gateway with the Partnership for Global Infrastructure and Investment.

The U.S. Department of State and European External Action Service should coordinate development finance efforts in the U.S.-EU Dialogue on China’s resilience working group. This working group provides a venue for sustained, institutionalized coordination of the Global Gateway and PGII initiatives. Likewise, the EU-U.S. Trade and Technology Council provides an outlet for coordination on transatlantic alternatives to China’s digital infrastructure initiatives. The May 2022 announcement of a task force on public financing for secure connectivity and information technology supply chains is an encouraging first step to further institutionalize transatlantic cooperation.\textsuperscript{127} However, to be effective, this task force should ensure it has dedicated financing and should link its work with other development finance initiatives, including the Global Gateway and PGII.

**Conclusion**

In the nine years since the Belt and Road Initiative was launched, the world has changed in unpredictable and consequential ways, including from a global pandemic and more recently Russia’s invasion of Ukraine. The need for infrastructure development and financing in the post-pandemic world is undeniable, and some BRI projects have been benign and moderately beneficial. However, China’s increasingly aggressive behavior in the Indo-Pacific and its flouting of international norms, combined with mounting examples of corruption, politicization, and lack of transparency with BRI projects, means countries must be more circumspect when signing on to infrastructure deals with Beijing. China’s own domestic challenges and several prominent examples of BRI projects that have served China’s strategic goals at great cost to the recipient country have contributed to a slowdown of BRI. With more global economic turbulence on the horizon, a robust response to address infrastructure needs without taking advantage of recipient countries will be critical to the preservation of a free and open global society. This report has sought to develop recommendations for transatlantic partners to respond effectively to the Belt and Road Initiative and to forecast three potential scenarios for the initiative’s future. BRI’s future is uncertain, but Washington, the EU, and other G7 capitals have issued a slate of promising initiatives. By staying true to democratic principles and addressing the most pressing needs of recipient countries, these initiatives and other policy recommendations laid out in this report have the potential to present positive alternatives to BRI.


7. Sutter and Sutherland, “China’s 14th Five-Year Plan: A First Look.”


10. Sutter and Sutherland, “China’s 14th Five-Year Plan: A First Look.”


34. For a detailed examination of the data underlying this trend, see Matthew Mingey and Agatha Kratz, “China’s Belt and Road: Down but not Out” (Rhodium Group, January 4, 2021), https://rhg.com/research/bri-down-out/.


38. “The Belt and Road Initiative Progress, Contributions and Prospects.”


58. Reuters Staff, “Hungary classifies Budapest-Belgrade


70. Research interviews conducted by CNAS staff during a June 2022 visit to Indonesia.


77. Damuri, Perkaza, Atje, and Hirawan, “Perceptions and Readiness of Indonesia Towards the Belt and Road Initiative,” 42.


104. “Connecting Europe and Asia: Building blocks for an EU Strategy”, and “EU steps up its strategy for connecting Europe and Asia.”


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111. Brinza, “The Global Gateway Joins the Competition Against the BRI.”


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