Grading China’s Belt and Road

By Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper
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01 | Belt and Road Basics
About the Belt and Road

- Launched in 2013, what Beijing calls “One Belt, One Road” seeks to promote a world connected by Chinese-funded physical and digital infrastructure.

- Although it has the potential to address real infrastructure needs, the Belt and Road has emerged as a central tool for advancing China’s geopolitical ambitions.

- However, a significant gap exists between Beijing’s sweeping aspirations for the Belt and Road and the reality, with a growing number of countries voicing their concern about the downsides of Chinese investments.
Seven Challenges

1. Erosion of National Sovereignty
2. Lack of Transparency
3. Unsustainable Financial Burdens
4. Disengagement from Local Economic Needs
5. Geopolitical Risks
6. Negative Environmental Impacts
7. Significant Potential for Corruption
Rising International Concern

In part due to these challenges, a growing number of political, business, and civil society leaders have become increasingly outspoken about the downsides of taking Chinese investment.

“They [Chinese companies] have taken predatory practices in something that [is termed] today to be a debt trap.”
—Sultan Ahmed bin Sulayem, Dubai Port World chief executive officer

“These roads cannot be those of a new hegemony, which would transform those that they cross into vassals.”
—Emmanuel Macron, president of France

“The strategy of China is clear. They take economic control of countries.”
—Carlos Pérez, Ecuadorian minister of electricity and renewable energy

“Media institutions are working under fear of the government, with the help of the Chinese.”
—Likezo Kayongo, chief executive officer of Zambian Watchdog
The seven challenges posed by Chinese projects are not limited to a particular region or type of infrastructure, as demonstrated by a survey of lower-profile Belt and Road cases spanning the globe.

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<td>Jakarta-Bandung High-Speed Railway, Indonesia</td>
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<td>PACIFIC ISLANDS</td>
<td>Laganville Wharf, Vanuatu</td>
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Project Evaluation Criteria

**SOVEREIGNTY-ERODING**
China either has long-term equity in the project or a long-term lease, or a Chinese company operates the infrastructure over the long term.

**NONTRANSPARENT**
Lack of clarity surrounding the companies involved, status of negotiations, the terms of the deal, organizational structure, or progress of development.

**FINANCIALLY UNSUSTAINABLE**
Chinese financing has increased the chance of a financial crisis or created repayment difficulties; the project is subject to major cost overruns or not profitable.
Project Evaluation Criteria

**LOCALLY DISENGAGED**
Profit-sharing arrangements are inequitable, infrastructure does not benefit locals, project involves mostly Chinese companies and workers, lack of skill transfer.

**GEO POLITICALLY RISKY**
Project compromises a country’s telecommunications security, constrains a country’s ability to partner with other states, or creates potential opportunities for military access by China.

**ENVIRONMENTALLY UNSUSTAINABLE**
Lack of environmental impact study, local environmental concerns ignored, long-lasting ecological damage created.

**CORRUPTION-PRONE**
Recipient country has high level of bribery risk, main Chinese company has past issues with corruption overseas, corruption allegations relating to the project exist, confirmed cases of corruption.
A Better Way Is Possible

- Of the 10 Belt and Road cases surveyed, all generated significant challenges for recipient states.

- Yet some infrastructure projects involving external powers create none of these challenges.

  An instructive example from Vanuatu is the Port Vila Lapetasi International Multi-Purpose Wharf Development Project, which was jointly developed by the Japan International Cooperation Agency (JICA), Australia Aid, and the Asian Development Bank.
Belt and Road’s Limited Adaptation

- Despite the growing international backlash against the Belt and Road, Beijing is unlikely to fundamentally change its approach in the years ahead.

- The sheer size of ongoing Belt and Road projects limits China’s ability to refocus on smaller and potentially less controversial efforts.

- Ultimately, the Belt and Road is a vehicle for China’s geopolitical ambitions; liabilities for host countries – loss of control, nontransparency, debt, dual use potential, and corruption – are often strategic assets for Beijing.
Digital Future

- Digital infrastructure – from telecommunications systems to online payment platforms to smart cities – has emerged as a major new element of the Belt and Road.

  This emphasis on information connectivity will serve to export elements of China’s high-technology domestic surveillance regime, as well as further expose recipient states to possible information compromise.

- The Belt and Road will increasingly become a vehicle to project China's authoritarian values abroad.
Grading the Belt and Road

The first five years of the Belt and Road provide ample evidence of the demand for infrastructure, but also the types of projects that need to be avoided.

It is imperative that governments, companies, journalists, and civil society groups possess a shared framework for assessing the costs and benefits of future infrastructure projects involving China.

This framework should assess potential Belt and Road projects against a high set of expectations.
A Checklist for Chinese Projects

This checklist is a starting point. Chinese projects that pose none of the seven challenges evident globally deserve serious consideration. However, countries should avoid projects where one or more challenges are likely to emerge.

What Countries Should Ask?

- Sovereignty-Upholding?
- Transparent?
- Financially Sustainable?
- Locally Engaged?
- Geopolitically Prudent?
- Environmentally Sustainable?
- Corruption-Resistant?
Thank You
About This Product

This slide deck summarizes the findings of a Center for a New American Security (CNAS) report, “Grading China’s Belt and Road.” Please see the report for all citations.

Since 2017, CNAS has conducted cutting-edge research on addressing China’s Belt and Road. CNAS is grateful to the U.S. Department of State for funding its latest round of research.

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Read the full report at cnas.org/beltandroad