UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

CHINA’S BELT AND ROAD INITIATIVE AS AN ECONOMIC OPPORTUNITY FOR PARTICIPATING COUNTRIES

Ljubljana, June 2026 ALJOŠA GUBENŠEK

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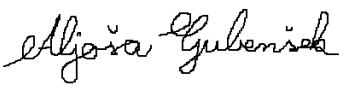
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POVZETEK

Magistrsko delo celovito preučuje kitajsko pobudo Pas in cesta ter vpliv le-te na gospodarstvo udeleženih držav ter Kitajske. Cilj naloge je preučiti ekonomske in geopolitične posledice pobude Pas in cesta ne le za Kitajsko, temveč tudi za sodelujoče članice pobude, na podlagi relevantne ekonomske literature in statističnih podatkov. Zaradi velikega deleža dolga, povezanega s pobudo, v bruto domačem proizvodu določenih držav članic pobude je raziskana možnost, da se kitajsko posojanje izvaja z namenom ustvarjanja geopolitičnega vzvoda. Pristop k nalogi je multidisciplinaren in poleg uporabe izključno ekonomske literature in podatkovnih baz vključuje tudi vire z drugih področij, kot so varnostne študije, mednarodni odnosi in zgodovina. Raziskava opozarja na potrebo odziva drugih držav na pobudo, s ciljem izboljšanja transportne infrastrukture in ohranjanja suverenosti. Delo prispeva k razumevanju ekonomskih učinkov pobude na svetovno gospodarstvo in netržnih vidikov projekta, kot sta mehka moč in geopolitični vpliv.

KLJUČNE BESEDE: Pobuda Pas in cesta, EPEC, Kitajska, infrastruktura, geopolitika, razvojna ekonomija

CILJI TRAJNOSTNEGA RAZVOJA



ABSTRACT

The Master's thesis is a comprehensive examination of China's Belt and Road Initiative and its impact on the economies of the participating countries and on China itself. The objective of the thesis is to investigate the economic and geopolitical consequences of the Belt and Road Initiative not only for China but also for the participating member states, drawing on relevant economic literature and statistical data. Given the substantial share of debt associated with the initiative in the gross domestic product of certain participating countries, the thesis explores the possibility that Chinese lending is undertaken with the intention of creating geopolitical leverage. The approach adopted in the thesis is multidisciplinary and, in addition to economic literature and databases, incorporates sources from other fields, including security studies, international relations and history. The research highlights the need for other countries to respond to the initiative with the objective of improving transport infrastructure while preserving sovereignty. The thesis contributes to a better understanding of the economic effects of the initiative on the global economy, as well as its non-market dimensions, such as soft power and geopolitical influence.

KEY WORDS: Belt and Road Initiative, BRI, China, infrastructure, geopolitics, development economics

SUSTAINABLE DEVELOPMENT GOALS



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LIST OF ABBREVIATIONS

AEI	American Enterprise Institute
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh-China-India Corridor
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
BUILD	Better Utilization of Investments Leading to Development
CCAWAEC	China-Central Asia-West Asia Economic Corridor
CCP	Chinese Communist Party
CGE	Computable General Equilibrium
CIPEC	China-Indochina Peninsula Economic Corridor
CMREC	China-Mongolia-Russia Economic Corridor
COSCO	China Ocean Shipping Company
CPEC	China–Pakistan Economic Corridor
DSR	Digital Silk Road
EFSD+	European Fund for Sustainable Development Plus
EXIM	Export Import
FDI	Foreign Direct Investment
GCI	Global Competitiveness Index
GDP	Gross-Domestic Product
GIS	Geographic Information System
IMF	International Monetary Fund
KBA	Key Biodiversity Area
LNG	Liquid Natural Gas
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPG	Public and Publicly Guaranteed
PPP	Purchasing Power Parity
SGE	Structural General Equilibrium
TAZARA	Tanzania-Zambia Railway
WGI	Worldwide Governance Indicators
WWF	World Wildlife Fund

1 INTRODUCTION

We are living in an era of shifting global economic balances. During the Cold War, two main ideologies and economic systems that had prevailed after the Second World War clashed for supremacy, and most countries aligned themselves, to a greater or lesser degree, with one or the other, with some outliers. More than thirty years have passed since the fall of the Iron Curtain. Despite this, it seems that only now is multipolarity truly beginning to take shape in world politics. For a brief period, it seemed as if the entire world was beginning to move in a more democratic direction. It became clear that people in capitalist countries generally had a better standard of living than those in communist ones, and in the West an assumption emerged that democracy and the free flow of capital were the foundations of economic success. The situation now seems quite different. China has achieved unprecedented economic growth without following the expected pattern of development set by the West. China has chosen to pursue its own path of development, adopting only those facets of capitalism that it deemed useful.

I believe the Belt and Road Initiative (BRI) is well suited to a multipolar world. Participating in the initiative involves few ideological or economic barriers. China has made it explicitly clear that anyone is welcome. China also appears to act and deliver on its promises quickly with an efficiency that the West, for all its talk about the benefits of a capitalist system, appears to lack with its list of checks and balances. It presents itself as a benevolent actor that respects other countries' internal affairs and invokes the so-called "Silk Road spirit" as a guiding principle that promotes equality and cooperation. It deflects criticism of attempted hegemony or colonialism.

The initiative appears to be conceptualized as a solution to many of the problems of both China and BRI members. China has excess industrial materials and construction companies that are looking for work. Many less developed countries lack decent infrastructure, lack the capital to invest in it. and cannot obtain loans from Western-led financial institutions for one reason or another. China can kill many birds with one stone. The BRI can provide work for Chinese construction companies and put excess industrial materials to use. Successful projects would bring prestige and goodwill in the countries where they are carried out. If a project is unsuccessful, China can use this to its advantage as well, as it can demand political concessions in return for debt remission, bolstering its diplomatic influence. BRI members, on the other hand, have the opportunity to improve the lives and working conditions of their people by providing decent infrastructure. Their leaders also benefit, as they can enhance their public image at home through grand projects.

Researching the BRI can be a daunting task. Alon et al. (2018, p. 12) said it best when they argued that there is no universal consensus on what exactly the BRI is, what effects it has on other states, or how the project will evolve. Perhaps vagueness is one of the initiative's greatest strengths. The project is flexible and may expand and contract as needed, according to

Chinese sentiment and economic conditions. What cannot be disputed, however, is the BRI's world-changing impact on inter-regional cooperation, globalization and inclusive participation (Li, 2018, p. vii). It is a long-term geopolitical project of Xi Jinping which can be argued constitutes an international strategy of economic and political domination, that requires enormous financial, human, and political resources.

The main purpose of this master's thesis is to examine the economic and geopolitical implications of the BRI, not only for China but also for participating BRI members, on the basis of relevant economic literature and statistical data. The data show that the debt-to-Gross Domestic Product (GDP) ratio of certain BRI member countries is significant enough to give credence to the idea that China's lending is conducted with geopolitical leverage in mind. Because of this, I believe the initiative's economic and geopolitical aspects warrant further academic attention. In this thesis, I employ the standard framework of neoclassical economics and the theory of international exchange. I also employ a more holistic, heterodox approach in which I examine certain non-market aspects of economic phenomena, for example, how China's BRI investment decisions are motivated in part by a desire for prestige, soft power, and geopolitical influence. My approach is multidisciplinary and, beyond making use of purely economic literature and databases, I have sought to consult sources from other fields such as security studies, international relations, and history. Jenni.ai, SciSpace, DeepSeek, and ChatGPT were used to improve the text in certain paragraphs.

The questions I shall address in this thesis are:

- Is the BRI a vehicle for China to reach new markets for export?
- Is the initiative designed to diversify as well as expand the supply of China's foreign sources of fossil fuels?
- Are the accusations of debt-trap diplomacy warranted?
- Is the initiative a Chinese Marshall Plan of aid for underdeveloped countries?
- Are the infrastructure projects a vehicle for internal Chinese regional development, with an emphasis on reducing inequality between coastal and inland provinces?
- Is the initiative Xi Jinping's original vision or merely a continuation of decades of previous policies?
- Have the EU and US implemented similar policies to further their own interests?

The thesis is structured as follows. The second chapter is a brief historical overview. It provides a summary of ancient China's tributary system, the history of the ancient Silk Road, and key events in the last century of Chinese history, explaining how they relate to the BRI. The next chapter presents the evolution of the BRI in figures. It presents general information on the project, its conception, and its participants. This is followed by a description of all six main economic corridors. The fourth chapter examines the economics of the BRI. It analyzes the economic effects on and economic goals of China: access to raw materials and energy imports, China's industrial overcapacity, and internal economic development. This is followed by a discussion of the economic effects of the project on BRI participants. Transport

times and market access, trade cost reductions, economic growth, poverty reduction, variation in the effects, and project interdependence are discussed. The third subchapter is a description of Chinese lending practices. This is followed by a discussion on Chinese geopolitical power and as cultural soft power, and how the BRI may be leveraged as a tool to achieve them. The fifth subchapter provides a discussion on the accusations of China's debt trap diplomacy and the initiative's role in these claims. In the final chapter, I summarize how other countries have responded to the BRI, describe the project's environmental impact, and outline some of the initiative's potential economic challenges.

2 CHINA BEFORE THE BELT AND ROAD INITIATIVE: THE HISTORICAL CONTEXT BEHIND CHINESE EXPANSION

2.1 Ancient China, the Tributary System, and Its Reverberations

China is one of the world's oldest civilizations, possibly predating the city-states of Mesopotamia (Fairbank et al., 1989, p. 17). While the Chinese government's claim of a 5,000-year-old civilization, delivered in a speech by Xi Jinping, is sometimes disputed, most historians agree that a unified Chinese identity has spanned several thousand years (Xi, 2021; Yu, 2025, p. 1). From the outset, Chinese proto-states and kingdoms sought to expand their influence through trade and conquest. Throughout Chinese history, imperial territories expanded greatly, but the emperor did not exercise power through military conquest alone. The soft power that the Chinese emperor held over neighboring kingdoms was considerable. By the era of the Tang dynasty (618–907 CE), a pan-Asian order had emerged with China at its center (Xu, 2012, p. 243). This geopolitical development gave rise to a tributary system, in which visits by foreign envoys or foreign rulers to China were seen by Chinese rulers as an expression of "conformity to the Chinese world order" (Lee, 2017, p. 18; Wang, 2005, p. 216). The states in this Chinese sphere of influence adopted elements of Chinese culture and statecraft. Chinese soft power over Southeast Asia is thus not a new phenomenon of the 21st century, but a repetition of an old theme.

The last imperial dynasty's isolationist policies were what would eventually lead to technological stagnation, which resulted in a series of Chinese defeats by European colonial powers, ushering in a turbulent period in Chinese history known in China as the "century of humiliation" (1839–1949). The perception of this period continues to shape Chinese nationalism and government policy to this day (Gries, 2004, p. 45). The Chinese government promotes a reading of history that presents China as a unique and superior civilization; a state deserving of "historical greatness", citing its many technological and societal accomplishments (Forsby, 2011, p. 20; Yu, 2025, pp. 1–2).

2.2 The Terrestrial and Maritime Silk Road

The old Silk Road was a network of trans-Eurasian caravan trade routes that connected China with the West (Dellios, 2017, p. 4; "Silk Road," 2026; Unesco WHC, n.d.). While the trade routes themselves are more than two millennia old, the name "Silk Road" was coined by Prussian geographer Ferdinand von Richthofen in 1877 (Dellios, 2017, p. 4). The trade routes received their name after Chinese silk, once a prized trade good (Dellios, 2017, p. 4). China traded with Eurasia via the Silk Road, which stretched a distance of more than four thousand miles to Central Asia, encompassing modern-day Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan and reached as far as India and Pakistan to the south (McBride et al., 2023).

China's Maritime Silk Road portion of the BRI also has historical precedent. However, the concept of the historical Maritime Silk Road has been met with criticism from scholars. Guan (2016, p. 2) goes so far as to argue that the Maritime Silk Road was merely a constructed event conceived by historians at the start of the twentieth century and rebuffed by later scientific scholarship. Nevertheless, the history of maritime trade in the region is long and varied. During the Ming Dynasty, the Chinese sailed to the South Seas in search of exotic status symbols (Guan, 2016, p. 14). It was during this age that admiral Zheng He undertook his seven famous voyages (Guan, 2016, p. 14). Zheng He's voyages were documented in 1436 by his naval officer Fei Xin, who wrote an account of three naval expeditions to East Africa (Snow, 1997, p. 283). China continues to justify its maritime claims using Zheng He's voyages to this day (Holmes, 2006).

2.3 Early Modern History of Chinese Expansionism under Mao, Deng's Reforms, and the Going Global Policy of Jiang Zemin

2.3.1 The Tanzania-Zambia Railway, or the Maoist Belt and Road Initiative

In 1949, Mao Zedong's Communist Party emerged victorious after a protracted civil war and unified China for the first time since the fall of the last imperial dynasty, effectively ending China's century under foreign rule. Chinese military leadership saw parallels between China and Africa. It assumed that the socialist revolution in Africa had not yet truly begun and that Africans merely needed to be educated about Chinese revolutionary struggles to achieve it (Cheng, 1966, p. 484). They believed that a socialist revolution in just one or two African countries would spread to the entire continent (Cheng, 1966, p. 484).

China sought to outdo both Western countries and the Soviet Union in providing aid to Africa. While the Cultural Revolution in the early 1960s represents a very tumultuous period in Chinese history, it was also when China nevertheless embarked on an ambitious infrastructure project that seems to foreshadow the BRI: the Tanzania-Zambia Railway

(TAZARA). The project held considerable political and psychological significance for African governments; moreover, it had already been rejected by more profit-oriented donors, which the Chinese likely saw as an opportunity to assert their ideological superiority over the West and the Soviet Union, as both the United States and the Soviets had declined to assist with this project (Snow, 1997, pp. 288, 295). The project was undertaken at a time when China's economy was in a state far more precarious than it is today: the GDP per capita of China at the time was similar to that of the sub-Saharan countries receiving aid. Although the TAZARA project was well received by the African people, it ultimately had to be cut short. Following Mao's reign, it came to be seen as an unsuccessful endeavor, and perhaps the sentiment in China resembled that of the Ming, which regarded the forays into Africa as a waste of money (Snow, 1997, p. 306).

2.3.2 Deng's Reforms and the Rise of China's Influence

Mao Zedong died in 1976, and his eventual successor, Deng Xiaoping, would lead China down a path of market reform. In 1978, China was one of the world's poorest nations (Zhu, 2012, p. 103). Despite the end of Mao's tumultuous reign, China still has a closed command economy and largely did not participate in global finance or trade (Garlick, 2023, p. 1). It had a tenth of Brazil's real GDP per capita and a fortieth of that of the United States (Zhu, 2012, p. 103). It sat alongside the average Sub-Saharan nation in terms of its per capita income and development indicators, according to the World Bank (Morgan, 2021, "Introduction" section, para. 1).

However, towards the end of the 1970s, economic and market reforms, as well as China's opening up to the world, were beginning (Morgan, 2021, "Introduction" section, para. 2). While the average growth rate of real per capita GDP was a modest 3% in the period 1952–78, growth performance improved significantly in the late 1970s (Zhu, 2012, p. 106). Chinese leadership decided to loosen its administrative and fiscal grip in order to allow local, limited, small-scale economic experiments that would later be expanded if they proved fruitful (Ray, 2002, p. 3863). Additionally, Deng Xiaoping permitted entrepreneurship and foreign investment as a supplement to China's planned economy (Garlick, 2023, p. 16).

By opting for a gradual model of reforms, Deng was able to lower adjustment costs and prevent the kinds of shocks faced by certain socialist countries that attempted reforms, for example, the Soviet Union (Ray, 2002, p. 3836). Deng also decollectivized agriculture and reintroduced free markets in this sector by allowing agricultural products to be sold at market prices (Ray, 2002, p. 3836). Under Deng, China opened to foreign capital investment by establishing so-called Special Economic Zones, areas of high industrial activity that sought to replicate the "miraculous" economic growth of the East Asian tigers (Garlick, 2023, p. 17).

Chinese economic development after Deng Xiaoping cannot be overstated. In four decades, China went from being a recipient of aid to an important economic actor (Garlick, 2023, p.

1). Ray (2002, p. 3835) points out that after Deng's reforms, China managed to maintain a solid growth rate, keep inflation low, build up its foreign exchange reserves, and reduce poverty, all while bringing enormous change to its economic system. According to Morgan (2021, "Measuring the Chinese Economy" section, para 5), Chinese gross domestic product growth has averaged 10% a year for three decades. China displaced Japan as the world's second-biggest economy by GDP in 2010, and its GDP measured by Purchasing Power Parity (PPP) has surpassed that of the United States (Garlick, 2023, p. 1). No country has rivaled the pace or the scale of China's growth before or since (Zhu, 2012, p. 103).

Chinese leaders after Deng have continued to employ his mantra of "crossing the river by feeling for the stones," which he used to emphasize the need to try out new policies, identify those that are effective, and discard those that do not work (Garlick, 2023, p. 3). While they have sought to expand Chinese influence and promote economic development, they have not pursued these goals by any means necessary, instead making decisions in a pragmatic way (Garlick, 2023, p. 2). After Deng, China gradually moved away from a planned economy toward what is often described as state capitalism (Garlick, 2023, p. 17). Today, China has an "upper-middle-income" economy and a moderately wealthy middle class (Morgan, 2021, "Introduction" section, para. 3).

In the 1980s, China engaged in bilateral dialogue, avoided multilateral initiatives, and shied away from confrontation (Parepa, 2020, p. 179). However, by the dawn of the new millennium, China had become bolder on the international stage (Parepa, 2020, p. 179). In the 1990s, President Jiang Zemin launched China's Going Global policy, which sent its construction companies abroad (Garlick, 2023, p. 67). According to Garlick (2023, p. 1), Jiang Zemin's policies were a precursor to Xi's BRI. Xi Jinping's BRI in 2013 not only rebranded the old Going Global policy, but also introduced a state-based funding scheme (Garlick, 2023, p. 67).

Today's BRI projects would not be possible without China's economic and geopolitical rise following Deng Xiaoping. However, according to Economist (2023d) editors, China under Xi will no longer "hide its capabilities" or "bide its time." China now has significant influence over the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (Khan et al., 2018, p. 2). Although Maoist China undertook infrastructure projects in Africa, the scale of said projects is not comparable to today's BRI projects. China is heading towards global preeminence, and this is illustrated in some part by its involvement in developing countries, some of which now regard China as the primary investor in infrastructure and their largest creditor (Economist, 2023b; Garlick, 2023, p. 1).

3 EVOLUTION OF THE BELT AND ROAD INITIATIVE IN FIGURES

3.1 General Information

The BRI was launched in 2013 by Xi Jinping (McBride et al., 2023). It is China's all-encompassing foreign policy "project of the century", according to Xi (Economist, 2020a). The World Bank has defined the BRI as "a China-led effort to improve connectivity and regional co-operation on a trans-continental scale through large-scale investments" (Economist, 2020a). The project was announced during official visits to Kazakhstan and Indonesia (McBride et al., 2023). The project's original name was One Belt, One Road, although this was later changed to the BRI to appeal to foreign audiences (Economist, 2023b). It consists of a "belt" (overland corridors) and a maritime "road" (shipping lanes) (Kuo & Kommenda, 2018). The project is comprised of land infrastructure, the Silk Road Economic Belt, and seafaring infrastructure, the 21st Century Maritime Silk Road (McBride et al., 2023). Plans for the latter were first announced at the 2013 Association of Southeast Asian Nations (ASEAN) summit in Indonesia (McBride et al., 2023). At the summit, China offered to invest in developing ports along the Indian Ocean, from Southeast Asia to East Africa and Europe (McBride et al., 2023).

The BRI is not only one of the most ambitious infrastructure projects ever conceived but also one that aims to encompass the globe (McBride et al., 2023). China has stated that some of the project's goals are improving transcontinental connectivity and international cooperation (World Bank, 2019, p. 4). The project lies at the heart of Chinese foreign policy, and in 2017 it was written into the constitution of the Chinese Communist Party (Economist, 2020b). It is an important pillar of China's "Major Country Diplomacy," a philosophy of statecraft that seeks to change the international order, compete ideologically with the West, and take an active role in global affairs, all of which should reflect China's return to power and high status (Smith, 2021, p. 1).

In the beginning, the project was conceived to establish a physical infrastructure connection between East Asia and Europe (McBride et al., 2023). However, since then, the project's scope has expanded in several ways. Geographically, it now includes Africa, Oceania, and Latin America (McBride et al., 2023). In terms of infrastructure, the project now encompasses not only highways, railways and streamlined border crossings, but also energy pipelines (McBride et al., 2023). This infrastructure network extends west from China to Central Asia and south to India, Pakistan, and other countries in Southeast Asia (McBride et al., 2023). China, not limiting itself to building transport infrastructure, has also supported the establishment of special economic zones (industrial areas involving more than one country) and the construction of 5G network infrastructure in countries participating in the initiative (McBride et al., 2023). The total cost of the BRI for China is already estimated to have

reached one trillion dollars (McBride et al., 2023). However, China's costs to continue funding the BRI may increase to as much as $8 trillion, according to some estimates (McBride et al., 2023).

3.2 Announcement and Conception

Xi Jinping's September 7, 2013 address at Nazarbayev University in Astana, Kazakhstan, is often cited as the first mention of the BRI. However, days before Xi's Astana speech, Chinese Premier Li Keqiang delivered a keynote speech at the 10th China-ASEAN Expo. He expressed that the recovery of the world economy from the 2008 financial crisis was possible chiefly through development and called for measures to reduce inequality between Asian countries (Li, 2013). One proposed measure was to increase "mutual connectivity, mentioning roads, railways, water transport, aviation, telecommunication and energy" (Li, 2013). More specifically, he mentioned a Pan-Asia Railway network and called for the implementation of "certain key projects" (Li, 2013). He went on to state that China would provide lending opportunities and use the China-ASEAN Investment Cooperation Fund, with the intent to create a "financing platform in Asia" to "fund large-scale infrastructure projects" (Li, 2013). He also invoked the ancient maritime Silk Road as an inspirational instance of "historic glory" and called on China and the ASEAN members to rebuild this connection (Li, 2013).

The Belt and Road Initiative was first officially announced at Nazarbayev University in Astana, Kazakhstan, on September 7, 2013 (Garlick, 2023, p. 75). In his speech, Xi Jinping called for "closer economic ties," to "deepen cooperation and expand development space in the Eurasian region," and for the joint construction of "an economic belt along the Silk Road" (Xi, 2014, "Work Together to Build the Silk Road" section, para. 14). In his first speech, the project was called the "Silk Road Economic Belt." Xi made several proposals, including intensifying policy consultation (calling for strategic discussion), improving road connectivity, removing trade barriers, increasing monetary exchange, and encouraging friendly exchanges (2014, "Work Together to Build the Silk Road" section). Xi expressed hope that the transport route would stretch from the Pacific to the Baltic (2014, "Work Together to Build the Silk Road" section, para. 16).

A month later, Xi delivered a speech at the Indonesian Parliament in which he proposed the 21st Century Maritime Silk Road (Garlick, 2023, p. 75). Xi called for a "community of common destiny" for China and ASEAN nations, and called for more trust, cooperation, reduced trade barriers, mutual assistance, mutual understanding, and inclusivity (Xi, 2014, "Work Together to Build a 21st-century Maritime Silk Road" section, para. 2). To fund infrastructure development, he noted that China had already established a China-ASEAN Maritime Cooperation Fund and proposed creating an Asian infrastructure investment bank. Unbeknownst to the attendees of the two speeches, Xi Jinping was laying out plans to transform China's international infrastructure development (Garlick, 2023, p. 75).

At the time of the BRI's announcement, Western analysts did not anticipate the project's billion-dollar scale (Economist, 2023a). Garlick (2023, p. 75) argues that Xi likely did not know how the announcement would be received. His officials did not produce a concrete plan until two years later, in March 2015, when the 14-page document "Vision and actions on jointly building Belt and Road" was jointly released by the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce of the PRC, with authorization from the State Council. In it, officials describe the concept of the Silk Road Spirit, "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit," citing it as a guiding motto going back thousands of years, which 21st-century nations should re-adopt (National Development and Reform Commission et al., 2015). The report claims that the BRI will bring economic development, strengthen cooperation and mutual learning, and "promote world peace […] between different civilizations," stating that it will "benefit people around the world" (National Development and Reform Commission et al., 2015). The report reiterates several key points made by Xi and Li in their speeches, such as recovery from the international financial crisis and inequality in global development.

The project's scope and content continue to evolve over time. After a prolonged period of large infrastructure projects between 2013 and 2020, Xi called on investors in 2021 to pay more attention to project returns and to adhere to higher standards in a shift toward "small but beautiful" investments (Economist, 2023a, 2023b). Greater emphasis was to be placed on projects involving healthcare, green energy and digital infrastructure, while China would end construction of coal-fired power plants in BRI countries (Economist, 2023a, 2025). During that time, some outlets foretold the end of BRI investments as China began to scale back the size of its loans (Economist, 2025). As of 2025, however, owing perhaps to the uncertainties of Trump's second term, the value of investment and construction projects has surpassed 2018 levels (Economist, 2025). Despite Xi's "small but beautiful" rhetoric, projects related to fossil-fuels and raw materials continue to lead in terms of investment size, including a $20 billion oil and gas facility in Nigeria and another $20 billion investment in Kazakhstan in copper and aluminum production projects in 2025 (Economist, 2025).

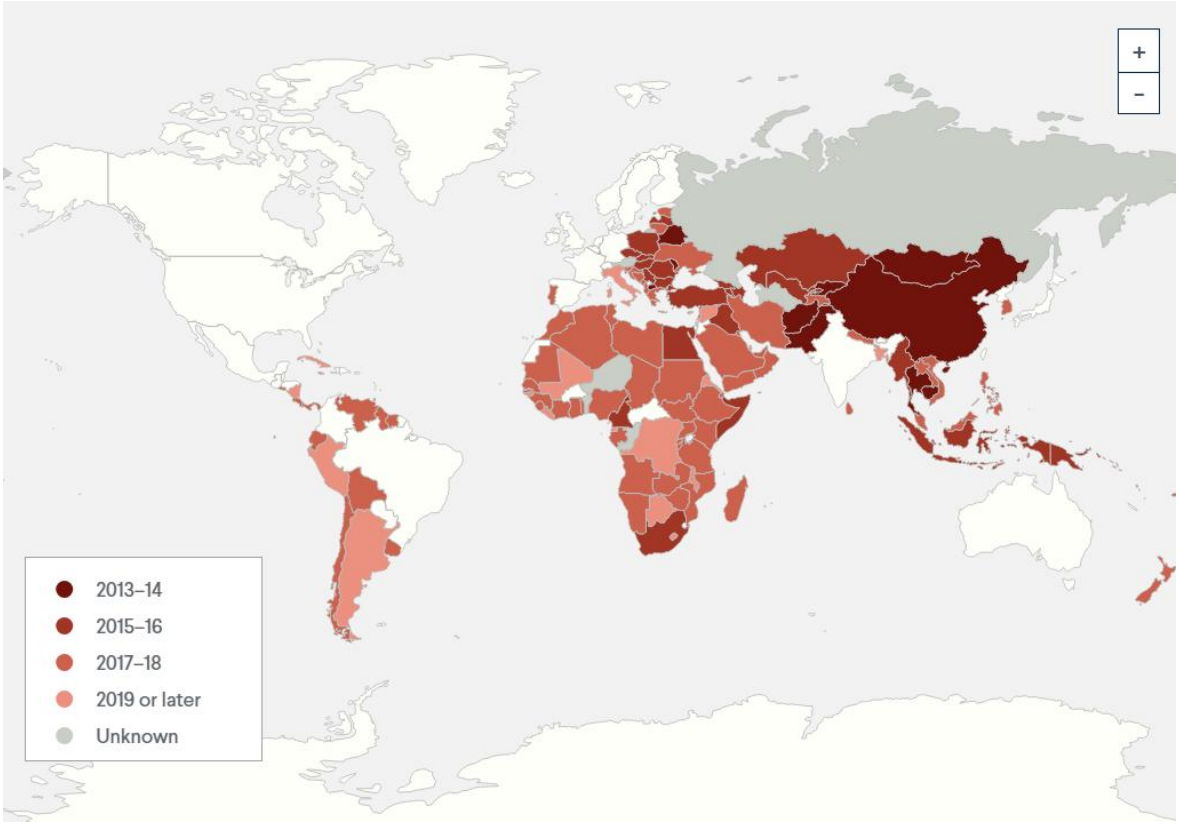
3.3 Participants

Chinese ambition is impressive; the number of participating countries has been steadily rising. By March 2019, 125 countries had signed agreements with China (World Bank, 2019, p. xi). By 2023, more than 150 countries had either signed on to take part in the BRI or expressed interest in doing so (Economist, 2023b; McBride et al., 2023). Together, they account for two-thirds of the world's population and between 40 and 50% of global GDP (Economist, 2023b; McBride et al., 2023).

BRI projects have been implemented all around the world (Economist, 2023b). According to the World Bank (2019, p. xi), there are two criteria by which a country may be affected

by the BRI. A country may participate by virtue of being geographically located along one of the BRI land or maritime corridors (World Bank, 2019, p. xi). The second criterion is official participation in the project by means of being a signatory with China (World Bank, 2019, p. xi). Nedopil (2025) defines joining the BRI as the act of signing a Memorandum of Understanding (MoU) with China. He goes on to state that the number of participants varies due to uncertainties related to MoUs. Africa is the continent with the highest number of participants at 53, followed by Europe with 29, Latin America and the Caribbean with 21, while other regions have 10 participants or fewer (Nedopil, 2025). BRI participation encompasses 17 EU countries and 8 G20 members, but some countries have also left the project, namely Italy in 2023 and Panama in 2025 (Economist, 2023a; Nedopil, 2025).

Figure 1: Official BRI Participants by Year of Joining



Source: McBride et al. (2023).

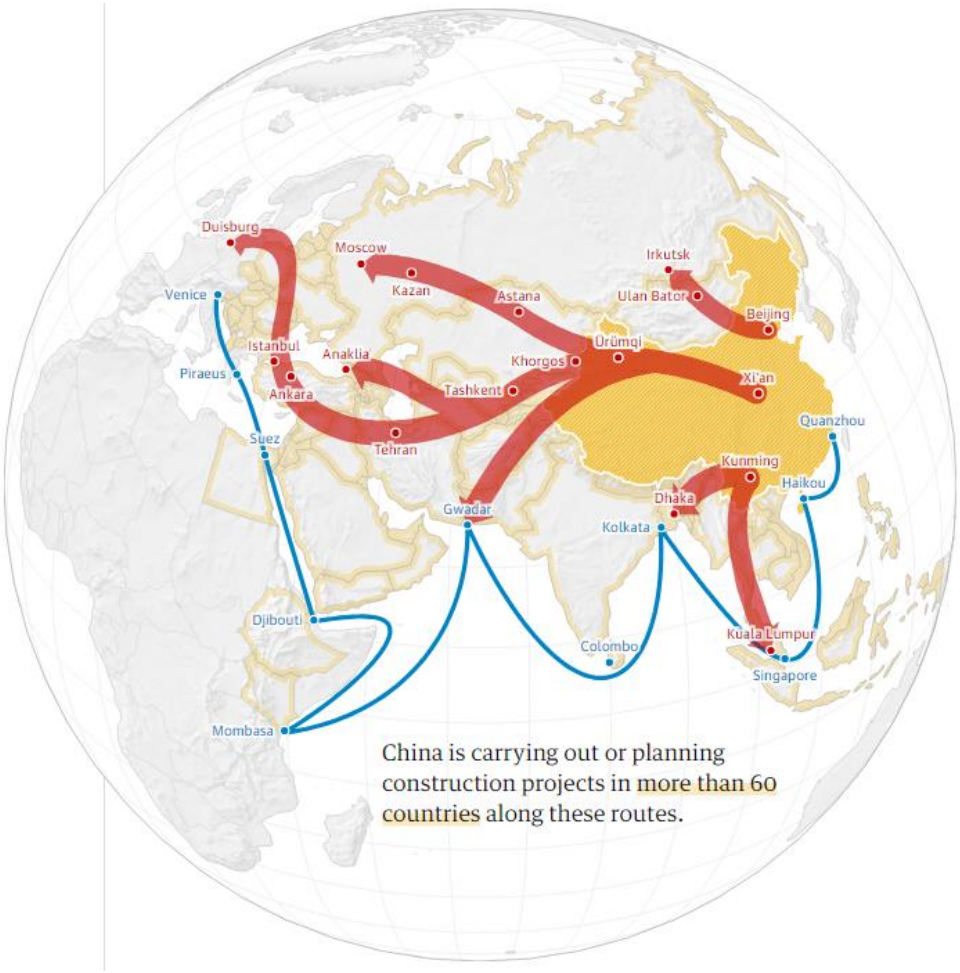
Nedopil's (2025) list of BRI participants includes 151 countries. Of these, he classifies 31 as low-income, 42 as lower-middle-income, 44 as upper-middle-income, and 34 as high-income participants. Middle-income countries are the most numerous in the list, although the numbers of low- and high-income countries are not significantly smaller. Figure 1 shows a map of official BRI participants by year of joining. The year with the highest number of new BRI participants was 2018, with 63 members, while 2014 and 2020 had the smallest number of new participants, with only one member joining in each year. According to Nedopil (2025), the date of joining for four participants is uncertain.

3.4 Transport Corridors

The "Vision and actions on jointly building Belt and Road" envisions six main economic corridors (Garlick, 2023, p. 76). Figure 2 shows a map of the BRI corridors. These corridors are:

- China–Pakistan Economic Corridor (CPEC)
- New Eurasian Land Bridge
- China–Mongolia–Russia Economic Corridor
- China–Central Asia–West Asia Corridor
- China-Indochina Peninsula economic corridor
- Bangladesh-China-India Corridor (BCIM)

Figure 2: Map of BRI Corridors



Source: Kuo & Kommenda (2018).

3.4.1 China–Pakistan Economic Corridor (CPEC)

According to analysts, the largest sub-initiative of the BRI to date is the China-Pakistan Economic Corridor (CPEC) (McBride et al., 2023). The CPEC is a road and railway infrastructure network, as well as an oil and gas pipeline network (China Daily, 2015). It extends for 3,000 km from the port city of Gwadar, which lies on the Arabian Sea in southern Pakistan, to Kashgar in Xinjiang Uygur Autonomous Region, China (China Daily, 2015; McBride et al., 2023). It has been hailed as the BRI's flagship project and as the project with the soundest economic strategy (China Daily, 2015; Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 67). Since the project's announcement by Chinese Premier Li Keqiang in Pakistan in May 2013, China's investment in the CPEC has increased over time, starting with 46 billion US dollars in 2015 and rising to 62 billion in 2017 (China Daily, 2015; Economist, 2017; Siddiqui, 2017). The corridor is located in a densely populated area, as it connects 12 cities with more than one million inhabitants and 18 with more than 100,000 (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 67).

3.4.2 New Eurasian Land Bridge Economic Corridor

The New Eurasian Land Bridge Economic Corridor was proposed as a trans-Eurasian link between Europe and China (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 64). By linking Russia to China by rail across Kazakhstan, the project could then extend further to Europe. If completed, it would span 9,000 miles of rail and ultimately link Shenzhen to Rotterdam (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 64). One city that plays an important financial and legal role for the BRI is Astana in Kazakhstan (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 75). Astana settles contract disputes, and its legal practices are based on those of Britain (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 75). The New Eurasian Land Bridge also passes through the Kazakh border city of Khorgos, the world's largest dry port (Curtis & Klaus, 2024, "Infrastructure" section, para 25). Progress on this project has largely been halted by Russia's invasion of Ukraine due to strained EU-Russian relations (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 64).

3.4.3 China–Mongolia–Russia Economic Corridor (CMREC)

The China-Mongolia-Russia Economic Corridor was proposed to link Beijing northward to Mongolia's capital, Ulaanbaatar, extend further to Russia's Lake Baikal, and facilitate connections with Siberian cities such as Novosibirsk, Omsk, and Yekaterinburg (Curtis & Klaus, 2024, "Ties of Silk and Steel" section, para 64). Similar to other corridors, it aims to economically integrate China, Russia and Mongolia and promote efficient international trade among them (SpecialEurasia, n.d.). The project's initial agreement was jointly signed in Tashkent in June 2016 at the Shanghai Cooperation Organization Summit (Long, 2018, p. 107). Mongolian natural resources, such as iron, coal, and copper, are seen as an opportunity

for Chinese companies (SpecialEurasia, n.d.). The latest announced construction project featured as part of this corridor is the Erenhot-Zamyn-Uud Economic Cooperation Zone, which emphasizes logistics, tourism, export processing, and other related services (*State Council*, 2024). The project is set to begin toward the end of the 2020s (SpecialEurasia, n.d.).

3.4.4 China-Central Asia-West Asia Economic Corridor (CCAWAEC)

The China-Central Asia-West Asia Economic Corridor (CCAWAEC) is an infrastructure project connecting China to Europe through Central Asia, the Middle East, and Turkey. Participant membership varies, although an Organisation for Economic Co-operation and Development (OECD) report (2018, p. 12) lists 24 members under this heading. The project was first announced at the second Belt and Road Forum in 2019 and included among the 35 official corridors and projects in the official report ("Joint Communique of the Leaders' Roundtable," 2019). The first container train along the route departed from Xi'an and arrived in Prague in November 2019, reducing China-Turkey freight transportation times from one month to 12 days, with one train carrying a volume of goods equivalent to the capacity of 42 trucks (Sabah, 2019).

3.4.5 China-Indochina Peninsula Economic Corridor (CIPEC)

The China–Indochina Peninsula Economic Corridor was envisioned to connect China with Southeast Asia. It has two lines: the eastern line beginning at Nanning, Guangxi, and the western line at Kunming, Yunnan, both of which cross Indochina and end at Singapore (Wang, 2019b, para 1). The project connects the territories of China, Vietnam, Laos, Cambodia, Thailand, Malaysia, and Singapore. As with other corridors, CIPEC is envisioned as a framework for China and the ASEAN countries along the corridor to cooperate and integrate economically, facilitating regional value chains (Zhu & Zhu, 2016, p. 187). Pilot projects that have begun construction to date include the Southern Malaysia Railway, the Malaysia–Singapore High Speed Rail, the China–Laos Railway, and the China–Thailand Railway (Wang, 2019b, para 9). The 1,000 km China–Laos high-speed railway was conceived as a joint venture in 2015 and completed in 2021 (Reuters, 2021). Construction of the China–Thailand high-speed rail project began in 2017; it is currently roughly one-third complete. The first phase is expected to be completed in 2027, with the rest of the project finished by the end of the decade (Strangio, 2025).

3.4.6 Bangladesh-China-India Corridor (BCIM)

The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor begins in Kunming, Yunnan, China, and passes through Myanmar, India, and Bangladesh before reaching the Indian Ocean (Wang, 2019a, para 1). It connects the Pacific and Indian oceans and links East, South, and Southeast Asia (Wang, 2019a, para 1). India is China's largest regional

trading partner, while Myanmar and Bangladesh occupy geographically strategic positions (Wang, 2019a, para 1). The joint initiative was first launched in 2013, with a consensus reached in 2017 (Wang, 2019a, para 2). The projects that have been most successful to date include the China-Myanmar Crude Oil Pipeline, the China-Myanmar International Railway, and the Bangladesh Padma Bridge (Wang, 2019a, para 8).

4 ECONOMIC IMPLICATIONS OF THE BELT AND ROAD INITIATIVE AND CHINA'S GEOPOLITICAL GOALS

4.1 Economic Effects on China

The economic rationale of certain BRI infrastructure projects has at times been subject to scrutiny. China has billed BRI projects as benefitting both China and the participating countries. The fact that China's enormous market could easily overwhelm the economies of most countries it chooses to connect with and turn the connecting infrastructure into a one-way street is obvious; BRI infrastructure could benefit China alone and create massive trade deficits for other BRI participants. However, the question must be asked: is the BRI even economically beneficial for China?

Growth and prosperity are among the goals China wishes to achieve (Sjöholm, 2022, p. 5). The BRI is a way for China to forge new trade links, shape markets for exports, increase the international use of the Chinese yuan, raise incomes at home, and export excess productive capacity not needed domestically (McBride et al., 2023). Furthermore, China hopes to use the demand for industrial inputs spurred by the BRI to reduce its overcapacity in capital-intensive industries, use new transport connections to stimulate growth in its less developed regions, and obtain new sources of energy and raw materials (Sjöholm, 2022, pp. 1, 5, 9). Chinese leadership aims to use both the BRI and the Made in China 2025 strategic plan to help the Chinese economy escape the middle-income trap (McBride et al., 2023). The middle-income trap has been described as a situation in which a country succeeds in raising wages and quality of life through increased employment in low-skilled manufacturing jobs, but its economy then remains stuck and the country cannot pivot to other, higher-value economic activities, which is a problem that only 13 out of 101 middle income countries have managed to overcome between 1960 and 2008 (Larson et al., 2016, p. 1; McBride et al., 2023).

China's internal economic inequality mirrors that of the broader global economy: the coastal regions have experienced strong economic growth and increased trade, while the landlocked interior has lagged behind, primarily because of inadequate connectivity and higher trade costs. Assessing whether China has met its goals is difficult: effectiveness in addressing overcapacity and asymmetrical regional development has so far received limited attention in the literature, which has instead focused on BRI's impact on international trade and capital

flows (Sjöholm, 2022, p. 9). The Chinese government is hoping for additional growth in specific industries and regions (Sjöholm, 2022, p. 5).

4.1.1 Access to Raw Materials and Energy Imports

Energy security is an important aspect of the BRI, as the initiative facilitates China's access to critical resources. China is a major importer of raw materials, which is an additional motivator for increasing its connectivity with the world (Sjöholm, 2022, p. 17). It imports substantial quantities of raw materials, such as oil, coal, iron, and others (Sjöholm, 2022, p. 8). BRI members close to China have an abundance of energy resources, which they produce in excess of their own needs; this makes them great partners for energy cooperation (Zhao et al., 2019, p. 134). The overland corridor ensures land-based energy imports (Lai, 2020, p. 12). The BRI also plays an important role in securing strategic sea lanes in the Indian Ocean, the Strait of Malacca, and the South China Sea, as well as the Mediterranean Sea, if negotiations with the relevant countries are successful (Economist, 2023a; Lai, 2020, p. 12). Nevertheless, China is seeking land-based alternative routes to these sea lanes, as some of them could be cut off in the event of worsening relations (Sjöholm, 2022, p. 8). The BRI's proposed pipeline to Siberia can serve as one viable alternative (Sjöholm, 2022, p. 8). The Pakistani port of Gwadar is another example of a Chinese project aimed at avoiding sea routes controlled by potentially unfriendly countries, as it facilitates the trade of oil and other raw materials from Africa and the Middle East to China directly (Sjöholm, 2022, p. 8).

Belt and Road countries provide 58.42% of China's energy supply guarantee level (Zhao et al., 2019, p. 133). This energy supply guarantee is made up of 73.37% oil, 13.56% coal, and 13.06% gas (Zhao et al., 2019, p. 133). If China succeeds in strengthening transport links with certain BRI countries, it could gain access to more than half of the world's energy reserves: 758.73 billion tons of standard coal (a unit of measurement that accounts for differences in the energy content of fuel sources) in 2015, located in Russia, West Asia, and the Middle East (Zhao et al., 2019, p. 136). These countries have exported 437.21 million tons of standard coal to China (Zhao et al., 2019, p. 133). BRI countries are estimated to have reserves of 401.45 billion tons of coal, 133.15 billion tons of oil, and 143.3 trillion cubic meters of gas, accounting for 45.03%, 55.62%, and 76.68% of the world's coal, oil, and gas reserves, respectively (Zhao et al., 2019, p. 136).

China imports a higher share of the oil and natural gas it consumes than any other country on earth, namely 70% of its oil and 40% of its natural gas (Sjöholm, 2022, p. 8). China's oil and crude oil imports surged in the 2010s (Lai, 2020, p. 12). In 2018, China imported 440 million tons of crude oil, a year-on-year increase of 11% (Madani, 2021, p. 552). At the same time, China's domestic oil production has been declining (Madani, 2021, p. 552). In 2012, 57% of China's oil was imported (Lai, 2020, p. 12). Oil was supplied to China from the Middle East, Africa, Russia and Central Asia, Latin and North America, and the Asia–Pacific region (Lai, 2020, p. 12). China's demand for petroleum and other liquid fuels has grown

for nine consecutive years since 2009 (Lai, 2020, p. 12). No other country has experienced a similar increase in fuel demand (Lai, 2020, p. 12). This can be explained by the increase in cars, trucks, and airplanes in China, as well as the country's efforts to maintain its gasoline reserves (Lai, 2020, p. 12).

Due to China's increasing emphasis on reducing pollution, natural gas is replacing coal as a source of fuel (Sjöholm, 2022, p. 8). China transports natural gas both through overland pipelines from neighboring countries and by sea as Liquid Natural Gas (LNG) (O'Sullivan, 2019, p. 2). In 2006, China first began importing natural gas, and by 2012 imports accounted for 29% of domestic gas consumption (Lai, 2020, p. 12). Slightly more than half of China's natural gas imports were sourced from Turkmenistan, with the rest coming from Qatar, Australia, Indonesia, Malaysia, Yemen, Russia, Nigeria, and Egypt (Lai, 2020, p. 12). Turkmenistan's natural gas is imported by pipeline, whereas the rest is imported by sea in the form of LNG (Lai, 2020, p. 12).

4.1.2 Alleviating China's Industrial Overcapacity

Chinese industry suffers from serious overcapacity, particularly in heavy industry (Lai, 2020, p. 5; Sjöholm, 2022, p. 5). Certain capital-intensive industries (sometimes called "sunset" sectors), such as steel, cement, aluminum, plate glass, and other construction materials manufacturing industries, in addition to shipbuilding, are particularly affected by this imbalance and have been emphasized in State Council documents as targets of policies aimed at reducing surplus capacity (Lai, 2020, p. 8; Nugent & Lu, 2021, p. 6). In these industries, only 76.5% of capacities were utilized in 2018, a significant deficit compared to companies in other countries (Lai, 2020, p. 7). Compared with Brazil, the UK, Germany, and the United States, China has a lower level of capacity utilization across all industries (Nugent & Lu, 2021, p. 6). Shen and Chen (2017, p. 341) report that certain industrial companies have a capacity utilization index as low as 65%. They characterize such companies as zombie firms, kept in business only through government or financial sector support (Kane, 1987).

Lai (2020, p. 5) states that the main cause of industrial overcapacity is disproportionate state intervention, summarizing the findings of several economic studies. China has had excessive investment in industry for an extended period (Sjöholm, 2022, p. 5). Investment creates excess productive capacity, but this causes oversupply and, in turn, lower welfare (Sjöholm, 2022, p. 5). According to Lin, Wu and Xing (2010, qtd. in Nugent & Lu, 2021, p. 6), Chinese industrial overcapacity has been worsened by China's slowdown in economic growth. Investment has been the main driver of economic growth in China since the 2008 financial crisis (Lai, 2020, p. 17; Sjöholm, 2022, p. 5). This differs from most countries, which achieve economic growth through domestic consumption (Sjöholm, 2022, p. 5). Stimulated by subsidies, Chinese industrial investment rose to 47% of GDP in 2011 before tapering off

slightly, while still remaining significant in 2020 (Sjöholm, 2022, p. 6). Productive overcapacity is what drives the Chinese leadership to seek markets abroad that will buy Chinese products (Lai, 2020, p. 6).

China's high share of investment to GDP is based not on economic rationality but is a result of China's centrally planned system, which creates incentives to report high growth figures. The government issues five-year economic plans that set growth rates, but local city and provincial leaders are eager to exceed these targets in order to advance their careers (Sjöholm, 2022, p. 6). Lai (2020, p. 7) describes local Chinese authorities' manner of investment as "impulsive" and goes on to blame the authorities' protectionist policies aimed at state-run heavy industry and mining companies for the overcapacity of these sectors. This could in some small part be explained by the Chinese concept of the "iron rice bowl," a government guarantee of employment with secure entry and exit control (Fung, 2001, p. 259). Chen et al. (2021, p. 4) provide an example of "inflated" growth targets: the national growth target for 2007 was set at 8%, but various provinces later adopted higher targets ranging from 10 to 12.5%. Higher growth rate targeting is the result of interprovincial competition (Sjöholm, 2022, p. 6).

Growth rate targeting depends heavily on economic activity, which leads to subsidized investment in both private and state-owned companies (Sjöholm, 2022, p. 6). When local governments set demanding growth rates, visits from officials to regional companies become more common, presumably to insist that companies increase investment, which in turn results in a higher amount of subsidies and state benefits (Chen et al., 2021, p. 2). State-owned companies have stronger ties to politics, and local governments own many of the 175,000 state-owned Chinese companies (Lin et al., 2020, p. 34). 130 of Fortune 500's companies are Chinese, and of those, 80% are government-owned (Huang & Véron, 2022, p. 26). Because state–owned companies are managed by the authorities, local state-owned banks can be directed to supply investment loans (Sjöholm, 2022, p. 6). While China does have private companies, they are nevertheless subject to the interests of local authorities, who facilitate loans and manage land rights (Sjöholm, 2022, p. 6). As a result, private companies go to great lengths to adhere to the authorities' wishes in order to obtain loans, land, reduced taxes, and other benefits (Sjöholm, 2022, pp. 6–7).

According to Nugent and Lu (2021, p. 6), since the BRI's official announcement in 2013, worsening capacity underutilization in China's state-run newspaper People's Daily has been discussed more frequently than other policy concerns, signifying the prominence of the issue. Chinese infrastructure projects abroad, such as roads, railways, and ports, are built using Chinese inputs (Sjöholm, 2022, p. 7). Prime Minister Li Keqiang has addressed Chinese companies directly, urging Chinese iron, steel, cement, and plate glass companies to focus on supplying infrastructure projects in ASEAN countries for "mutual benefit" (Li, 2014). While higher investment in foreign countries is likely to increase sales of Chinese products from industries suffering from overcapacity, it is difficult to estimate how long this effect

will continue (Sjöholm, 2022, p. 7). Perhaps this only represents a temporary solution to China's economic woes (Sjöholm, 2022, p. 7).

According to Hillman & Sacks (2021, p. 22), most BRI contracts are handed out to Chinese firms, despite the BRI projects being open to all companies. Of the companies carrying out the projects funded by China, 89% are Chinese, 7.6% are local (companies based in the same country as the project), and 3.4% are foreign (companies based in a different country from the project) (Hillman & Sacks, 2021, p. 22). When a project is funded by a multilateral development bank, however, the figures are different. In that case, local companies come out on top (40.8%), followed by Chinese companies (29%) and foreign companies (30.2%) (Hillman & Sacks, 2021, pp. 22–23). To boost sales of China's surplus industrial goods, China has extended loans to recipients, which BRI countries can use to hire Chinese firms, which in turn build infrastructure projects such as roads, railways, and other types of infrastructure using Chinese inputs (Sjöholm, 2022, p. 17).

Yu et al. (2020, p. 1) analyze whether China's export potential to BRI countries is affected by BRI projects, using a difference-in-differences estimation approach. Their findings indicate a considerable increase in China's export potential to BRI members, with the largest effects in capital-intensive industries (2020, p. 1). According to them, increasing China's exports is one of the "major tasks" of the BRI. Using a difference-in-differences approach, they find 8% faster growth in China's export potential to BRI countries compared to non-BRI countries (2020, p. 14). They state that China's exports to BRI countries have been significantly supported by the BRI (2020, p. 14).

4.1.3 Chinese Internal Economic Development

China suffers from substantial internal disparities. Chinese leadership has sought to utilize the BRI as a vehicle for connecting underdeveloped Chinese regions (especially in the northwest) with the rest of China, as well as with neighboring countries, in order to improve living standards and boost earnings (Sjöholm, 2022, p. 17). As a result of the BRI, large income gains are expected in Xinjiang, a region in arid western China (World Bank, 2019, p. 5). China's landlocked western regions account for two-thirds of its total land area and one third of its provinces (Sjöholm, 2022, p. 7). Démurger et al. (2002, p. 444) report that geography and preferential policies have roughly the same impact (3%) on the growth of China's coastal cities. The larger cities in China (Beijing, Shanghai and Tianjin) had the highest policy index, whereas the interior and the northwest had the lowest (Démurger et al., 2002, p. 444). The authors go on to suggest that, in order to develop the western provinces, physical capital formation must occur. The northwestern Chinese provinces have not enjoyed the same level of economic success as the coastal regions, as the latter were the first to be deregulated and opened to foreign companies and international trade, due to their access to the sea (Sjöholm, 2022, p. 7).

Northwestern China currently has half the income per capita of the coastal regions (Lai, 2020, p. 16). Due to internal inequality, China has 300 million internal migrants who have moved from western and central China to the coastal regions for work (Sjöholm, 2022, p. 7). Significant overcapacity issues remain in western China, particularly in the provinces of Guizhou, Tibet, and Xinjiang (Chen et al., 2021, p. 7). Tackling overcapacity thus entails slower growth in the affected areas and decreased incomes (Sjöholm, 2022, p. 7). Although several development programs for western provinces have been implemented, income inequalities between regions persist (Sjöholm, 2022, p. 8). The BRI's goal is to connect China's landlocked regions with both Central Asia and Europe from the west, as well as to link them with China's coastal regions (Sjöholm, 2022, p. 8).

Qin et al. (2022, p. 1) examined the convergence of Chinese inter-city income disparities. Studying 26 provinces in China, they found a continuously dynamic convergence effect in regional income disparities resulting from the BRI (2022, p. 1). Income disparities in central and western China were significantly reduced due to the BRI, whereas the convergence effect on income disparities in eastern China was smaller (2022, p. 1). They state that, through trade liberalization and industrial structure transformation. the BRI has significantly reduced income disparities in the cities studied (2022, p. 13).

4.2 Economic Effects on Belt and Road Initiative Participants

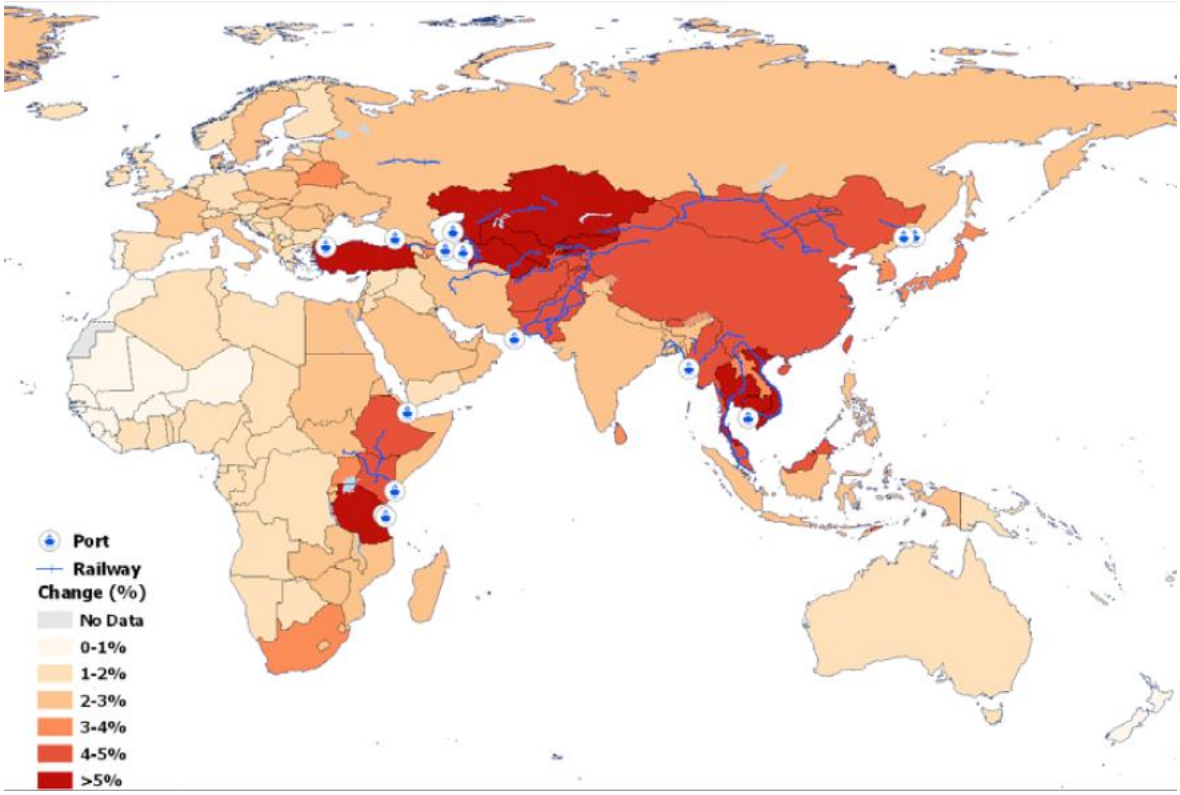
A multitude of economic factors motivate countries to join the BRI. The policy question of which transport projects to approve as part of the BRI is an important one for the leadership of participating countries (Reed & Trubetskoy, 2019, p. 3). Positive effects discussed in the economic literature include shorter transport times, increased worker mobility, lower trade costs, better market access, economic growth, increased intra-corridor trade, and reduced poverty (De Soyres et al., 2020; Reed & Trubetskoy, 2019; Sjöholm, 2022; World Bank, 2019). Negative effects have also been noted, such as an unfavorable cost-benefit ratio for many projects (depending on the country and project in question), accusations of corruption involving local or national governments, increased strain on housing and public health infrastructure as a result of higher mobility, and interdependence in project planning, meaning that the economic viability of a given project hinges on another project being completed (De Soyres et al., 2020; Reed & Trubetskoy, 2019; World Bank, 2019). These points are discussed in greater detail below.

4.2.1 Transport Times and Market Access

One of the effects of BRI infrastructure investments is a reduction in global transport and trade times (Sjöholm, 2022, p. 2; World Bank, 2019, p. 45). Different researchers use different methods to estimate this change. De Soyres et al. (2020, p. 1) use Geographic Information System (GIS) analysis and two data sets (one global database of 1,000 cities in 191 countries and one regional database of 1,818 cities in BRI countries) to estimate shipping times before

and after BRI infrastructure. According to them (2020, p. 1), shipping times as well as trade costs will be significantly lower as a result of the BRI. The researchers conclude that both BRI economies as well as the entire world will be positively affected. BRI members located along corridors will benefit the most, as the authors predict their shipping times will drop by as much as 11.9% (De Soyres et al., 2020, p. 1). BRI countries overall will see shipping times decrease by 1.7 to 3.2% (De Soyres et al., 2020, p. 1). Lastly, the researchers predict that the world average shipping time will decline by 1.2 to 2.5% (De Soyres et al., 2020, p. 1). Figure 3 shows a map of the upper-bound average decrease in shipping time per country.

Figure 3: Upper Bound Average Decrease in Shipping Time per Country



Source: De Soyres et al. (2020).

A World Bank (2019) report analyzed data on the BRI's effects on shipping times and trade costs using several different models, such as the Computable General Equilibrium (CGE), the Structural General Equilibrium (SGE) and gravity models, allowing for a more robust analysis of the potential impact of the infrastructure projects. According to the report, the BRI could decrease shipment times from corridor countries to non-corridor countries by an average value of 3.2% and lower inter-BRI corridor country shipping times by 4% (World Bank, 2019, p. 48). Shipping times along individual economic corridors could be reduced even further, by 8.5% on average and in some cases by as much as 12% (World Bank, 2019, p. 48). Trade routes between East and South Asia, as well as BRI corridors, are expected to experience the largest gains (World Bank, 2019, p. 48). In the China–Central Asia–West

Asia economic corridor, shipping times decrease from 15 days to 13 days once BRI projects are implemented (World Bank, 2019, p. 48).

Integration of railway connections between China and Europe as a result of BRI investments in Central Asia is one example of reduced transport time (Sjöholm, 2022, p. 2). A case in point is the Yiwu–Madrid railway line, currently the world's longest, covering 13,000 km (Sjöholm, 2022, p. 2). The rail line cut shipping time from China to Europe by half, as transport by sea would take twice as long (Burgen, 2014). While rail cargo transport costs more than sea shipping, fasted delivery remains an advantage (Sjöholm, 2022, p. 2). According to Pomfret (2019, p. 270), a train from Chongqing to Duisburg takes at most 16 days. The route from Shanghai to Rotterdam takes 40 days by ship (Sjöholm, 2022, p. 3). Shipping by sea is the slowest mode of transport for goods, but it is also the cheapest. While sea shipping is the main mode of transport for trade between China and Europe, rail shipping is gaining significance in sectors that maintain inventories, such as electronics (Sjöholm, 2022, p. 3).

4.2.2 Effects on Trade Costs

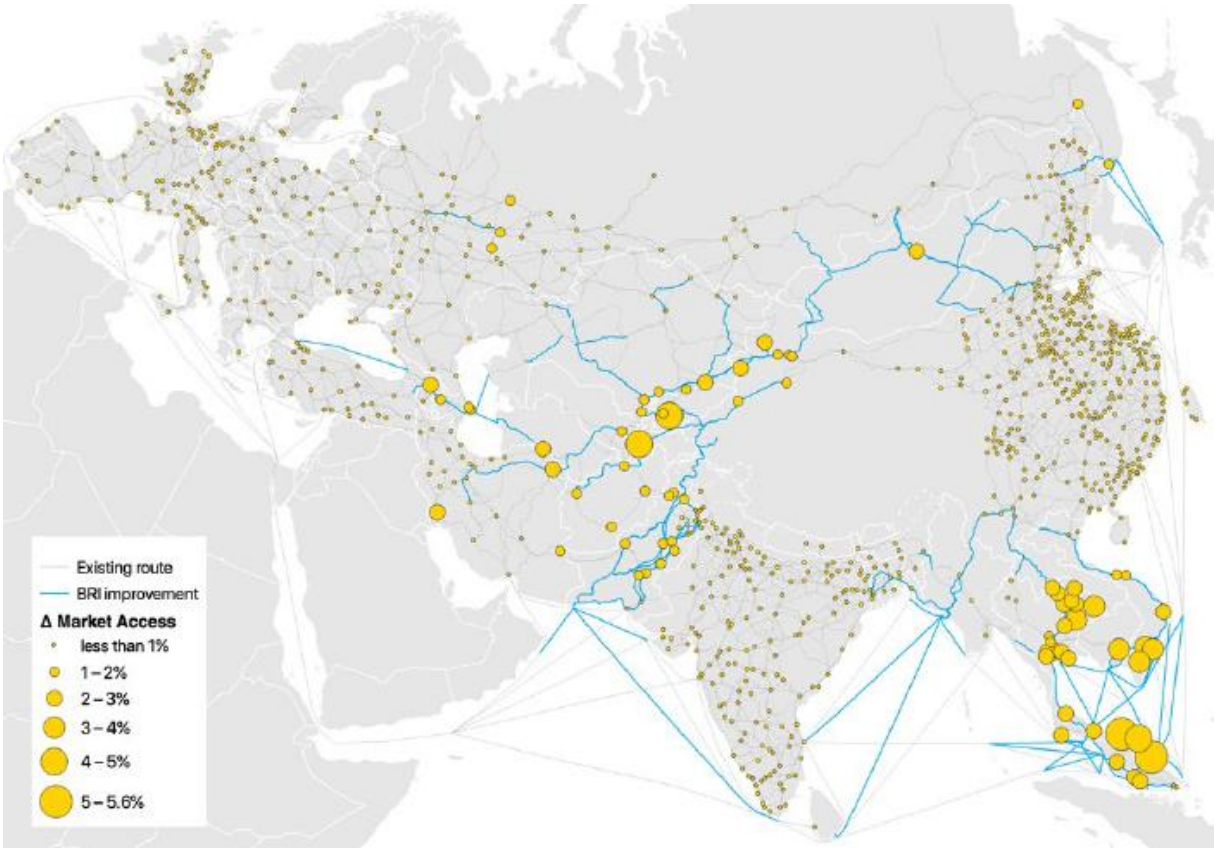
Trade costs can be reduced significantly by shorter shipping times (World Bank, 2019, p. 48). De Soyres et al. (2020) estimate trade cost reductions generated by the BRI using sector-specific "value of time" estimates published by Hummels and Schaur (2013). Values of time differ for each good: produce is time-sensitive, and microchips must be delivered just in time (World Bank, 2019, p. 48). Each country-pair and each sector has its own value of time (World Bank, 2019, p. 48). Once these values are estimated, the authors aggregate the country pair and sector values of time so that trade cost changes by country can be quantified (World Bank, 2019, p. 48). Once these new data on shipment times and trade costs are created for both BRI corridor and non-BRI countries, the effect of the BRI on shipment times and trade costs can be quantified (World Bank, 2019, p. 48). By creating estimates of how travel time and trade costs in BRI project recipient networks are affected by new BRI infrastructure, the authors allow BRI projects to be assessed on their own and measure their economic impact (World Bank, 2019, p. 48).

According to De Soyres et al. (2020, p. 1), trade costs will be significantly reduced as a result of the BRI's trade time reductions. Similar to shipping times, they predict that BRI economies, as well as the global economy, will experience positive effects, with BRI corridor members seeing trade cost reductions of up to 10.2% and BRI members in general seeing reductions of 1.5 to 2.8% (2020, p. 1). World average trade costs are expected to decline by 1.1 to 2.2%. Trade cost decreases vary significantly across country pairs. The largest average decreases occur in East Asia, South Asia and the Pacific (World Bank, 2019, p. 49). The cost of trade also decreases more along corridors (World Bank, 2019, p. 49). The China–Central Asia–West Asia economic corridor is projected to experience a 10% drop in trade costs (World Bank, 2019, p. 49).

4.2.3 Economic Growth, Production, Foreign Direct Investment and International Trade

A World Bank (2019, p. 45) report on the economics of the BRI suggests that both the real economies of participants as well as the global economy in general could grow as a result of BRI transport investments. The report expects the effect of BRI investments on participants to be positive overall. However, some countries are excluded from these positive effects (2019, p. 45). When cities have superior connectivity with one another, the cost of selling goods to other markets decreases and, consequently, firms can experience growth (Reed & Trubetskoy, 2019, p. 3). BRI participants also expect growth in production, foreign direct investment, and international trade (Sjöholm, 2022, p. 1). Overall trade is expected to receive a boost as a result of BRI corridor countries diversifying production and increasing their exports due to new transport network developments (World Bank, 2019, p. 45). Lower-income countries are expected to see an increase in foreign direct investment as a result of shorter trade times (World Bank, 2019, p. 45). BRI investments also have had a positive effect on international trade (Sjöholm, 2022, p. 1).

Figure 4: Change in Log Market Access by City



Source: Reed & Trubetskoy (2019).

Reed and Trubetskoy (2019, Abstract) analyzed the benefits of BRI transportation investments by computing the change in market access, represented by a money metric (the change in the value of urban payments to land), experienced by cities where BRI transport projects

were implemented. For every project and city studied, Reed and Trubetskoy predicted an increase in the rents received by urban landowners (2019, Abstract). They further stated that roughly half of the planned projects are expected to increase market access, while the other projects will not significantly do so because they fail to connect significant population centers with new least-cost paths (2019, Abstract). However, nearly two-thirds of the projects provide a larger share of market access when BRI transport infrastructure is considered as a system (2019, Abstract). As a result of BRI-project-related increases in market access, illustrated geographically in Figure 4, intra-corridor member trade, as well as trade with non-BRI participants, will rise (World Bank, 2019, p. 45).

According to Shengnan Ma (2022, p. 753), the increase in interregional integration in BRI countries resulting from BRI infrastructure projects has led to improved economic performance among BRI members, with member countries that have less developed economies benefiting the most. The paper examines economic growth in BRI countries between 2008 and 2019, measured by real GDP per capita (2022, p. 754). According to the author, real GDP per capita income increased significantly by 4.5% as a result of participation in BRI projects (2022, p. 754). Ma also finds that the effect of BRI participation takes time before projects can influence local economies: the effect of BRI membership is insignificant in the first year, but becomes significant and strong in year three (2022, p. 754). Following a heterogeneity analysis, the author concludes that nations with lower incomes experience economic effects three times as large from BRI participation as richer countries, and that Eurasian countries gain more from BRI membership than countries in Africa or America (Ma, 2022, pp. 754–755).

4.2.4 Poverty Reduction

The majority of BRI participants are low-income economies that face significant challenges related to poverty alleviation. Many countries in South, Central, and Southeast Asia experience severe poverty (Min & Abdullah, 2025, p. 1315). The BRI has been billed as a "Road to Poverty Reduction" by the Chinese government (Xie et al., 2023, p. 1). A 2019 World Bank report predicted that poverty in the region would decline as a result of trade growth and higher investment (World Bank, 2019, p. 45). As noted in a joint report by the World Bank Group and World Trade Organization (2015, p. 6), facilitation of international trade is a cornerstone of development and poverty reduction. Trade can enable those living in extreme poverty (subsisting on $1.25 a day) to improve their quality of life (World Bank Group and World Trade Organization, 2015, p. 6). In part through lowering trade barriers and increasing the participation of developing countries in international trade, the world has seen the number of people living in extreme poverty decline by one billion since 1990 (World Bank Group and World Trade Organization, 2015, p. 6). However, as the report points out, aggregate gains may come as a result of the enhanced transportation network, but not all individual infrastructure projects will necessarily be successful (World Bank, 2019, p. 45).

In some countries, the cost of certain projects may exceed the trade gains generated by the resulting economic activity (World Bank, 2019, p. 45).

According to China, growth spurred by the BRI has lifted 40 million people out of poverty and generated 420,000 jobs (Economist, 2023a, 2023d). Xie et al. (2023, p. 1) find that poverty rates can significantly decrease in countries that take part in the BRI, although this occurs with a time lag, as the effect only becomes significant in the long term. They examine the effect of BRI projects on poverty reduction using a panel dataset covering 2005 to 2019, applying a difference-in-differences method and conducting a heterogeneity analysis (2023, p. 1). The effect on poverty reduction was significant in China's neighboring countries and in lower-middle-income BRI member states (2023, p. 1). According to the authors, poverty in BRI member countries decreases due to boosted trade, intensified credit systems, a rise in China's greenfield investments, and the creation of digital infrastructure (2023, p. 1). Based on the regression carried out by the authors, which includes controls for fixed time and country effects, BRI participation results in an average decrease of 3.42 percentage points in the poverty headcount ratio (the percentage of people in a country living below the poverty line) (2023, p. 7).

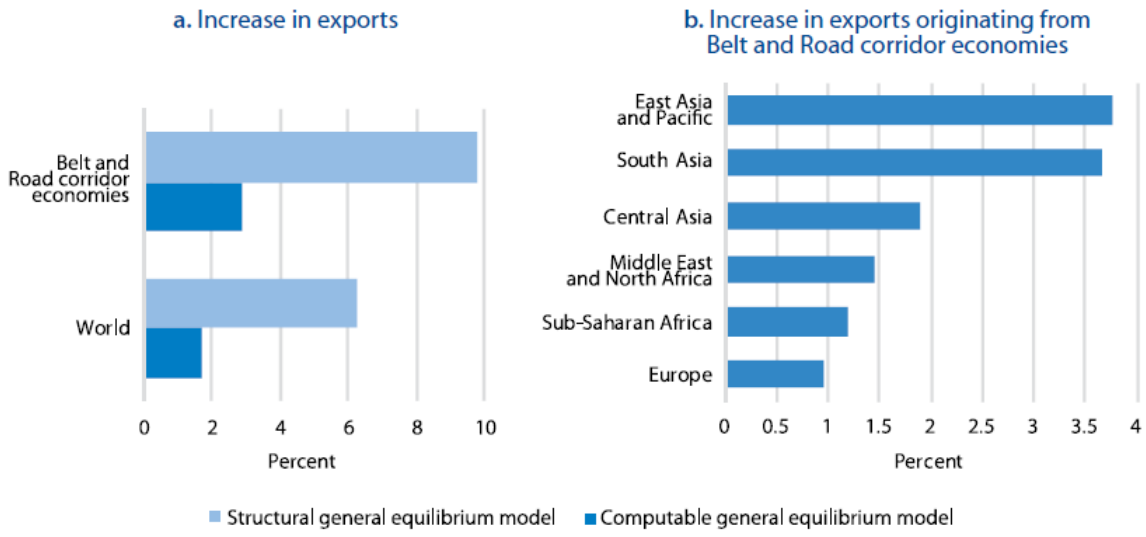
In 2019, Maliszewska and van der Mensbrugghe predicted that several million people would be lifted out of poverty as a result of the BRI (2019, p. 10). They estimated that 1.1 million people would be lifted out of poverty in Pakistan, 0.2 and 0.03 million in Bangladesh and India respectively, 60 thousand in Nepal, and 90 thousand in the Philippines (2019, p. 10). Min and Abdullah (2025, p. 1302) find that Chinese Foreign Direct Investment (FDI) in BRI countries significantly reduces poverty by stimulating employment and enhancing infrastructure. However, they also note strong regional variation, with South and Southeast Asia experiencing the most pronounced effects (2025, p. 1302). The authors identify both regional and temporal heterogeneity in the poverty reduction effects (2025, p. 1316). Economically underdeveloped countries in South and Southeast Asia experienced the strongest effects, whereas Central and West Asia, and the Middle East were not affected as strongly (2025, p. 1316). The initiative's impact on poverty alleviation was greatest after the BRI's implementation in 2014 (2025, p. 1316).

4.2.5 Variation in Effects on Different Participants

All BRI corridor economies are expected to experience trade growth as a result of the new transport projects, but the magnitude of the impact varies between countries (World Bank, 2019, p. 52). The new infrastructure will give BRI corridor countries better access to markets and to regional and global value chains, resulting in higher productivity and greater export availability due to improved access to production inputs, which may be cheaper and of higher quality (World Bank, 2019, p. 53). As shown in Figure 5, the South Asia and East Asia and Pacific regions are expected to experience the largest export growth, at 3.7% and 3.8% (World Bank, 2019, p. 53). The countries with the most significant percentage increases in

exports are Thailand, Malaysia, Pakistan, and Bangladesh (World Bank, 2019, p. 53). Countries from other BRI regions experience slightly lower increases in exports. Countries in Central Asia, the Middle East and North Africa, Sub-Saharan Africa, and Europe all see trade growth of less than 2% (World Bank, 2019, p. 53). As shown in Figure 5, a CGE model predicts global exports to rise by 1.7% and BRI corridor economies' exports to rise by 2.8% in 2030 relative to the baseline (World Bank, 2019, p. 52). A different model (structural general equilibrium) predicts even larger export gains, at 6.3% globally and 10% for corridor economies (World Bank, 2019, p. 53).

Figure 5: BRI Infrastructure Induced Increase in Exports (CGE and SGE Models)



Source: World Bank (2019).

4.2.6 Project Interdependence

Assessing the true economic impact of BRI projects can be challenging, as the effect a specific infrastructure project may have on a country often depends heavily on whether nearby BRI projects are also constructed. Reed and Trubetskoy (2019, Abstract) examine 68 BRI projects and find that, on their own, half of the projects connect only smaller cities or do not create new least-cost paths between them. They argue that the projects can have a significant economic impact only if they are also connected to other BRI projects. However, if all projects are constructed, two thirds of them yield benefits (Reed & Trubetskoy, 2019, Abstract). The highest-value projects are those that facilitate transport between very densely populated areas, such as the Kunming–Kolkata High Speed Rail (connecting India, Bangladesh, and Myanmar), electrification of the Tehran–Mashhad railway (Iran), and expansion of the ML-1 Karachi–Hyderabad–Lahore–Peshawar railway in Pakistan (Reed & Trubetskoy, 2019).

4.3 Chinese lending and investments

The BRI has spurred substantial growth in Chinese investment abroad (Sjöholm, 2022, p. 1). Producing accurate estimates of all investments related to the BRI is difficult, largely because the project as a whole, which does not have a definitive list of participating countries (Sjöholm, 2022, p. 3). Furthermore, many projects are only in the planning stage and have yet to be built (Sjöholm, 2022, p. 3).

The sources from which the BRI draws its funding are diverse, and categorizing BRI loans is just as complex as categorizing the projects themselves. China funds some BRI projects with loans that are not formally part of the BRI, and projects not funded by China at all may also be included in the initiative (World Bank, 2019, p. 45). BRI infrastructure construction follows a similar pattern across countries: while the countries ultimately pay for the projects, Chinese state-run financiers provide the loans (OECD, 2018, pp. 18–19), and the projects are carried out by Chinese companies employing Chinese workers (Sjöholm, 2022, p. 3). In contrast, when international organizations finance infrastructure projects, the work is usually awarded to local companies (Sjöholm, 2022, p. 3). As Hillman and Sacks (2021, pp. 22–23) point out, Chinese companies build 89% of projects funded by Chinese loans, while only 8% of projects go to local companies and 3% to foreign ones. This stands in contrast to projects not funded by Chinese loans, 40% of which are carried out by domestic firms.

The China Global Investment Tracker, available on the American Enterprise Institute (AEI) website, is an interface that presents data on Chinese BRI investments in various fields, including construction and civil engineering (Sjöholm, 2022, p. 3). The investments are not under Chinese ownership, but they are funded by Chinese loans and carried out by Chinese firms (Sjöholm, 2022, p. 3). AEI estimates that China has spent more than $1 trillion on BRI investments and construction projects since 2013, in the form of loans and grants (*China Global Investment Tracker*, 2025; Economist, 2023b). This exceeds the Marshall Plan after World War II, whose total investment is estimated at $114 billion in today's prices (Sjöholm, 2022, p. 3). As the tracker is unlikely to cover every BRI project, especially minor ones, the true figure could be even higher (Sjöholm, 2022, p. 3).

The intensity of Chinese investment in the BRI has varied over time. As illustrated in Figure 6, investments peaked at $76 billion in 2016, then declined somewhat before falling sharply in 2020, likely as a result of the COVID-19 pandemic (Sjöholm, 2022, p. 3; Economist, 2025). However, after 2023, BRI investments rose to new levels (Economist, 2025). This may be because 2023 was the first year in which China ended its health measures against COVID-19 (Economist, 2025). In 2023, BRI investments and construction contracts reached $96.3 billion (Economist, 2025). Investments continued to increase, breaking the record for the largest annual increase in a single year by rising 27% to $122 billion in 2024 and reaching $124 billion in 2025 (Economist, 2025).

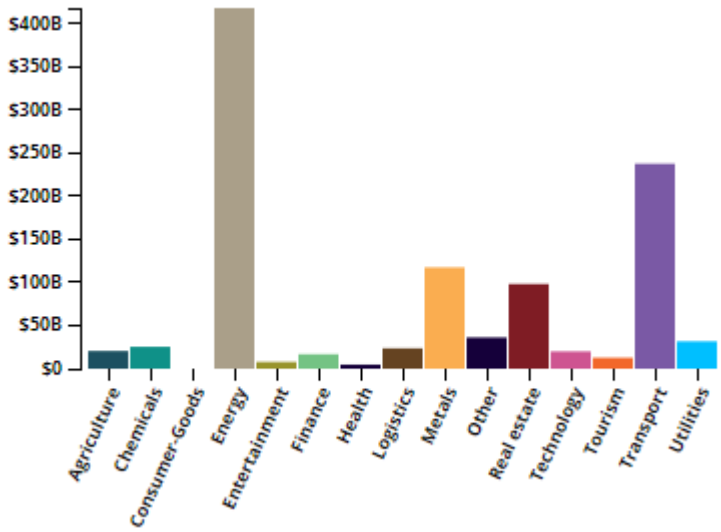
Figure 6: BRI Construction and Investment Contracts, in Billions of US Dollars



Source: Economist (2025).

Due to a lack of precise tracking by the Chinese authorities regarding the exact number of BRI projects, the $1 trillion figure presented by the AEI is merely an estimate; some researchers have reported total investments as high as $8 trillion (Hurley et al., 2019, p. 141). Sjöholm (2022, pp. 3–4) notes that approximately half the projects associated with the BRI have been included in the figures above. There is a "sharp disconnect" between planned and completed BRI projects, and actual investment is lower than announced (Storey, 2021). Considering the decline in investment following the pandemic, Sjöholm argued at the time that investments may never reach the desired amount (2022, p. 4). Since 2023, China has begun to seek BRI financing abroad, focusing on oil-rich countries such as Saudi Arabia, which was invited to join the Brazil, Russia, India, China, and South Africa bloc (BRICS) in 2023 (Economist, 2023c).

Figure 7: Worldwide Chinese Investments and Construction (2013 - 2024)



Source: China Global Investment Tracker (2025).

As shown in Figure 7 from the AEI China Global Investment Tracker (2025), four sectors account for the largest shares of Chinese BRI investments: energy, transport, metals, and real estate. Investment is highest in energy, at slightly above $400 billion, followed by transport at just over $200 billion. Metals come next, with slightly more than $100 billion in investment, and real estate, at slightly below $100 billion. China clearly has a strong interest in obtaining more energy sources, although substantial investment in metals demonstrates an effort to acquire other raw materials as well (Sjöholm, 2022, p. 4). Unsurprisingly, as the BRI is primarily an infrastructure initiative, transport accounts for a significant share of total investment as well (Sjöholm, 2022, p. 4).

The bulk of all BRI investments is distributed fairly evenly across different regions. Europe, South America, and North America receive by far the smallest shares of investments, equal to or less than 5% (Sjöholm, 2022, p. 5). Sub-Saharan Africa, East Asia, the Middle East and North Africa, and Russia, Central Asia, and South Asia each receive large, roughly equal shares of investments, between 19% and 25% (Sjöholm, 2022, p. 5). These dynamics are illustrated in Table 1.

Table 1: The Most Important Regions for Chinese Investments in BRI Countries (2013-21, Percentage of Total Investments in BRI Countries)

Region	**Share**
Sub-Saharan Africa	25%
Russia, Central Asia, and South Asia	25%
Middle East and North Africa	21%
East Asia	19%
Europe	5%
South America	3%
North America	1%

Source: Sjöholm (2022).

4.4 Geopolitical Leverage and Grand Strategy

4.4.1 Definition of Geopolitics

Evans and Newnham (1998, p. 197) define geopolitics as a field of research that examines foreign policy to understand and forecast the actions of countries in terms of geographical variables (e.g., location, size, climate). Geopolitics is concerned with the geographical dimensions of politics, focusing on factors such as land and sea position, climate, raw materials, and the locations of institutions and people (Evans & Newnham, 1998, p. 198). Tudoroiu (2024, p. 4) defines geopolitics as "the study of complex direct and indirect relationships between power and space." Evans and Newnham (1998, p. 199) further argue that contemporary foreign policy research pays far less attention to the military and territorial aspects of world politics, and that the focus has instead shifted toward neoliberal economic interdependence. This shift has led to the rise of geoeconomics as the primary motivating factor in foreign policy direction (Evans & Newnham, 1998, p. 199).

Flint and Zhu (2019, p. 96) use the concept of geopolitical codes to discuss the BRI. A geopolitical code can be defined as the way a country interacts with the world (Flint, 2007, p. 55). Geopolitical codes include considerations such as defining one's current and potential allies and opponents, supporting one's allies, combating opponents and emerging threats, as well as how to account for all of the above to the public at home and abroad (Taylor & Flint, 2000, p. 62). Flint and Zhu (2019, p. 96) state that regional integration is the territorial result of economic connectivity. According to them, geopolitical codes are a prerequisite for economic connectivity. Two important elements of the BRI are economic integration and political collaboration, both of which are part of China's geopolitical code (Flint & Zhu, 2019, p. 96). These elements are implemented by a range of actors, including state institutions, non-state institutions, and hybrid actors (Flint & Zhu, 2019, p. 96). China's geopolitical code aims to achieve regional integration and Chinese regional authority (Flint & Zhu, 2019, p. 96).

4.4.2 The Belt and Road Initiative as a Means of Obtaining Geopolitical Power

Tudoroiu (2024, p. 1) claims that the BRI is the "most important geopolitical enterprise of our times" and the primary tool of Xi Jinping's grand geopolitical strategy. He (Abstract, 2024) argues that the BRI's main function is geopolitical rather than merely an economic project of global proportions. He, as well as other researchers, believes that China's goal is to erect a new international order, which it aims to achieve by means of a grand strategy (Economist, 2023b; Tudoroiu, 2024, p. 4). China's vision of a new international order first began to form in the aftermath of the 2008 global financial crisis, which Tudoroiu claims boosted Beijing's morale, as the country felt this marked the end of Western hegemony (2024, p. 4). The Economist (2023b) has stated that the BRI is a "scheme" to promote the

Chinese Communist Party (CCP)'s image and increase its influence in the world. Additionally, its editors claim that China has used the BRI to promote its development model, in which democracy is optional, in the global south (Economist, 2023b, 2023d). More recently, Economist (2025) editors have noted that China's alternative world order can also counter the instability caused by the presidency of Donald Trump.

According to Tudoroiu (2024, p. 4), Xi Jinping has created a regional and global grand strategy. Nina Silove (2018, p. 27) defines grand strategy as an organizing principle that has a lengthy time span, concerns a country's top priorities, and pertains to military, diplomatic, and economic statecraft. According to Tudoroiu (2024, Abstract), China has two different, and, at times contradictory, identities through which it interacts with the world. One is a 21st-century postmodern empire that avoids warlike rhetoric and instead uses soft language about the BRI as a harmonious "win-win" project that aims to construct a "community of shared destiny" (Tudoroiu, 2024, Abstract, p. 4). This new type of foreign policy stance emerged after Deng Xiaoping's reforms, as China began to open up to the world. This persona, according to Tudoroiu (2024, Abstract), builds power by establishing relationships with BRI member political elites in the Global South, though not exclusively, as Belt and Road Forum attendees have also included Vladimir Putin (Economist, 2023a). China presents the BRI as an inclusive development model that respects the political and legal traditions of other states and does not require democracy (Economist, 2023a, 2023c). Because of this, Belt and Road Forums have featured a variety of guests, including Vladimir Putin as well as a Taliban delegation (Economist, 2023a, 2023d). The prestige associated with grand infrastructure projects helps these political elites to stay in power, although critics have warned that ordinary people in poor countries may be less enthusiastic about such projects if they see little benefit from them (Economist, 2023c).

Tudoroiu (2024, p. 2) states that the BRI is an instrument through which China can project normative power. Normative power is defined by Yıldırımçakar (2025, p. 236) as a country's ability to "influence international norms, values, and standards through their actions, policies, and diplomatic commitments." This approach to foreign policy is most clearly expressed in the BRI founding document's Silk Road spirit, which espouses "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit" (National Development and Reform Commission et al., 2015, p. 2). If this is accepted, the BRI is a "strategy of economic development" that build infrastructure to enable increased regional and global trade (Flint & Zhu, 2019, p. 95).

The second Chinese identity is a bellicose "nineteenth-century-style territorial empire" that vehemently asserts its right to Chinese territorial possessions, such as Taiwan and the South China Sea (Tudoroiu, 2024, Abstract). Through the lens of this second persona, the BRI can be understood as a tool for China to "increase its influence in East and Southeast Asia" and potentially become a geopolitical competitor to the US (Flint & Zhu, 2019, p. 95). This personality traces its origins to the Maoist era and does not promote "normative power, relationality, benevolence or cooperation" (Tudoroiu, 2024, p. 2). This China relies on hard

power and aims to defend the country and its sea routes (Tudoroiu, 2024, p. 2). Xi seeks both to alter and to take advantage of the current international order led by America, while at the same time building China's parallel multilateral institutions, which China hopes will one day supplant it (Tudoroiu, 2024, p. 4).

China's focus on exerting influence over neighboring countries comes after a period of relative turmoil. For most of the past century, China has been primarily concerned with domestic issues, aside from smaller conflicts such as the brief war with Vietnam in 1979, and has paid little attention to global affairs (Sjöholm, 2022, p. 8). Today, China is far more engaged in international politics, which the country can use to its advantage (Sjöholm, 2022, p. 8). For example, greater geopolitical influence can provide more options for addressing controversial national issues such as Hong Kong, Taiwan, and the Xinjiang Uygur Autonomous Region (Sjöholm, 2022, p. 8).

4.4.3 Cultural Soft Power

In 1990, Joseph Nye observed a shift in the nature of power. A state may use both inducements ("carrots") as well as threats ("sticks") to force other countries to do what it wants (1990, p. 31). But power can also be exercised indirectly: a leader country can achieve its goals because other countries follow it willingly, sometimes merely by "setting the agenda" and establishing how debates will be structured (1990, pp. 31–32). Nye calls this "indirect or co-optive power behavior," contrasting it with the "active command power behavior of getting others to do what you want." Indirect power is based on attraction to the ideas of the leader or the ability to reshape the preferences of others through the leader's political agenda (1990, p. 31). Culture, ideology, and institutions are "intangible power resources" related to the capacity to create preferences (1990, p. 32). Nye understands this ability as soft power, which he juxtaposes with the hard power of tangible resources such as military and economic might (1990, p. 32). The importance of soft power was recognized by Chinese leaders before Xi. In 2006, Hu Jintao stated that China's continued rise rests not merely on hard power (economic strength, science, technology, and defensive abilities), but also on soft power, specifically mentioning culture (Li, 2009).

The geopolitical and geo-economic dimensions of the BRI are often discussed in the scientific literature in economics, defense and security studies, and other social sciences, the focus of research being infrastructure, trade, and financial contracts (Winter, 2020, p. 1). Winter (2020, p. 1) goes further, however, claiming that China also seeks to expands its geocultural power through BRI projects. He argues that the BRI promotes the dissemination of ideas and values that support China's goal of regional dominance, with the discourse of "reviving" the Silk Road being only one example (2020, p. 2). Winter (2020, p. 2) describes the Silk Road as a "romanticized, grand narrative of pre-modern globalization," in which peaceful trade and cross-cultural exchange can take place. Whether China has benefited politically as a result of BRI projects remains to be seen (Sjöholm, 2022, p. 9). Chinese soft power and

diplomatic standing have been strengthened in some countries, while skepticism and mistrust of China have grown in others (Ang, 2019; Sjöholm, 2022, p. 9). Ang (2019) reports that railway projects have been interrupted in Thailand and Malaysia, as local leaders voice concern about disproportionate expenditures, corruption, and, according to Malaysian Prime Minister Mahathir bin Mohamad, "a new version of colonialism."

4.4.4 The Digital Silk Road

In addition to building infrastructure of various types, China has launched several seemingly unrelated sub-initiatives in parallel with the BRI, one of them being the Digital Silk Road (DSR). First launched in 2015, the DSR can be understood as a way for China to provide aid and political support to at least 16 participating members, though some reports estimate that a third of all BRI members are also participating (Kurlantzick & West, n.d.). Recipient members receive aid in non-controversial areas such as telecommunications infrastructure, cloud computing, developing smart cities, and boosting e-commerce with mobile payment solutions (Kurlantzick & West, n.d.). In addition, Chinese companies establish training centers and R&D initiatives with the goal of facilitating technical knowledge exchange (Economist, 2023b; Kurlantzick & West, n.d.). However, recipients can also use China's technology to build surveillance systems (Kurlantzick & West, n.d.).

Services are a vital sector in all advanced economies. Developing countries risk remaining trapped at middle-income levels due to inadequate communications infrastructure, a vulnerability further exposed during COVID-19 lockdowns. According to some estimates, by 2040 the global infrastructure financing gap will reach $15 trillion (Kurlantzick & West, n.d.). China has presented the DSR as its answer to these inequalities. In some regions, such as Africa, China's IT and communications infrastructure financing has already eclipsed that of all multilateral agencies and democratic countries (Kurlantzick & West, n.d.). DSR recipients are not limited to developing countries, as the list also includes wealthy nations such as South Korea (Kurlantzick & West, n.d.). Chinese telecommunications corporation Huawei has been the subject of controversy, most recently over corruption disguised as commercial lobbying, aimed at gaining political favors (Genovese, 2025).

4.5 Accusations of Debt Trap Diplomacy

China has been accused of engaging in so-called debt-trap diplomacy in relation to the BRI. Repaying BRI loans has been difficult for several BRI member countries (Economist, 2023b). Chi (2025, p. 90) defines debt-trap diplomacy as a tool of control used by major powers, in which development loans are misused to exert pressure on poorer countries. China offers loans to high-risk countries to which Western banks and institutions refuse to extend credit (Parker & Chefitz, 2018). Western financial institutions approve loans more slowly and require borrowers to accept strict conditions (Chi, 2025, p. 90). In return for its loans,

China then demands strategic or political assets (Parker & Chefitz, 2018, p. 5). Some researchers, such as Parker & Chefitz (2018), argue that this is a deliberate strategy, but there does not appear to be a wide scholarly consensus on how accurate this claim is.

China has been criticized for its lending practices. It negotiates bilateral, confidential debt contracts, preferring to avoid cooperation with other lenders or multilateral institutions (Economist, 2023b). According to Gelpern et al. (2021, pp. 6–7), almost three-quarters of the debt contracts analyzed in the study's Chinese sample include a so-called "No Paris Club" clause, which explicitly restricts the borrower from seeking debt restructuring through the Paris Club (a group of major creditor countries that negotiate debt restructuring with countries seeking debt relief) or any other similar debt treatment (*What Are the Main Principles*, n.d.). In addition, Chinese contracts are sometimes drafted so that China may demand immediate repayment, which it can exploit to its advantage in relation to sensitive topics such as its claimed sovereignty over Taiwan or the repression of the Uyghur minority in China's Xinjiang Uyghur Autonomous Region (McBride et al., 2023).

Washington has long held suspicions against the BRI's stated commercial and economic aims (Brautigam, 2020, p. 5). Western claims that the BRI is being leveraged as a weapon have been spurred by China's investments in Southern Europe; these investments have been termed "Trojan horses" that aim to penetrate Europe's economically weaker members (Johnson, 2018; Lee, 2018). Lee (2018) stops short of accusing China of having military ambitions in Europe, but he does not shy away from calling the strategy "insidious." According to the 2018 American National Defense Strategy, China is engaged in so-called predatory economics as one of the means to achieve its strategic goals in the Indo-Pacific region (U.S. Department of Defense, 2018, p. 2). Parker and Chefitz (2018, p. 3) list "debt book diplomacy" as part of China's predatory economics. They describe debt book diplomacy as the coercive use of debt to gain political influence or secure strategic assets in countries that owe China.

There are three strategic goals that China pursues through debt-book diplomacy, according to Parker and Chefitz (2018, p. 3): advancing the String of Pearls strategy (the Chinese military's plan to secure control over trade routes in South Asia), securing its South China Sea claims, and projecting power into the Pacific beyond the First Island Chain. In a 2018 talk at George Mason University, US Secretary of State Rex Tillerson accused China of disenfranchising its economic partners with nontransparent contracts and predatory loans that foster corruption, cause debilitating debt, and hamper growth (Tillerson, 2018). Admiral Scott Swift of the U.S. Pacific Fleet went further, stating that China can use "coercive economic actions" and leverage the debt owed by a country to demand resources that were not discussed during the lending process (Moriyasu, 2018).

Parker and Chefitz (2018, p. 4) identify several stages that they claim China consistently uses as a playbook in its debt trap diplomacy. In the first stage, China invests, offering loans with grace periods and terms that are longer than those provided by Western institutions, using the China Development Bank and the Export-Import (EXIM) Bank of China (Parker

& Chefitz, 2018, p. 4). The countries that take advantage of these loans are typically developing nations with corrupt administrations that sign these contracts regardless of the project's economic rationality (Parker & Chefitz, 2018, p. 4). In the next stage, the project is constructed and operations begin. The project may exceed the initial budget, be of low quality, and lack proper safety standards (Parker & Chefitz, 2018, p. 4). Because little attention is paid to the economic viability of the project, the proceeds do not cover the debt owed to China (Parker & Chefitz, 2018, pp. 4–5). Sometimes protests against the project erupt, due to a lack of local job creation, environmental degradation, and corruption, which can even result in project cancellation (Parker & Chefitz, 2018, pp. 4–5). After the project's implementation, China leverages the debt owed: in this stage, China offers debt remission, forgiving BRI members' debts in return for political or economic concessions (Parker & Chefitz, 2018, p. 5).

The debt-trap diplomacy narrative has been challenged. China has promoted the BRI as an international stimulus package that supports economic development in both China and BRI member states (Liu & Dunford, 2016). Chi (2025, p. 89) argues that this interpretation is an oversimplification that fails to recognize the initiative's successful promotion of "inclusive growth." According to Chi (2025, p. 89), the project represents a development model that serves as an important supplement to traditional international finance. Chi (2025, p. 90) states that the debt issues experienced by certain BRI members stem from their own structural problems.

4.5.1 Case Studies of Sri Lanka and Greece

One example, which is often cited as a case of alleged Chinese debt-trap diplomacy, is Hambantota port in Sri Lanka. Wibisono (2019, p. 223) accuses China of investing in the project haphazardly, "without proper study or consideration of other payment options." However, claims of a deliberate debt trap at Hambantota are disputed (Economist, 2023a). Sri Lanka is ideally located geostrategically, as Hambantota Harbor lies on one of the world's busiest naval trading routes (Wibisono, 2019, p. 222). Seeking to capitalize on this favorable location, the government accepted a Chinese loan to build a port that would enable Sri Lanka to facilitate trade and stimulate its economy (Wibisono, 2019, p. 223).

A period of significant Chinese investment in Sri Lanka occurred during the presidency of Mahinda Rajapaksa (Wibisono, 2019, p. 223). The Sri Lankan government may have been especially keen to accept Chinese investment during this time due to a general lack of international investment caused by the government's brutal war against the Tamil Tiger separatist movement (Wibisono, 2019, p. 223). China's involvement in Sri Lanka intensified in 2007, when it offered military and diplomatic assistance during the war against the Tamil Tigers (Wibisono, 2019, p. 231). During Rajapaksa's presidency between 2010 and 2015, China initiated a large number of infrastructure projects in Sri Lanka, including airports, coal-fired power plants, highways, and the Hambantota port (Wibisono, 2019, p. 223). The economy

of the country during this time experienced growth largely as a result of these investments (Wibisono, 2019, p. 231). China's $4.8 billion loan later increased to $6 billion in 2016 (Chaudhury, 2018). According to Wibisono (2019, p. 223), China invested millions of dollars in Rajapaksa's re-election campaign due to his willingness to sign Sri Lanka up for more debt. Rajapaksa would nevertheless lose the election due to a corruption scandal, but the incumbent government was left to settle the debt (Wibisono, 2019, p. 223). According to Liang (2018), Sri Lanka's debt to China at that time was $8 billion.

The Hambantota Port opened in 2010 at a cost of $1.3 billion (Liang, 2018). The port's operation has caused excessive maintenance costs and substantial interest payments, which Sri Lanka has struggled to repay (Wibisono, 2019, p. 223). According to Wibisono (2019, p. 229), the project has had to be renegotiated several times with the China Harbour Engineering Company and hosted only 34 ships in 2012. In December 2017, facing mounting debt, the Sri Lankan government agreed to form a joint venture in which a controlling equity stake of 70% in the Hambantota Port was handed over to Chinese companies under China Merchants Port Holdings (Hillman, 2018a; Liang, 2018; Wibisono, 2019, p. 229). China obtained control of the port along with 15,000 hectares of adjacent land for 99 years under a lease agreement, which also stipulates a tax break and tax concessions for Chinese companies (Liang, 2018; Wibisono, 2019, p. 224). In return, Sri Lanka received a $1.1 billion investment from China Merchants Port Holdings (Brautigam, 2019).

Another case sometimes cited as an example of debt-trap diplomacy is Piraeus in Greece. When Greece was hit heavily by the global financial crisis in 2008, the Chinese state-owned China Ocean Shipping Company (COSCO) offered to lease two of Piraeus's container piers (Economist, 2023a). Later, in 2016, when the EU and IMF pushed Greece to privatize some of its state-owned assets, Greece sold a 51% stake in the port to COSCO, a figure that would later increase by a further 16% in 2021 (Economist, 2023a). Piraeus was called the "dragon head" of the BRI in Europe by Chinese officials (Economist, 2023a). Under Chinese control, Piraeus grew from the world's 93rd-ranked container port to among the world's top 40 (Economist, 2023a). At first, Greece supported China by opposing EU statements criticizing China's human rights controversies and its actions in the South China Sea (Economist, 2023a). Over time went, however, Greece elected a pro-American government in 2019, and public sentiment towards China has worsened (Economist, 2023a).

5 CHALLENGES AND CRITIQUES

5.1 EU Response

In Europe, more than two thirds of European Union members are involved in BRI projects. Examples include renovating the port of Piraeus in Greece and modernizing the railway between Budapest and Belgrade (McBride et al., 2023). The latter project was met with "anxiety and criticism" in Brussels as well as the United States (Rencz, 2019). BRI projects in

Europe take place in EU member states as well as in non-EU countries. EU leadership may not be keen on China building infrastructure in prospective EU member countries along its borders. Nevertheless, the EU has struggled to offer a competing vision to the BRI, partly due to internal divisions among member states. Greece and Hungary, both EU members who are also BRI beneficiaries, have blocked criticism of China from other member states (Hillman & Tippett, 2021). At the opposite end of the spectrum, during a 2018 trip to China, French President Emmanuel Macron argued that "China's new 'Silk Road' cannot be one-way" and that China's BRI would turn participants into "vassal states" (Rose, 2018). A clear divide can be seen within Europe between richer Western EU member states, which do not wish to sacrifice any amount of sovereignty in return for infrastructure investment from China, and poorer member states, as well as prospective member states in the east, which have seized the opportunity to update their aging infrastructure to strengthen existing connectivity or forge new transport links.

Despite disagreements within the EU, in December 2021 Global Gateway was announced, an infrastructure investment program that aims to mobilize up to $300 billion between 2021 and 2027 (Barbero, 2023; Tagliapietra, 2021). The sum is divided into three categories. The EU seeks to leverage €135 billion in private investment under the European Fund for Sustainable Development Plus (EFSD+) on the basis €40 billion in EU guarantees, hoping to insure investors against political risk (Tagliapietra, 2021). The other two categories are €18 billion in EU external assistance grants and €145 billion in investments carried out by the financial and development finance institutions of EU countries (Tagliapietra, 2021). Global Gateway would fund connectivity projects in "digital, energy, transport, health, education and research" (Tagliapietra, 2021). The project's aim is to facilitate green and digital transitions in underdeveloped countries, stimulate the EU's economies, and increase the global influence of the EU (Barbero, 2023).

Researchers offer conflicting views on the project. Garlick (2023, p. 67) described it as a "vague promise," funded with money merely redirected from existing EU initiatives. Tagliapietra (2021) argues against this viewpoint, noting that both the EU as well as its member states provided Official Development Assistance (ODA) in the form of grants worth €66.8 billion in 2020, which positions Europe as one of the top benefactors of this form of aid in the world and that the EU does not need to allocate additional funds for development projects. The EU's development projects before Global Gateway were not unified, with some taking place at the EU level and others at the national level, resulting in a disorganized geopolitical stance and inefficiencies (Tagliapietra, 2021).

5.2 US Response

Americans have expressed the same concerns as other countries as to what exactly China's intent behind the BRI is (McBride et al., 2023). Additionally, the West is "surprised" that the transformation of the world's new trade routes is not taking place according to the West's

image or rules (Economist, 2020a). This time, it is Asia that is building the path to Europe, not the reverse (Economist, 2020a).

Starting with President Barack Obama's "Pivot to Asia" foreign policy, the United States has attempted to rival China's BRI by spending billions of dollars on infrastructure in low-income countries (McBride et al., 2023). Under President Donald Trump, the Better Utilization of Investments Leading to Development (BUILD) Act was passed, touted by Runde & Bandura (2018) as "the most important piece of U.S. soft power legislation in more than a decade," which created a separate agency, the Development Finance Corporation, with an investment portfolio of $60 billion (McBride et al., 2023). In 2021, the Build Back Better Initiative (B3W) infrastructure investment program was launched under Presidency Joe Biden by the U.S. and G7 member states (McBride et al., 2023). Whether B3W was intended as a complement to, or a challenge to, the BRI is subject to interpretation, but a lack of financing prevents the program from truly rivalling the BRI (McBride et al., 2023). Only a year after its announcement, the Build Back Better World initiative was rebranded as the Partnership for Global Infrastructure and Investment due to the legislative demise of the Build Back Better bill in the U.S. (Kenny & Morris, 2022). The initiative has also languished in other ways, with commitments to it not exceeding $6 million (Kenny & Morris, 2022).

Some publications, such as The Economist (2023b), emphasize that B3W should not be seen as charity but as an "investment in the rules-based order," adding that the future is in China's hands if only they are prepared to fund development efforts in low-income countries. Kenny & Morris (2022), however, point out that this American countermeasure was doomed from the start, as the United States is "notoriously bad" at maintaining its own infrastructure. Critics of the program suggest that the United States should not invest in infrastructure but instead focus on aid-based lending, which can be carried out through multilateral institutions such as the IMF and the World Bank (McBride et al., 2023). After all, China has an economic advantage over the United States in this respect, having secured more than eight times as many World Bank-funded infrastructure projects as the United States in 2020 alone (McBride et al., 2023).

Other analysts still see the BRI as a major opportunity for China to do the heavy lifting of infrastructure building for the United States. Hillman (2018b) claims that Chinese infrastructure investments in Central Asia are beneficial for the United States, stating that the project could serve US interests, with some minor adjustments, while also promoting global development. The United States could wait for China to overextend itself and then reshape what has already been built to suit its own needs. In some sense, one could argue that this is more in line with the American decentralized capitalist philosophy of letting private entrepreneurs (or in this case an entire country) do the hard work, a principle that has worked well for the U.S., going back as far as the westward expansion and the settlement of the Appalachian Mountains in the 19th century. The United States is not the only country seeking to leverage the BRI in its favor, however.

5.3 Environmental Considerations

A global initiative such as the BRI cannot proceed without having a considerable impact on the environment, despite the project's stated aim of "balanced and sustainable development" (National Development and Reform Commission et al., 2015). In a 2016 speech, Xi Jinping urged BRI participants to jointly pursue "environmental protection, intensify ecological preservation and build a green Silk Road" (Li & Shvarts, 2017, p. 2). BRI-related factors affecting the environment include the vast quantities of raw materials required to build these projects, as well as the extension and modernization of existing transportation networks, which make it difficult to carry out these projects without causing significant environmental degradation (Ascensão et al., 2018, p. 206).

While improved transportation networks have a positive social and economic impact, they may also affect biodiversity significantly (Ascensão et al., 2018, p. 206). According to Laurance et al. (2015, p. 3202), wildlife habitats in sub-Saharan Africa could be disturbed by planned transport corridors in over 400 protected areas, while another 1,800 reserves could be compromised. Laurance et al. (2014, p. 229) state that roads have a negative and irreversible effect on ecosystems, which are subject to fragmentation, destruction of natural habitats, overhunting and wildfires. Wildlife death, animal movement restrictions, spreading of invasive species, in addition to chemical, noise, and light pollution are further effects of roads on biodiversity (Ascensão et al., 2018, p. 206). Formerly inaccessible tropical forests will be exposed to illegal logging, poaching, and wildfires (Ascensão et al., 2018, p. 206). BRI projects may also cause compounding environmental effects through hinterland development: for example, new ports will lead to new roads and power lines (Ascensão et al., 2018, p. 206).

Mining raw materials is an important part of making BRI construction projects feasible. Drilling for fossil fuels, as well as sand and limestone extraction required to produce cement and concrete, will rise significantly as a result (Ascensão et al., 2018, p. 206). Sand is not a quickly replenishing resource, and marine and river delta eco-systems are currently under severe stress as a result of sand mining (Ascensão et al., 2018, p. 206).

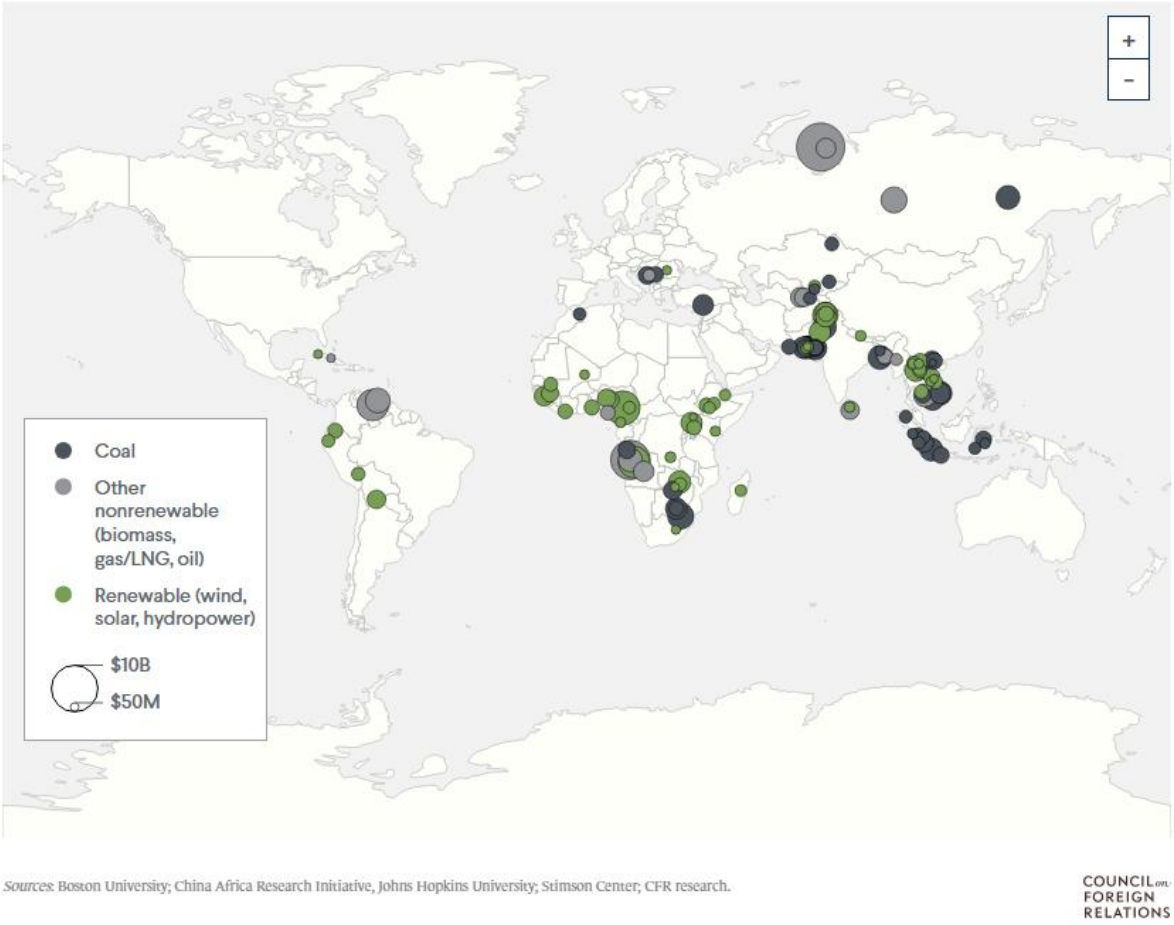
A further environmental consequence of the BRI that is often cited is its impact on wildlife. According to a 2017 World Wildlife Fund (WWF) briefing paper, BRI corridors may affect many vulnerable species, including 265 threatened species, 39 critically endangered species, and 81 endangered species (Li & Shvarts, 2017, p. 3). Threatened species include saiga antelopes, tigers, and giant pandas (Li & Shvarts, 2017, p. 3). In geographic terms, the BRI threatens to disturb many environmentally important areas. Ecologically sensitive regions and Key Biodiversity Areas (KBAs) will doubtlessly be affected by a project of this scale (Hughes, 2019, p. 883). The environmentally important areas impacted include "1,739 Important Bird Areas or Key Biodiversity Areas and 46 biodiversity hotspots or Global 200 Ecoregions" (Li & Shvarts, 2017, p. 3). Most of the KBAs located along planned routes are not subject to environmental protection and are therefore particularly at risk (Hughes, 2019,

p. 883). According to Li and Shvarts (2017, p. 3), every protected area located along the route of BRI projects is potentially impacted, with 32% of the total protected areas in BRI countries potentially affected.

According to Maliszewska and Van Der Mensbrugghe (2019, p. 11), the BRI would not have a major impact on emissions. They highlight two categories of emissions: greenhouse gases and harmful local pollutants. There are 14 gases that may have an adverse impact: of these, four are greenhouse gases, which may contribute to global warming, and the other ten are local pollutants that can result in adverse health effects (Maliszewska & Van Der Mensbrugghe, 2019, p. 11). An example of a harmful gas is sulfur dioxide, which cools the atmosphere by reducing radiative forcing (Maliszewska & Van Der Mensbrugghe, 2019, p. 11). In the model used by the authors, only carbon dioxide emissions resulting from fossil fuels are taken into account, leaving out carbon dioxide emissions caused by deforestation or cement manufacturing.

A further critique that has been leveled against the BRI, is the relatively small share of funds devoted to renewable energy projects compared with the funds allocated to non-renewable energy projects. While China pledged in 2021 to cease building coal-fired power plants in BRI-participating countries, close to half of all BRI-allocated funds are still spent on non-renewable energy projects (McBride et al., 2023). Despite China's 2021 commitment, it remains unclear whether this pledge applies to ongoing projects or only to new projects (McBride et al., 2023). In addition, it is unknown whether this pledge covers only coal-fired power plant construction or also the financing of such plants (McBride et al., 2023). The map in Figure 8 illustrates energy projects financed by state-owned Chinese banks in BRI countries by size of investment and energy type.

Figure 8: Energy Projects Financed by State-Owned Chinese Banks in BRI Countries



Source: McBride et al. (2023).

5.4 Economic Challenges

Gunessee and Liu (2020, p. 47) list several politico-economic challenges faced by BRI participants. The first challenge they identify is the effective management of megaprojects. The larger the scale of a project, the greater its complexity. A project that is too grand in scale may involve so many factors that it becomes impossible to manage effectively (Gunessee & Liu, 2020, p. 46). Many BRI projects can be classified as megaprojects, which, by their nature, are subject to several types of risk. For example, they have long planning horizons that can span decades (Gunessee & Liu, 2020, p. 46). This may lead to changes in project managers, resulting in weak leadership and shifts in project scope or ambition over time (Flyvbjerg, 2014, p. 8). Megaprojects are typically multi-actor undertakings involving many different stakeholders with conflicting interests (Flyvbjerg, 2014, p. 8). BRI projects also display a high degree of variety, as they include not only transport links (high-speed rail and roads) and natural resource pipelines (gas and oil), but also infrastructure for electricity and telecommunications (Gunessee & Liu, 2020, p. 46). According to Gunessee and Liu (2020,

p. 46), all of these factors may result in projects exceeding their budgets, delays in implementation, and ultimately failure to deliver the anticipated benefits. Flyvbjerg (2011, p. 321) reports that 9 out of 10 megaprojects experience cost overruns, often by 50 to 100% and not infrequently by 100%.

Another challenge faced by BRI project managers relates to governance issues. Gunessee and Liu (2020, p. 47) point out that in 2017, both private and public institutions in BRI-participating members deviated significantly from global averages in this regard. The average overall Global Competitiveness Index (GCI) of BRI members in 2017 was close to the world average, as were most other indicators and pillars (Gunessee & Liu, 2020, p. 24). However, BRI members include only a few low-income countries, which means that on average BRI members are less competitive than the global average (Gunessee & Liu, 2020, p. 24).

This may be because BRI countries rank below the world average in institutional governance, at least according to the six Worldwide Governance Indicators (WGI) (Gunessee & Liu, 2020, p. 47). The WGIs include categories such as voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption (Gunessee & Liu, 2020, p. 23). The authors point out that the development of BRI members may be significantly hampered by a weak institutional pillar compared with the world average, which also encompasses public and private institutions (Gunessee & Liu, 2020, p. 25).

In four out of six categories (political stability, rule of law, regulatory quality, and control of corruption), BRI members rank below non-BRI countries (Gunessee & Liu, 2020, p. 47). Several researchers argue that growth is not possible without strong governance and institutions. Hu et al. (2018, p. 218) state that the least developed nations in any region are those with the greatest political instability or other governance-related issues, whereas countries that are governed well achieve the highest levels of development. Lin (2012, pp. 9–10) states that China's continued economic growth rests partly on institutions, which are the factor that enables an economy to reach its production possibility frontier (the maximum output possible).

A key challenge of the BRI often mentioned by researchers and commentators alike is macroeconomic risk, particularly unsustainable sovereign debt in certain borrower countries and low returns on investment (Gunessee & Liu, 2020, p. 47; Hurley et al., 2019, p. 139). Hurley et al. (2019, p. 140) identify 23 countries that are significantly vulnerable to debt distress and 8 states in serious risk of debt distress. Bandiera and Tsiropoulos (2019, Abstract) state that the amount of public and publicly guaranteed (PPG) debt is expected to rise substantially in several countries. They warn that vulnerability to debt may be particularly high during the first few years after a project is started, as the debt has already been repaid before the full economic effects of the BRI project infrastructure materialize. According to Hurley et al. (2019, p. 140), China has thus far not demonstrated that its lending practices will follow multilateral debt sustainability standards. Hurley et al. (2019, p. 141) propose that lenders

should require China to adhere to multilateral debt sustainability standards. According to Hurley et al. (2019, p. 141), failure to adhere to these standards will increase vulnerability to debt and undermine the achievement of growth targets.

There have been several cases of BRI projects falling short of economic expectations (Economist, 2020a). Certain projects have had low returns or were of questionable economic viability from the outset. Editors at Economist (2020a) state that one possible reason for low returns is that these projects' primary objective is strategic: to secure resources even at the cost of efficiency. Projects such as the Khorgos Gateway in Kazakhstan, the Montenegro highway, and the Kyrgyzstan free trade zone are often regarded as cautionary tales (Buckley, 2020, p. 311). Buckley (2020, p. 312) points out that infrastructure investment yields indirect benefits for an economy. While such projects may charge users tolls or other fees, the resulting revenue from this generally fails to cover the initial investment (Buckley, 2020, p. 312). Infrastructure projects are usually financed through debt (Buckley, 2020, p. 312). A successful infrastructure project raises a country's economic productivity to a level where the debt can be repaid using a portion of the new revenue (Buckley, 2020, p. 312). When this fails to occur, the borrowing country is stuck in a debt trap, made worse if the debt is owed to a foreign country in a foreign currency that must first be earned (Buckley, 2020, p. 312).

6 CONCLUSION

While researching the BRI, one is quickly struck by the sharp contrast between official BRI statements and speeches on the one hand, and the academic geopolitical and economic articles, think tank studies, and news reports on the other. The former portray an extremely broad yet detailed and precise vision of benevolent economic development for all of humanity. The latter present the reality of many unrealized projects and of financial and geopolitical entanglements. China's BRI planning strategy has its advantages, as outright failure is not possible and is never declared; projects are merely deferred, and there are no real consequences for proposing plans that are grander than anything that will ever be implemented. The main limitation of this thesis is the lack of official data on the BRI from Chinese sources.

China has used the BRI as a vehicle to export its excess productive capacity, particularly in the field of building materials. I believe China has been successful in this, as 89% of BRI projects funded by China are carried out by Chinese firms, which are likely to also use of Chinese materials. However, this may not be a permanent solution to China's industrial overcapacity, which can only be addressed through political reforms that remove the incentives to overinvest in industry. China's exports to BRI countries have increased significantly, growing 8% faster than Chinese exports to non-BRI countries. The initiative also creates opportunities to expand China's land-based access to foreign fossil fuel sources, as China is a major importer of oil, coal, iron, and other raw materials. China has neighbors with a surplus of these raw materials beyond their own needs, and overland transport corridors would

enable China to import them. Beyond this, improved overland transport connections enable China to avoid sea routes that it cannot control.

Scholars disagree on whether China pursues debt-trap diplomacy. China's lending practices have been subject to critique as they are confidential bilateral agreements, many of which forbid countries from seeking debt restructuring through the Paris Club. Isolated cases, such as Sri Lanka's Hambantota Port, where a controlling equity stake was sold to China Merchants Port Holdings after the port proved unprofitable and could not service the debts Sri Lanka accrued during its construction, would seem to suggest that China has engaged in debt-trap diplomacy. However, many projects have also been received positively by local communities.

The projects have without a doubt had a positive impact on some countries, and I think in this sense they could be compared to a Marshall Plan. The improved infrastructure has significantly reduced global transport and trade times, which in turn lowers shipping costs and facilitates trade. Economic growth is expected in BRI member countries as a result of the initiative. The initiative has also had positive effects for Chinese citizens. Chinese leadership has used the BRI to improve connections between underdeveloped regions and the rest of China, as well as with its neighbors. Income disparities in China have decreased as a result of the BRI. The BRI has reduced income inequality most drastically in central and western China, with a smaller effect in eastern China. Therefore, the project has achieved some success in reducing internal inequality within China.

The BRI is not an entirely original idea of Xi Jinping, as it has predecessors dating back to the Mao era, with the Tanzania–Zambia railway project being one example. Foreign infrastructure projects of this type fell out of favor during Deng Xiaoping's leadership, as he felt that China should focus on developing itself. However, China began to reassert itself internationally during the presidency of Jiang Zemin, who launched the Going Global policy, which encouraged Chinese companies to enter foreign markets. Jiang's successor, Hu Jintao, later continued this policy, but it was Xi Jinping's BRI that provided state-backed funding for Chinese investments abroad.

The BRI has made Western nations realize that a powerful international actor may now challenge their hegemony. Western analysts were not keen on the idea of a competitor offering countries an alternative path to economic development. In response, the EU launched Global Gateway in 2021, an infrastructure investment program worth $300 billion that combines private investment, external assistance grants, and development finance in a range of connectivity projects. The United States has started a new rival initiative to the BRI under each successive president, beginning with Barack Obama. These initiatives have lacked consistency and vision; Biden's Build Back Better World has committed only $6 million to the project. Some analysts have defended the West by arguing that Western nations are already sufficiently active in the global south through their existing aid programs.

Trade with China is important for any country because of the size of China's economy. However, trade cannot take place without infrastructure. China will build infrastructure primarily to serve its own goals. If trade with other countries becomes more convenient for China because the EU neither took advantage of the BRI to build better infrastructure links with China nor made the necessary infrastructure investments itself, then the EU is at fault.

It is detrimental to Western countries' diplomatic relationships with developing countries if China is regarded as a better provider of aid. Some developing nations have vast natural and human resources. Chinese companies may secure exclusive access to raw materials in developing countries and carry out extraction themselves. As for human resources, both China and Western nations have declining birth rates and will seek more labor from developing countries. A better system of international public infrastructure would support them in this.

Due to the world's increasing multipolarity, I believe the EU will increasingly be forced to forge its own bilateral relations, including with China. The BRI could be an important opportunity for the EU. It may be possible for the EU to take advantage of the BRI by implementing regulations for its member states. Some level of regulation regarding the BRI aimed at EU member states could be beneficial, as the EU needs stability and should not allow member states to fall into debt with China.

Infrastructure takes a long time to build, and Western countries may be unable to catch up with China. For Western countries, the BRI could be a wake-up call that forces them to confront some of their problems, such as bureaucratic inefficiency. The opposite may also occur, however, as the West has stringent regulations on both safety and lending, grounded in experience. China may face more negative publicity due to debt-trap accusations or construction failures.

I would like to see infrastructure projects implemented in a more transparent and democratic way. It seems that far too often projects are built that do not serve local people and merely become monuments to local politicians. I believe China has corrected its course wisely recently by focusing more on "small but beautiful" projects. China still has branding issues to overcome regarding the rule of law and quality control. As for us, I think the EU should try to cooperate with China to build infrastructure jointly, but not at the expense of its own principles. Perhaps Europe and China can meet halfway by improving connections with the countries that lie between them.

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