

What is China's Belt and Road Initiative (BRI)?

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Why in news?

- In a private meeting during the **G20** summit 2023, Italian PM Giorgia Meloni reportedly conveyed Italy's plans to withdraw from the Belt and Road Initiative to Chinese Premier.

- While talking to the news reporters, Meloni clarified that a final decision on whether to leave the BRI was still to be taken.
- Italy is the only G7 country to sign up for the BRI, which it did in 2019.
 - G7 is the grouping of advanced economies of US, the United Kingdom, Canada, France, Germany, Italy, and Japan, with the European Union as a “non-enumerated” member.

China’s Belt and Road Initiative (BRI)



- China’s Belt and Road Initiative (also known as One Belt, One Road (OBOR)) envisages the construction of a maze of road, rail and port projects through a number of countries.
- It aims to strengthen Beijing’s economic leadership through a vast program of infrastructure building throughout China’s neighbouring regions.
- This initiative is called “21st century silk road,” and is made up of
 - belt of overland corridors (also known as silk road economic belt)
 - maritime shipping lanes

Why BRI is being criticized?

- BRI projects are built using low-interest loans as opposed to aid grants.
- Some BRI investments have involved opaque bidding processes and required the use of Chinese firms.
- As a result, contractors have inflated costs, leading to cancelled projects and political backlash.

What are the risks for countries involved?

- Sri Lankan government leased a port to a Chinese company for 99 years after struggling to make repayments.
- Recently, a study found out that many more Belt and Road countries are at serious risk of not being able to repay their loans.
 - An analysis by the Associated Press, of a dozen countries most indebted to China, found that paying back the debt is consuming an ever-greater amount of the tax revenue and draining foreign currency reserves.
 - Behind this is China's reluctance to forgive debt and its extreme secrecy about how much money it has loaned and on what terms.
 - This has kept other major lenders from stepping in to help.

Why World is worried?

- It is being feared that China could use "**debt-trap diplomacy**" to extract strategic concessions:
 - such as over territorial disputes in the South China Sea or
 - silence on human rights violations.
- China had done this in the past. In 2011, China wrote off an undisclosed debt owed by Tajikistan in exchange for 1,158 sq km of disputed territory.
- Many experts claim that it is a form of economic imperialism that gives China too much leverage over other countries, often those that are smaller and poorer.
- Chinese commercial presence around the world will eventually lead to expanded military presence.

BRI and India

- India does not support the BRI, and has declined to join the project. The major reason for this is that the BRI passes through Indian territory illegally held by Pakistan.
- The arm of the BRI project, known as China-Pakistan Economic Corridor (CPEC), runs from **Kashgar** in China's Xinjiang Uighur Autonomous Region to **Gwadar port in southwestern Baluchistan in Pakistan**.
 - This arm links mainland China to the Arabian Sea.
- The project enters Indian territory occupied by Pakistan in Gilgit Baltistan, and traverses the entire length of Pakistan from north to south before reaching the Arabian Sea.

News Summary: Italy to walk out of China's Belt and Road Initiative?

Is this the first time Italy has indicated it may leave BRI?

- Sections of Italian political leaders have complained that the agreement has benefitted China more than Italy.
- Earlier, in July 2023, Italian Defence Minister, in an interview, said that the country wanted to walk back from the BRI without damaging relations with Beijing.

Why does Italy want to leave the BRI?

• Background - why Italy joined BRI?

- Italy had joined the BRI at a time it was desperate for investment and infrastructure building, having survived three recessions in 10 years.
- Its government at the time did not share warm relations with the EU, and was happy to turn to China for the funds it could pump in.

• Expectations not fulfilled

- Italy had signed an agreement to join the BRI in 2019. Four years later, the agreement hasn't done much for Italy.
- Chinese FDI in Italy dropped from \$650 million in 2019 to just \$33 million in 2021.
- In fact, the country invested far more in non-BRI countries in Europe.
- In terms of trade, since joining BRI, Italy's exports to China increased from 14.5 billion euros to a mere 18.5 billion euros, while Chinese exports to Italy expanded from 33.5 billion euros to 50.9 billion euros.

• Changing geopolitics

- For Beijing, a G7 country joining the BRI had been a big diplomatic win, and Rome walking out just ahead of the initiative's 10th anniversary will be a loss of face.
- This will be in line with Europe's increasingly cautious stand towards China.
 - While the US-China ties have been rocky for years now, many countries in Europe continued to maintain close economic and trade links with China.
 - However, the Russia-Ukraine war, China's perceived staunch support of Vladimir Putin, and geopolitical rivalries taking the form of trade sanctions have forced a rethink.
 - In April, EU-China Comprehensive Agreement on Investment (CAI) collapsed.
 - In 2022, Estonia and Latvia quit the 17+1, China's diplomatic push in Central and Eastern European countries. Lithuania had walked out in 2021.
- Italy has the G7 presidency next year, and walking out of the BRI will sit well with its Western allies.

• The Partnership for Global Infrastructure Investment (PGII)

- Recently, the West has come out with its own initiative for funding infrastructure projects across the world in the form of the Partnership for Global Infrastructure Investment (PGII).
- This is seen as a counter to the BRI.

Q1) What is debt-trap diplomacy?

Debt-trap diplomacy is a term used to describe a financial relationship between a creditor country and a borrowing nation. In this relationship, the creditor country extends debt to the borrowing nation to increase their political leverage. The creditor country may intentionally extend excessive credit to the debtor country with the intention of extracting economic or political concessions.

Q2) What is Partnership for Global Infrastructure Investment (PGII)?

The Partnership for Global Infrastructure and Investment (PGII) is a collaboration between the Group of Seven (G7) to fund infrastructure projects in developing countries. The goal of PGII is to narrow the infrastructure gap in developing countries and help accelerate progress on SDGs. The United States welcomes public and private sector stakeholders to leverage their expertise and networks to drive quality infrastructure investments in low- and middle-income countries.

Source: [Italy to walk out of China's Belt and Road Initiative? Its economic, strategic reasons; significance | The Guardian](#) | [First Post](#)

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