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## **Present and future of the Belt and Road Initiative**

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## **FOREWORD**

This paper does not cover the full scope of events, different dimensions and levels of study undergoing in the BRI. A program so broad and with objectives so long-term as this one, involves all areas of social studies. From sociology to economics and geopolitics, everyone is welcome in their analysis of the BRI, and each has an even more illuminating perspective. Changes that occur on one front, will affect all study areas in greater or fewer intensity.

My purpose was neither to criticize nor to praise the work that has been done under the BRI signature. One can make the case for either of those sides, depending on whether one gets the information from one place or another. I have tried to walk through the middle path, going over the negative and the positive results that are accessible so far. To do this, I have tried to balance the speech by means of talking as much about the abstract, ideological and philosophical, as about the reality of the BRI, and how it is affecting people and communities around the globe in diverse ways. I talk about the more general debate related to empires falling and rising, as well as about the reality of places like Kenya, where the new train has reduced a difficult 4 hours travel to a forty minutes' comfortable journey between the capital and the big coastal city of Mombasa.

This is not a scientific paper. This work is an attempt to introduce economists to the fascinating Belt and Road Initiative, and create a framework for discussion. It relies on facts and scientific evidence, yet it also relies on the knowledge and intuition I have been able to gather through my investigation. I hope this serves as a useful body of work to the reader, and provides the necessary momentum to investigate for oneself, with the intention of creating one's own idea and opinion about this massive ever-changing event.

## **RESUME**

The Belt and Road Initiative is the Chinese modern way of expanding its power over the world, to cover its needs while trying to cause the least reaction from the rest of the world.

China can only legitimize this expansion abroad if it lifts the rest of the developing world with them. If the BRI wants to be a successful long-term project, it relies on serving as an economic development tool for countries recipient of Chinese investment. This condition is also necessary if China wants to legitimize its political, cultural and military expansion over the world. During the first years of the initiative, China was focused on exporting its capital abroad, and less on how to successfully allocate it. In recent years, they have changed focused, and are paying more attention to the demands of the international community and the nations involved.

The following work analyses the economic conditions, policy reforms and international economic context that is present in today's world, and the one needed for the initiative to become a true driver of world development.

### **Keywords**

Long-term growth, Economic development, Policy reform, National debt

### **JEL Classification Codes**

B27, F16, F68

## **RESUMEN**

La Belt and Road Initiative es la forma moderna que tiene China de expandir su poder por el mundo y cubrir así sus necesidades, al mismo tiempo que trata de causar la menor reacción posible del resto del mundo contra sus políticas.

China sólo podrá legitimar su expansión hacia el exterior si consigue con ella levantar al resto de países en desarrollo. Si la BRI quiere ser un proyecto exitoso a largo plazo, debe servir como herramienta para el desarrollo económico de los países receptores de las inversiones chinas. Esto también es necesario si China quiere justificar su expansión política, cultural y militar en el mundo. Durante los primeros años, China se centraba en exportar su capital fuera del país, y no en cómo distribuirlo de manera eficiente. En los últimos años ha habido un cambio de perspectiva, y ahora presta mucha más atención a las demandas de la comunidad internacional y las naciones afectadas por este tipo de préstamos.

El trabajo a continuación analiza las condiciones económicas, las reformas políticas y el contexto económico internacional en el presente, además de los cambios que serán necesarios si la BRI quiere convertirse en una fuerza de desarrollo para el mundo.

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## **1. INTRODUCTION: THE BELT AND ROAD INITIATIVE**

First announced by Xi Jinping in Kazakhstan back in 2013, the Belt and Road Initiative is a conglomerate of contracts, plans and agreements that aim at connecting the unconnected world with the already connected. It is run by China and, most importantly, it is the signature policy of its current president, Xi Jinping.

The BRI is imperialism with Chinese characteristics. In abstract, is the model through which Xi Jinping has decided to put into operational mode the Chinese need to expand overseas. With this initiative, China exerts its natural imperialistic power to the modern world. There are two interesting concepts that factor in the development and expansion of the empire: the win-win approach and the soft power concept. The win-win approach relates to the idea that, while China will expand and dominate, it does not have to be at the expense of the wellbeing of other countries. All countries can benefit from the expansion of China's economy. Soft power is a military and strategic term (Albert, 2018). It talks to the way in which China conducts its actions abroad. If they want something, they will not act in a direct way by showing their force, but through a non-military and indirect way, showing the other country the benefits of that action. This two characteristics define the approach that takes to international relationships, at least on the public eye.

Rather unexpectedly, the part of this program that receives most of the attention, is its massive infrastructure and investment branch. They invest in underdeveloped and developing countries in Africa and south Asia, reaching as far as the Mediterranean and European countries of Italy and Greece. They are trying to bring economic growth through the facilitation of business with better roads, trains and ports.

They help building infrastructure that connects the country within as well as with the rest of the world. Through this mechanism, they hope to encourage commerce and trade with China and the rest of the world, thereby creating opportunities and generating the environment where FDI can thrive.

The “Belt” refers to the interior connections, rails and roads, while the “Road” refers to the ports that connect the world through maritime routes. Their involvement in all those plans sets the stage for both success and failing stories. The initiative is young in its history and enormous in its scope, is always evolving and adapting to the needs of the rest of the world. Ten years from now, things will look very different.

But the BRI is much more than their infrastructure investments. Infrastructure alone won't be able to achieve the full economic potential in these countries, and may even become a constraining factor for some, if the right environment is not put in place. If they fail to do this, and constructions all over the world end up as stranded infrastructure to be paid by underdeveloped countries, China will lose its legitimacy. Countries that are growing to become the next producers of the world will suffer a serious backlash and will try to hold China accountable for it.

This work will cover analysis of the present state of the BRI, as well as the steps that are needed to take in the near future to bring further success to this initiative. The first thing will be to go over the recent history of China, to understand where the country is coming from and where it aims to go. Then I will talk about the

## **2. HISTORY OF CHINA**

This section will present a brief overview on the modern history of China, from the fall of the last empire, through the construction of the People's Republic of China until the present times.

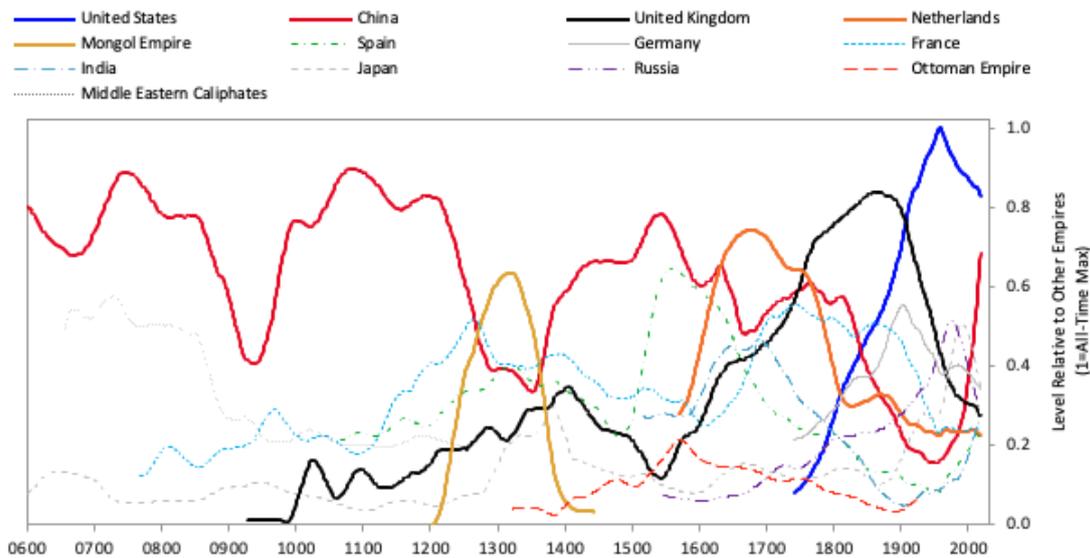
### **2.1. View of History**

The history of China is somewhat peculiar. In order to better understand the evolution and development of the Chinese empire in the world, there are certain differences with our western vision that are worth emphasizing. This analysis will also provide a better perspective to analyze the BRI and its cultural and historical background.

Figure 2.1 could help explain this radically different view. The relative standing power of the Chinese empire and its geographical isolation has helped create the notion that the resurgence of China's power is always just around the corner. It has been the new and radical appearance of the empires of the West (Netherlands and United Kingdom) that has hinder China's everlasting power in their part of the world. It shows that China dominated for centuries, and entered a period of strong decline in the 1800s, with the increasing power of empires across Europe (Dalio, 2020). The Netherlands, though a small country, became one of the world's greatest empire around the 1600s. The UK followed a very similar path, peaking in the 1800s. Finally, during the last era, the US became the world's superpower over the last and has remained so for the past 100 years, specially after the WWI. Now it is in relative decline as China catches up and grows.

In the West, we understand history as a linear process in continuous progress, driven mainly by technological innovation and the believe that societies learn from their past. History is condemned to follow a straight and self-renovating path. It is a process in which changes prevail and the lessons learned by past generations are transformed into present knowledge.

Figure 2.1: Rough Estimates of Relative Standing of Great Empires



Source: Dalio, Ray (2020): *The Changing World Order*.

This process gives rise to different and better results in the future. Moreover, empires have risen in Europe one after another. The fall of an empire paves the way for a new one that replaces it in terms of power, influence and territory. The new one has its time of glory, they educate the peoples that they govern and establish their culture, their language and their institutions, but sooner or later fade away and let place for a new to rise to power.

In the end, empires in Europe always succumb to the arrival of a new and stronger force, better adapted to the new times. This has happened throughout history with the Spanish empire, the Belgian empire, and the British empire. The US is currently the leading force of culture, language, and technology. But their global power is in decline, as global influence becomes a more complicated and intricate matter that they are unable or incapable of facing. They have to deal with the rising power and influence coming from the growing power of China. Now rules have changed, technology has reshaped the world into something so different from what history knows, that the battles for power of the future might look completely different from those we have seen in the past.

On the other side of the earth, Chinese culture does not understand history in the same way. For them, history is a circular process, expressed in the well-known

phrase "The empire, long divided, must unite; long united, must divide. Thus, it has ever been." These are the words from the book on China's history *Romance of the Three Kingdoms* (around 14<sup>th</sup>-century). They understand history as a natural process of division and reunification of territories that lie under Chinese dominance. The division of the empire does not imply the end of an era or the disappearance of China. Rather, it means that China remains dormant, waiting for the next emperor worthy of governing the Chinese people. The dragon falls asleep, but it always wakes up again. A new emperor, a new dynasty, will assume the leadership and command united all the provinces of the empire.

With the arrival of communism and Mao to power, there also came a new interpretation of history, in line with the communist theory. Communism interprets history in a linear way, and the historical process was divided into different stages, the current one being the socialist stage, which precedes world communism in an imprecise future. The linear view of history has outgained the circular view of China's history, due to the evident power of the regime and its state control over the education of its population.

## **2.2. The last days of the Qing dynasty and the civil war.**

China's modern history begins with the fall of the Qing Dynasty. The last years of the empire, at the end of the 19th century, were marked by the continuous defeat and capitulation to external forces. In Europe, the naval empires, first of Belgium and later of Great Britain, found behind the borders a great market for their products, in addition to a great number of relics and luxury objects that they could export back to their countries. More importantly, the British found in China an important market for the consumption of opium, and started trafficking with great impunity enormous quantities of this drug and introducing them into China.

In order to control trade with the outside world and stop the commercial abuses committed by Western countries, China limited trade with these countries. They only allowed the entry of products to the port of Canton. China's exports to the rest of the world were given priority, while imports were almost forbidden. The

entry of products, foreign traders and diplomats into its territory was severely limited.

The Qing dynasty was unable to overcome the British military and naval power and lost the war. After the First Opium War, in the Treaty of Nanking (1842), it was agreed that the Chinese give Hong Kong to the British, apart from opening several ports to trade with the West (Ward, 1975).

Some time passed and the debate reopened. Britain was again asking for further freedom in its trade with China. This was the root cause for the war that was about to occur. The trigger for the Second Opium War and the further opening of China's foreign trade, was Arrow's arrest, a ship that was boarded by Chinese authorities. Its crew was detained under suspicions of piracy and smuggling. After a series of political and diplomatic actions by British stakeholders, the Second Opium War with China was declared. The concessions they made in the face of defeat were much greater. They were written down in the Treaty of Tianjin (1858). Initially, they avoided signing it and then refused to honor to comply to its demands. Another war was necessary to reaffirm the absolute power of the West and the procurement of all its claims. The result was the Beijing Convention (1860), which extended and ratified the Treaty of Tianjin (Travis, 2002). Opium trade was legalized, Christians were granted rights to own private property and to evangelize, more ports were opened for foreign trade, and compensation for war expenses was imposed on China.

As expected, the Qing dynasty was made responsible for these defeats. It was a shame for China handing over so much power to foreign barbarian countries. The Chinese people, although unable to modernize and acquire the technologies and methods of the West, still believed themselves to be spiritually, and therefore overall, superior. The outside countries were barbarians, the people furthest from China, and therefore the most vulgar, the furthest from God and virtue. China was the kingdom that enjoyed the central position in the world, through which they had the privilege of communicating with the Gods. It was inconceivable to them that they were been so easily defeated by barbarians on the other side of the world.

However convinced they were of their own greatness, the reality dose continued, as the Qing dynasty had to deal with yet another war for which they were not prepared, the Sino-Japanese War, between 1894 and 1895. It also arose due to trade conflicts, but this time with the neighboring country of Japan. It resulted in the loss of Taiwan to the Japanese, and the granting of independence to the province of Korea.

In the face of this defeat, the Qing dynasty was greatly discredited and revolutionary movements like the May Forth Movement began to emerge in the military and intellectual spheres, calling for the creation of the Republic of China (Keith, 2010). The continuous failures in defending the borders and the lack of sovereignty over their territories, planted the seeds for revolution, which became more and more inevitable as time and events went on.

After several attempts to seize power, the final rebellion and uprising took place. The military took control of the country and established the constitution of the Republic of China (1912). However, the debate over who was to be the ultimate ruler did not finish. The country was divided between different military leaders with control over armies in the different parts of China. At the same time, the communist party was trying to obtain power and rejected any attempt at agreements with the military in government. Amidst all this uncertainty, problems continued to arise with the outside world. In 1931, Japan began the conquest of Manchuria and the rest of China. These abuses will continue until the end of World War II, in 1945. After the war, Japan is force to abandon its conquests in Asia and loses control of the conquered territories in the mainland (Fairbank, 2006). Finally, it seems that order and peace can be re-established in China, after a long century of humiliations, defeats and concessions to foreign powers.

But tranquility and stability was still far away. The communist party organized and carried out a rebellion against the government. They had a very powerful army, with weapons that were handed over by the Soviet Union. The Civil War begun in 1947. Against all odds, the Communist Party won in 1949. The military and political powers of the Republic of China escaped and established in Taiwan (The

Guardian, 1949). From there, they continued to claim legitimacy and power over mainland China, but with no practical effect. Meanwhile in China, Mao Zedong proclaims the People's Republic of China, and gives birth to the system that governs China to this day.

### **2.3. Mao Zedong and the People's Republic of China**

Mao Zedong's relations with other countries were sporadic and unfruitful (Kissinger, 2011). He had a great capacity to deal the external forces that threatened China on all sides. He was able to balance his lack of real power and his enemy's greater advantages. He had great fear of the alliances that could arise between two enemy countries against him. During his years in office, few wars occurred in China's surroundings. He had an important role as part of the entente of communist countries with the USSR, but his resentment and suspicions towards this country was evident. This fear resulted in both countries treating each other with distance and coldness. This confrontation became evident in the last years of his mandate, when both countries became practically enemies.

However, Mao's greatest enemy was the United States. They gave support to the Republican army during the war. The United States had always been protective of the republic formed on the island of Taiwan, despite China's attempts to conquer it. Mao also felt surrounded as he watched Japan and the United States develop a friendly and collaborative relationship. His task was difficult, to appear crazy and strong enough to enter a war if necessary, while knowing that he had nothing to do against the full force of his enemies.

The Korean War (1950) greatly eroded his power and legitimacy. It was encouraged by the USSR, which promised support and resources to China, but who left the Chinese army alone in the last moment. Japan, with the support of the United States, managed to advance and resist. The conflict ended in the same place where it began, in the 38th parallel.

During his mandate, Mao balanced all the forces he could not fight, and prevented them from uniting against him. He achieved this by maintaining a utilitarian friendship with all of them. Nevertheless, all the treaties and agreements that were signed ended up disappearing, because of China's inability to understand the needs of the other countries and follow through with their part of the treaty. It sought agreements with everyone, but never bothered to fulfil what they had agreed upon. Zhou Enlai, the Prime Minister and Mao Zedong's right-hand man, was always trying to fix this and rebuilding China's image abroad. This task became increasingly difficult in the face of the policies and consequent suffering that Mao was imposing on its people.

At home, Mao's time was marked by hunger and communism. He was unable to create wealth and he submerged human beings into poverty and fear. Corruption took over the Communist Party and its outstretched arms. Living conditions did not improve, and in some cases even got worse. In an attempt to solve all these problems, Mao carried out two brutal shock policies, The Great Leap Forward (1958) and the Cultural Revolution (1966-1976).

The Great Leap Forward was a failed attempt to modernize the country and industrialize the economy through communist methods. In short, the state was to take charge of the modernization process (Jung, 2019). It ended up being just another burden for the already hungry farmers.

The Cultural Revolution was a political movement initiated by Mao, in which he instigated and encouraged the youth revolts that had begun to emerge in the country (WPF, 2016). He gave them a mission, to cleanse the country of the remaining bourgeois mentality and restore Maoism. He wanted to eliminate the remnants of capitalist and traditional elements that still lurked Chinese society, and preserve communism through class struggle. The youth responded by forming Red Guard groups throughout the country. No one escaped persecution, chaos reigned, and anyone who did not belong to the Red Guard was eligible to be killed or sent to prison camps. A purge was also carried out within the party, to which Deng Xiaoping succumbed. He was sent to a prison camp in Siberia, only to return a few years later. The character of Mao Zedong ended up deified

after all this process. However, the movement created by him ran amok, causing fights between different factions of the Red Guard and total chaos in general, with the danger of reaching Mao Zedong himself. In 1969 he declared the purge to be over, but the group's activities continued in the shadows for years.

The end of Mao's rule was marked by contradictions and the obvious need for change and modernization. Zhou Enlai, a figure very dear to the Chinese people, was banished and ostracized. In his last speeches, he proclaimed the need to copy and learn from some of the modern western methods. They were the only ones that could give China a way out of poverty and misery. He spoke of the *four modernizations*, which focused on making the changes needed to modernize and strengthen the agricultural, industrial, technological and defense sectors. These speeches caused a lot of fuss, people believed in his message. In the power spheres, there was still a strong and quasi-religious defense of Maoism and against any other discourse. With the death of Mao and the need for a successor, these two perspectives debated power. The so-called Gang of Four represented the Maoist perspective, which sought to continue Mao's methods of pure communist rule. Deng Xiaoping, representative of the opposing views in government, finally came to power in 1978. Deng was in favor of Zhou Enlai's proposals, and saw the regime's development as the only chance for a prosperous future.

#### **2.4. Deng Xiaoping and Xi Jinping.**

Deng Xiaoping had the genius and political intelligence to promote the transition from a society of deeply held communist convictions, to the China we know of today. He knew how to patiently and carefully transform Chinese society and set it on a course towards a modern, industrialized society. He envisioned a society that learned from the methods that have brought prosperity to other countries, not taking democracy among them. Around this time, the integration of the PRC into international institutions began, and with it, the open relationships with the United States and the rest of the Western countries.

However, Deng Xiaoping's era was not free of controversy. The effusive welcome of new methods in university and education, or the permission for free enterprise and the reform of the institutions and the economy, created some confusion. Contrary to Deng's profoundly undemocratic beliefs, expectations were created that the development that was taking place in the country would inevitably lead towards democracy.

Economic reform led to the idea of political reform, which never materialized. All these democratic inclinations culminated in the Tiananmen Square protests in 1989. It coincided with the historic visit of Gorbachev, and all international journalists were there. Gorbachev spent three days in his hotel, while the media covered the darkest moments of China's recent history since the war. Hundreds of people were killed by the police and the army, and China entered a period of international silence. To this day, the number of deaths is unknown.

The following leaders continued the industrial and technological revolution that was already underway. In the international arena, silence reigned and the modernization of China continued its way into capitalism and its adaptation to the world order established by the strongest power at the time, the United States.

The dragon was asleep, but with one eye half open and watching, learning, understanding the weaknesses and strengths of the world in which they had to operate. China's development followed the course set by Deng, and the state and the people devoted all their capacities to the development of the industry, technology, education and the government systems, without intervening aggressively in international matters. China was growing at rates of 14% in 1992. During this time, the construction of the so-called Great Firewall began, preventing its population from having free access to Internet content.

Around 2005, the dragon woke up, and the stage of silence and peaceful learning came to an end. The Chinese economy is now too big to hide in the international system, too big to limit itself to the confinements of its own borders. They need to grow at high rates just to maintain the current state of affairs, so the world will have to adapt to China's economic and development needs. The moment that

marked the paradigm shift, is considered by many scholars to be the 2008 Olympic Games (NY, 2020). The Olympic Games were overseen by Xi Jinping himself. In hindsight, this moment is considered to be the prelude to what was to come, a country with an unfolding capacity to change the future, as well as its unwavering willingness to take the necessary steps to provide themselves with a prosperous future. The man in charge of leading the country through these transformations will be Xi Jinping.

To get an approximate idea of who Xi Jinping is, we will review some of the policies he has carried out as China's *paramount* leader. Xi Jinping was, from the beginning in his administration, known for his deep convictions against corruption within the Communist Party (Yuen, 2014). When he came to power, he set up an anti-corruption system, the so-called anti-corruption campaign. More than 1 million people have been indicted for corruption, and the numbers are still going up every year. Another one of his emblematic campaigns was the increased control over the internet, restricting people's freedom of expression and their connection to the outside world and culture. He has also extended his mandate indefinitely, becoming China's supreme leader for the years to come (Babones, 2017). The last and probably the most important measure, yet to be fully explored, is the Belt and Road Initiative (BRI), which is at the center of this study. The BRI is the mechanism through which this new vision on China and its role in the world will become fully operational. It is the way Xi Jinping has chosen to extend his influence over the world, as well as his contribution to international relationships and economic development.

China is now the second largest economic measured by total GDP, only surpassed by the US. The country also has a surplus trade balance of 421.93 billion U.S dollars. In the remaining pages of this work, we will study this initiative and what it will mean for China and the world in greater detail.

### **3. THE BRI AND ITS POTENTIAL EFFECTS ON GROWTH**

This section will analyze predictions on economic consequences of the BRI across the globe, in the different countries China has enacted its BRI and elsewhere.

#### **3.1. Justifying the BRI**

Countries that lie along the Belt and Road corridors are lacking the infrastructure they need and they haven't yet developed and put in place the policy reforms. This is unsettling, since the countries that are expected to grow the most are the ones that put up the most barriers to growth. They under-trade by 30% and they are far from achieving the full potential for their Foreign Direct Investment (FDI); they received 70% less FDI than what their potential (Xiaoyang, 2018).

The BRI presents both risk and opportunities, and these are not distributed equally among the different investment recipients. Some countries will benefit greatly while doing a modest investment on infrastructure, whereas some who took in bigger debts, will have a tougher time rendering the results of the constructions.

Risks and opportunities will have to be carefully balanced, so that no country gets left behind in the process. Well distributed growth will come from the development of an efficiently and equally distributed network of connections in the low income and middle income countries that received the money. China has an essential role to play in this, since they cannot simply provide with the money for the investment without involving in the general flow and economic sense of the constructions planned and realized. It is for their own interest to build infrastructure that renders the benefits needed to repay the debts.

In order to put forward a plan, or to lay out the principles underlying the construction of infrastructure along the many countries behind the BRI, there needs to be a clear goal. International organizations and demand a clear leadership and a clear vision of what is the general purpose of each projects. It is important to know, not only how a project connect two cities or countries, but also

how that project interacts with the rest of the network of roads and rails that already exist.

### **3.2. Context in international project founding**

Before the BRI, the only way for the low-income and middle-income countries to get payable loans was through the means of the IMF, the World Bank, and other smaller creditors like IDB (Inter-American Development Bank) or ADB (Asian Development Bank). These entities were created for the only purpose of investing in these countries. They are tasked with the duty of doing investments that a normal investor would not find interesting or worth pursuing, due to the high risks and low or dubious returns they may produce.

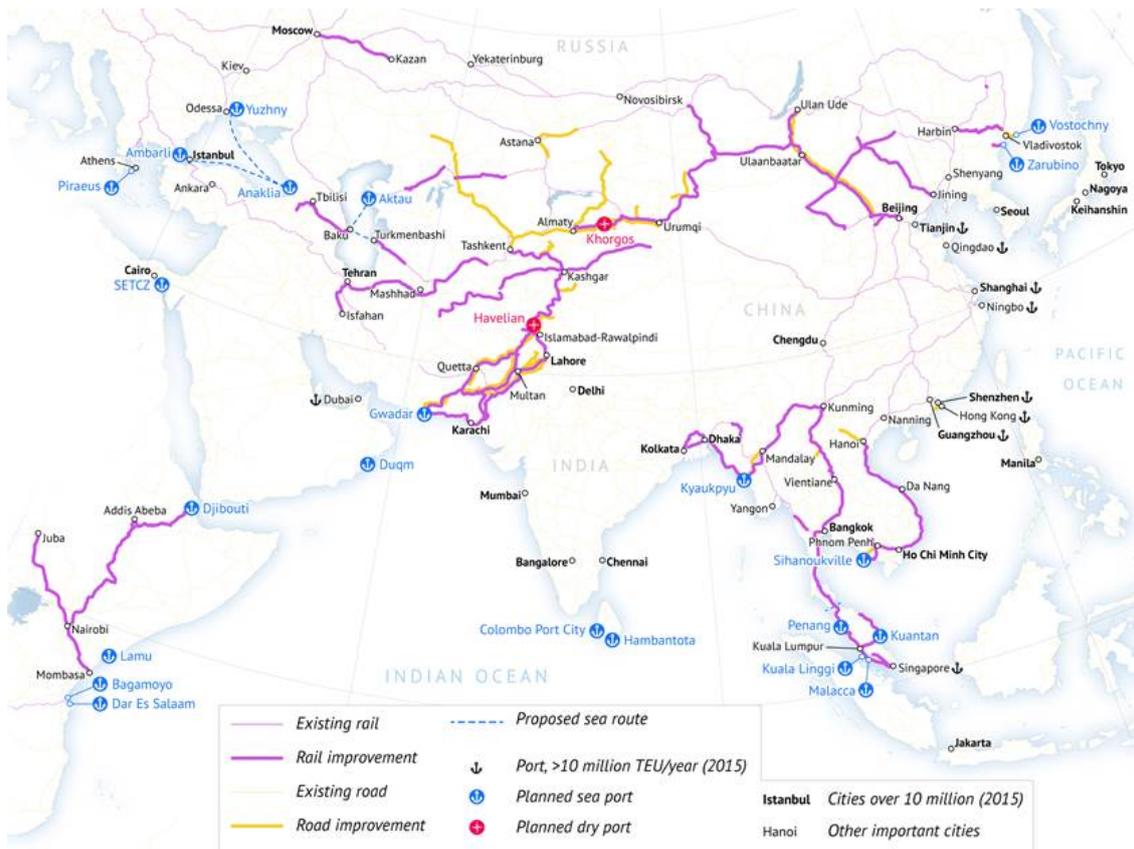
Figure 3.1 shows the situation as it stands in 2019, of projects related to the BRI, including ports, roads and rails. These are executed, planned and under construction projects. In a project so broad as this one, organizational and other problems will surge, while the legal environment in each place is different, and requires different types of actions to safely and legally build a large infrastructure project.

To better understand the context in which the BRI loans enter the international sphere, is important to understand the other options that were available at the time. Most loans to these countries were given out by organizations such as the IMF. The administrative processes were long and complex, and especially difficult in low-income countries, where the administration is slow and ill-prepared. Apart from that, their decision-making process was based on two different metrics. The first was analyzing the country's capacity to repay its debt in the future based on the present situation and the tendencies of the economy. The second one would look at the so-called *liberal requirements*. They call it the IMF Conditionality framework (IMF, 2020). They support programs in developing countries that put forward a plan for building and change.

Contracts carry the conditions of the loan and the framework and policy plans to be implanted in the country. They try to assure economic progress and

development so that they will eventually be able to repay their debts. Some of these requirements are the elimination of price controls, a budget consistent with fiscal framework, improving financial sector operations or build up social safety nets. This, they thought, would allow countries to develop their infrastructure and to create the framework to attract investment and internal growth. This was (and still is) a very reasonable approach to international relationships. But then the BRI came, and the rules of the game changed.

Figure 3.1: BRI-related transport projects



Source: Reed and Trubetsky, 2019.

Note: TEU: twenty-foot equivalent unit.

The BRI approach to international lending to low-income countries is different. China does not have time, they need to move fast to grow fast and be able to sustain the current cycle of economic expansion. Their *realpolitik* approach to international relationships is different. They don't follow the *liberal requirements* clause, and neither do they follow many others reasonable clauses.

Even though they do not have as many barriers for lending, they are not naïve about the countries that receive their loans. They cannot be. Lending to countries in Africa and South Asia has many challenges (Gandhi, 2019). They are aware of the difficulties and challenges that these countries are going through, the lack of leadership in governance, the corruption in their governments and their inefficient administrations. The point is, this is not so important to them as for IMF or the WB. They are looking for influence, and sound investments second. They have a more indirect approach to international lending. So far, the only requirement has been to allow a high percentage of Chinese workers (more than 60 percent of the contracts signed go to Chinese companies that bring their own workers to the field) to build the infrastructure, and to sign an agreement that will transfer them the property of the land or the infrastructure if the country is not able to repay.

If BRI another characteristic, that is patience. Their strategy is not for the short or the medium term. They are planning, at least, twenty or thirty years ahead. They know the returns of their investments won't come until very deep into the twenty first century, but they are willing to wait. They were never in a rush to dominate the world, and they are not in a rush now. They saw the opportunity to create the best network possible for the next century, and they went for it. They did it at a time where rich western countries did not pay attention. The rich world is absorbed by their own problems and they are currently incapable of prioritize the most important ones. Europe and the US stopped playing their role as leaders of the globalized world. The Chinese government saw the opportunity and took it. They had the money and they were willing to wait. Their bureaucracy is faster and adapts to problems easier than the IMF and the WB, and they have become (or rather, are trying to become) the enablers of the next globalization.

Therefore, this is how the BRI finds itself a place in the international context, in a turmoil of debt and ungoverned countries where they have to choose to be willing to invest. Only time will say if their bet was correct.

### **3.3. Short- and medium-term economic consequences**

The construction of the infrastructure projects under the BRI will have direct effects: it will lower travel times and it will increase trade and investment. This are the first and most direct effects from the construction of all those roads, rails and ports. The estimates say that, along economic corridors, travel times will fall 12 percent from where they are now.

Foreign Direct Investment occurs when a foreign company establishes business operations in the country or acquires assets from the national companies. I already talked about the two branches that the initiative can be divided in: inland infrastructure and port infrastructure. Inland construction refers to trains, roads (and even pipelines), that shorten travel times in continental transportation. Then there are the maritime constructions, predominantly ports, try to ease and speed up intercontinental travel, and develop new and better routes. This will create an entire new network of hubs and indirect effects that will develop by itself, finding new ways of traveling and reducing trade costs in ways that haven't been thought out yet.

Building a railway or a road has an intrinsic value for the recipient country, making transportation between its cities faster and safer; but it also has spillover effects in the surrounding countries. These indirect effects can be expanded and perfected if countries work together to build an infrastructure that is interconnected in an efficient way, looking for a sound investment not only country wise but also region wise, and thus creating a better and more connected network (Baniya, 2019). Cross-border cooperation is necessary if countries want to take full advantage of their infrastructure investment.

In the rest of the world, travel times are estimated to fall by an average of 3 percent, showing how the access to better roads by a big part of the world will indirectly benefit the ones that are outside the agreements (WB, 2019). The net effect of the BRI on trade and FDI will be positive, but that does not mean that some countries, if nothing is done differently, will not suffer dire consequences. Some investments will not have positive effect to compensate for the debt

burden. Also, these projects are expected to increase trade by between 2,8 and 9,7 percent for corridor economies and between 1,7 and 6,2 percent for the world.

The sectors that will be most beneficial are time-sensitive ones, like fruits and vegetables, as well as those that require time sensitive inputs, like electronics or chemicals. Those will be affected the most, due to the appearance of new opportunities to sell or produce in new places, plus the opportunities from leveraging the time differences and cost that will arise.

On another note, FDI inflows are estimated to increase by 7,6 percent for low income corridor economies (Xiaojiang, 2018). Usually, they see an opportunity to do profitable operations because the expectations about that country or company rise. This means that the national company is receiving money because it has built international trust and has now resources that they can invest in things like innovation and development.

Increase trade is expected to increase global real income by between 0,7 and 2,9 percent, for the world economy. In BR corridor economies, the increase is expected to range between 1,2 and 3,4 percent. In addition to this, the indirect effects of the increment of the FDI inflows could further boost these effects.

In Western China, a part of the mainland that is usually discredited as the most underdeveloped and whose citizens are heavily discriminated in big cities like Beijing or Shanghai, will also be affected. They are likely to experience large gains in real income due to the construction work that will be done in that area. Cities like Urumqi fall under this category. In other countries like the Kyrgyz Republic, cities like Osh and Bishkek, that already account for more than 40% of national income, will also see an important rise in real income.

Estimating these effects with precision is a rather difficult task, especially due to the complexity and heterogeneity of the initiative, the uncertainty surrounding many of the projects planned, and the lack of transparency in access to data. With that said, the gravity models used for the data shown in this report are the most recommended and the ones capable of obtaining the most accurate results.

Income gains will not be equally distributed across countries. In countries like the Kyrgyz Republic, Pakistan and Thailand, real income gains could be above 8%. In other places the results won't look quite like that. Countries like Azerbaijan, Mongolia and Tajikistan could experience negative welfare effects, due to excessive infrastructure costs related to gains from trade and new commerce (de Soyres, 2018). In the later countries, better results would only come if the investment in infrastructure is linked with the necessary policy changes and improvements. Sound institutions that assure a good environment for foreign companies will yield much better results for everyone involved.

BRI transport projects are expected to contribute lifting 7,6 million people from extreme poverty and 32 million people from moderate poverty. Those are not negligible numbers. Apart from all the economics and politics involved, data like this cannot be taken out of decision making when western countries fear the loss of control and try tirelessly to portray the initiative as harmful for world development. Depending on the data we look at, we will get different conclusions.

### **3.4. Long term effects. Shift of the economy towards Asia.**

Reducing trade costs by building infrastructure and creating the necessary framework for investment in low and middle income countries has the potential to reshape economic geography within and across countries. The economic balance will shift from the Atlantic to the Pacific, from the early developers of capitalism to the later contestants in the economic sphere. In fact, one could argue that this shift of attention has already happened. Big opportunities are no longer in Europe or the US, but in China and the countries under its umbrella.

Only after time has passed will we be able to see the real impact in the livelihoods of the people that lie along the corridor. It will be of great importance the free movement of people and workers across countries, if they want to spread the gains between the people that live in the villages and cities all over those countries. Legislation in favor of exchange of workers to balance and allow the transition of workers from the places with the most need for labor and out of the

zones that needed it the least. A spatial analysis of Central and South Asia finds that, for example, real incomes in Pakistan could further benefit from urban agglomeration and increasing returns from the manufacturing sector.

Europe and the United States will have a choice to make. To stay quiet and wait for the opportunity to pass through, or to try to adapt and innovate by finding ways to involve Europe, its services and construction companies, and help them export to these countries. Nevertheless, the way in which we involve in business in these countries cannot continue to go in the same direction (Gilsinan, 2020). Europe is creating weak institutions and fake agreements (pure legal and bureaucratic literature that doesn't translate into reality) in which the mere fact that there is European participation is enough to attract these lesser developed countries. That is no longer the case. If Europe's goal is to have fruitful and lasting relationships with these countries, it should let elitism in international matters at home, and come to these countries with eyes wide open. Europe needs to listen carefully to understand their needs. European institutions should not go to these places already thinking they know what low income countries want. This will not result in any real collaboration.

#### **4. HIGH DEBT LEVELS AND ITS POLITICAL CONSEQUENCES**

One of the biggest risk facing the BRI are the high debt levels of the recipient countries, that put in great danger the economies of some of the countries along the corridor. Here we must ask ourselves what are the intentions behind the enormous involvement of China in these countries.

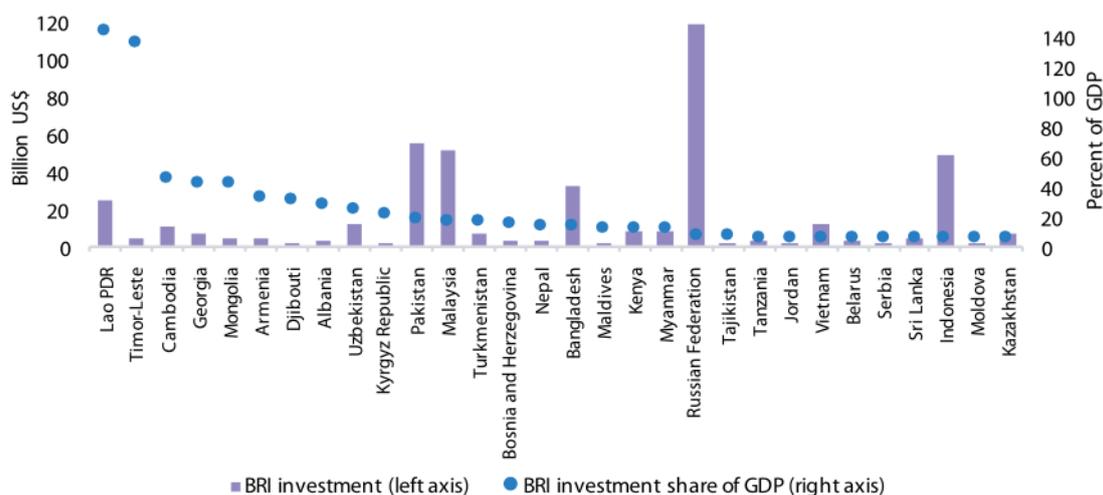
##### **4.1. High debt levels.**

In Laos, China is founding a high-speed rail that will cost the country half its GDP. In Pakistan, the IMF is in talks with the government to get a bailout. They cannot deal alone with the debt left by the infrastructure investment deals signed with China. For years, international organizations have been avoiding and criticizing

these investments, in an effort to shine light to the lack of transparency and risks related to the high debt levels assumed by these countries.

On the left axis, Figure 4.1 shows the money invested in BRI projects, while the right axis shows its relation to GDP. Blue dots show that in countries like Lao PDR and Timor-Leste, the investment done through the BRI amounts to more than their entire GDP. These are small countries, with a smaller GDP. There are other countries like Pakistan or Malaysia, who have invested each around 60 Billion US\$ with the initiative, and do not have BRI debts that represent more relative to their GDP. The general trend shows that debt-to-GDP ratios are augmenting in a constant rate across the developing world, not just because of the increasing investment of this initiative, but as an increasing trend of investment of the different international entities in these countries.

Figure 4.1: BRI financing in Belt and Road corridor economies



Source: WIND database and World Development Indicators.

Before the second BRI forum, China was undergoing a marketing and publicity problem. Some of these countries spoke out and talked about the abuses from China, the danger of the debt that they are getting into and the fear of China exerting land due to the contracts signed.

More recently, China has started talking about sustainable debt. They went as far as to add it to their constitution: "Working with the international community would

help China further reduce risky loans and ensure sustainable return on investment". This can be seen as a sign that the direction going forward has changed. They want to consider sustainability issues regarding the construction and the loans, as well as ensure the safety and long term stability of the countries they invest in. This could also mean nothing since principles, rules and beautiful ideas are easy to think and write on paper, but rarely translate into reality.

Estimated BRI debt financing is expected to be considerable for a handful of countries including some with current debt vulnerabilities. In numbers, the cost of BRI transport projects in the countries that lie along the economic corridor is estimated to range between 144\$US Billions and 304\$US Billions at the moment. The numbers change a lot depending on how the project is measured. Moreover, large infrastructure projects usually incur in over costs. Some of these investments do not make economic sense. For example, the second international airport that has been built in Kenya, is currently empty and seems to be going to stay that way for some time. Maybe in ten or twenty years, people will start using it because of the increased inflow of international people, but not next year.

These investments take place in the context of rapidly rising public debts, as countries get themselves into consecutive loans and projects, instead of prioritizing the job and the resources of the country. Transport projects can create wealth for these countries, but for some countries the costs of new infrastructure could outweigh the gains. It would require further study to know how these countries are going to overcome their debt problems, and we are yet to see how are they going to maximize the utility of those installations. They will need to find resources to be able to repay their debts before they become a danger to the economy.

#### **4.2. BRI study cases**

Since this is a very wide and dubious matter, we will study the political consequences through study cases that will allow a better understanding of the matter at hand.

The Port of Piraeus, in Greece, is the largest passenger port in Europe, in the latter years it has also become an important hub for containers and goods trade between china and Europe (Amaro, 2019). It was bought in 2009 by COSCO, the China Ocean Shipping Company. COSCO bought it to the Greek government when they were under the highest pressure from the European authorities to repay their debts after the crisis.

They had no money to pay their debts and decided to start privatizing. Since then, the COSCO has taken control of the docks, for which they paid 100 million euros each year, and the port has become the third most important port in the Mediterranean. The port of Piraeus has become the 8th most concurred port in Europe. The economy of the port is getting better, while workers have fights with the Chinese business authorities over the payments and salaries. They would have liked to talk with the United States or the Europeans, but China was the one with the capacity for action and delivery.

A similar thing has happened in Sri Lanka, where the lease of the port was treated as a major geopolitical and strategic action (Moramudali, 2020). To the eyes of a normal spectator, nothing over there looks military nor strategic. The Hambantota International Port has been used for political purposes by the west, they have argued that China could use it for military purposes, to build a military base and to have a harbor in the Indian Ocean. China, to western eyes, is using it to build strength overseas by creating a series of enclaves all over the Indian ocean to have power to use if necessary. Even if this is true, the reality in place is very different.

As it stands today, the port was bought by a Chinese company. The loans and interests for the port loans comprised about 1,5% of Sri Lanka's external debt repayments obligations, nothing more. Sri Lanka was always able to pay in due date. China holds only a small part of Sri Lanka's external debt. The rest is related to commercial western banks and American holdings. The lease on the port is like the Piraeus Port. The company called China Merchants Port is paying for the use of the port, but Sri Lanka still owns it. The port, now in the hands of the Chinese, has increase the livelihood of the communities surrounding the port. It

was under-utilized by the government of Sri Lanka, but now it receives China's trade and containers.

In Kenya, a Chinese company, through the BRI, has built the railway that connects Nairobi with Mombasa (BBC, 2017). Nairobi is the country's capital, and Mombasa is the second largest city, located in the coastal part of Kenya. This new railway has reduced transport cost, increase passenger demand and is driving growth and increasing connection between the two cities.

Not all constructions gather such good results. In the Mekong river, infrastructure development is creating a lot of backlash, due to its negative environmental impact and the social issues surrounding the areas that are been disrupted (Geall, 2019). Companies and plans that build dams all over the Mekong river do not consider environmental impact reports. They do not take any responsibility for all the destruction and harvesting problems that is affecting the population that live and feed of the food that provides the river and its natural resources. Many communities along the river are now protesting and trying to get better compensations for the displacements that they will have to go through.

This are just some examples to show how the different constructions and plans along the BRI can be broad, and each one of them shines light a different problem and requires a completely different solution.

## **5. POLICY REFORM**

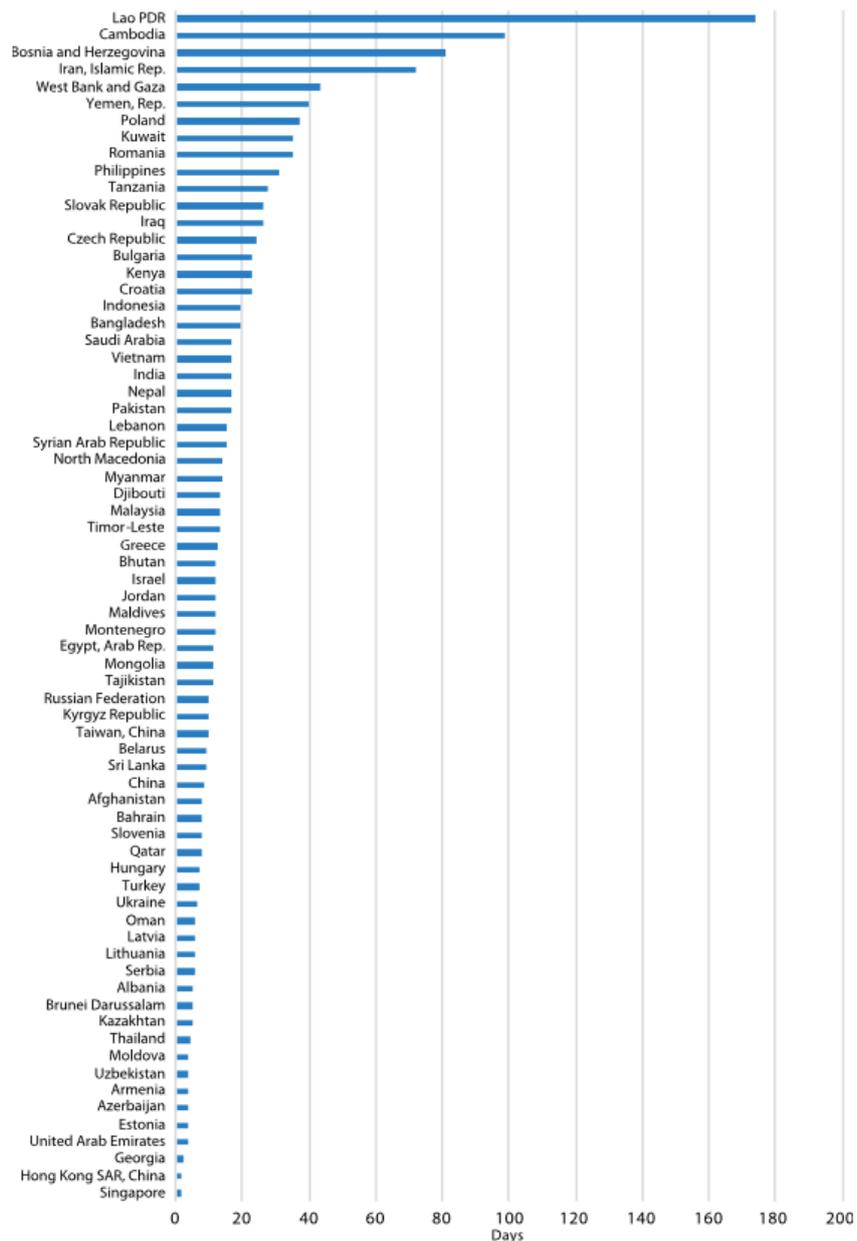
To maximize benefits from the infrastructure, there are certain conditions that do not relate with construction, but with refinement and enhancement of the legislations and policies reforms of the countries along the corridor.

### **5.1. Rule of Law**

There exists an important relationship between economic growth, the rule of law and policy changes. Data reveals a clear relationship between growth and a

functioning government. The existence of a legal body that is able to assure investment under the rule of law is a necessary condition for economic growth. Countries in the corridor need to create the environment that allows safe and sound investment to germinate and grow. Only then the infrastructure will be truly useful and will expand and enhance people’s lives in those communities (Maliszewska, 2019). Graph 5.1 exposes the root cause of this problem.

Graph 5.1: Number of days to start a business in Belt and Road corridor economies.



Source: World Bank Doing Business, 2019.

An analysis that looks at all BRI debt, shows that 12 to 13 of the 43 low-income and middle-income countries would experience a deterioration in their medium-term outlook for debt sustainability. If the BRI wants to maximize its results, the creation of infrastructure will have to come along with changes in policy, trade legislation and governance.

The graph exposes the relationship between development and the bureaucracy that underdeveloped countries impose onto companies abroad and companies inside the country to develop and create growth for the country. It takes 1,5 days to start a business in a city like Singapore or Hong Kong, where growth comes at the precise venture of the international economy doing business in those small territories. On the other part of the graph, it takes 99 days to start a business in Cambodia and 174 days in Laos, low-income countries that have serious problems to facilitate trade and business development and creation.

A preemptive condition for an attractive environment for FDI is transparency. This characteristic is key for further study and development, since it is the tool that allows everybody to see what everybody else has done. It allows everyone to access, study and evaluate the data, as well as the contracts signed between the countries. There is no data available on the number of countries that have plans with the BRI, neither there is any data related to the money spent in development. Analysts must work with estimations, and their analysis suffer from the excessive use of estimates. If things go wrong or something is building up and a structural problem of debt is building up, investors will be the last to know, since they don't have access to the total money that is moving in and out of these countries. If greater transparency existed, it would allow international firms and think tanks to look over the deals, to assess its stronger and weaker points. This will help recipient country find better agreements and avoid getting caught up in unwanted deals.

## **5.2. Cooperation and enforcement**

Cooperation between countries is crucial, since the value of an individual infrastructure is codependent on the connections it has to the rest of the network.

Project selection and planning, and the inclusion of BRI projects into national development plans is essential if they want to avoid under-used constructions. For some countries, policy transformation is a precondition to obtaining positive results from their investments. When planning a project, governments should not only look at the internal economic sense of efficiency, but also at its relationship with projects planned or built in the surrounding countries, so that they can make connections and build up a network that is efficient and long-term planned.

Corruption is a common denominator in BRI projects (Balding, 2018). Chinese lenders have not taken into their hands the task of looking out for corrupt recipient governments. They do not involve themselves in national politics in other countries, and they expect the rest of the world to do the same thing with them. But maybe they should, if they want to successfully praise themselves as the next alternative to the US and the future leader of globalization.

The effects of policy transformation and increasing efficiency in the legislation and the contracts, and easiness of doing business, the rule of law, can have a very relevant impact on the corridor economies. Real incomes for corridor economies could be an estimated 2 to 4 times higher if they implement reforms to reduce border delays and ease trade restrictions.

For example, in landlocked Uzbekistan, average income gains from infrastructure improvements are estimated at less than 1%, if they only do the construction and not help it with more incentives. If complementary measures are implemented and they achieve to reduce border delays and procedures, income gains could rise to 9%. That is a considerable improvement for changing bureaucratic structure to favor external investment and lifting border restrictions in the country.

Supply-chain bottlenecks in a single country are problematic. When a single road or railway has to deal with the load of an entire network, it could cause problems and inefficiencies. It could block the potential benefit of the entire corridor in unlocking trade opportunities, since the rest of the network becomes inefficient only because of the bottle-neck created by one infrastructure in one country (Wiederer, 2018). Deepening trade agreements among corridor economies can

reduce the current fragmentation in the markets and establish the rules and mechanisms for trade and other policy reforms.

If the necessary reforms go forward, they will lead to increasing private sector participation, which is needed. This can help sustain the BRI in the long term, by involving the private sector in less risky investments. The initiative thus far has been driven predominantly by China's state-owned banks and state-owned enterprises. To attract for FDI, countries will have to improve the investment climate and reduce the risk facing potential investors (Arduino, 2018). Specific reforms include things like improving the regulatory environment and strengthening legal protection for external companies that want to invest in the country's assets. For now, these companies find it hard to trust the legislative and state capacity to safeguard the investment from any form of fraud.

Complementary policies can help share the gains from BRI projects, including policies to strengthen social security, improve worker education and training, and increase labor mobility. Worker education leads to the independence of the African labor force from Chinese expertise and trained people in the construction and developing of projects and initiatives. A more knowledgeable work force always benefits the recipient country, since they learn the ways of developed countries and copy the methods and techniques, resulting in better products, innovation, and higher levels of efficiency.

Large infrastructure projects can create governance risks, including corruption and failures in public procurement, apart from the cost overruns that this type of projects come with. The limited data available indicate that Chinese firms account for most the BRI contracts, as one could expect. About 60% of Chinese-funded BRI projects are allocated to Chinese companies. Contracts include a clause that allows the company to have a big percentage of workers from China, though these percentages are changing and are been renegotiated by the recipient governments, so that more national workers can get involve in the project.

The BRI presents risks common to large infrastructure projects, such as displacements of people, pollution, ecological degradation, worker's

displacement that could cause social tensions, etc. These risks could be exacerbated by the limited transparency and openness of the initiative and the weak economic background and low stability of governance in several of the participating countries. When such countries involve in large infrastructure investments, debt sustainability is at risk. All this has to be taken into account. The unavoidable question that surges is if they will be able to improve their connectivity and their laws, if they could but never did before. Its primarily costless, it needs no investment from China, and it would be capable of driving growth forward more than any enormous infrastructure investment.

### **5.3. SEZs.**

One of the best ways to conduct a discussion about the legislation and mechanical ways in which BRI pretends to bring FDI to the countries it invest in, is through Special Economic Zones. They were successfully utilized by Deng Xiaoping when he industrialized China, and now they are using and promoting the same mechanism abroad.

A Special Economic Zone (SEZ) is a piece of territory within the country where business from outside the country can install without facing the challenges in terms of legal actions required, tax payments, administrative paper, that they would otherwise have to do. SEZs serve as a gateway for investment into the country. They have special legislation, making it easier for companies to establish and develop there. It also serves as a hub for companies to install in the same place and interact between them. It has good installments and good connections with the rest of the country, it is easily accessible and it locates in a place where development and technology can thrive. They set the course for change in countries where it is not easy to change policy. They allow foreign companies to override restrictions, and they are used to start the change and ease the change to an economy that works in that direction.

These zones serve as a way to move forward and make it easy for companies abroad, even if the rest of the country is still stuck with unnecessary restrictions

and legislation. Undertaking small and located reforms is politically easier than undergoing a general reform of the administration.

There are success and failure stories relate to the SEZs that have arisen over the BRI. In some cases, investors have exploited SEZs to take advantage of tax breaks without bringing any value to the broader economy. On the successful side, we can find SEZ like the Long Jiang Industrial Park (Vietnam), the Sino–Thai Rayong Industrial Park (Thailand), or the Karawang Industrial New City (Indonesia). On the failed stories of SEZs we have the China–Lao Mohan-Boten Economic Cooperation Zone, who lacks sufficiently skilled labor, or the The Sino–Kazakhstan Horgos International Border Cooperation Center.

A common success factor is the sound infrastructure and the strong connectivity between the zones and the surrounding areas. This means that there is a stable microenvironment, proper planning and industrial positioning based on the production characteristics of the area. It is also important to have a good and educated labor force, that can take in the jobs that are being demanded by the SEZ. This are just some of the common clues that give the successful SEZ along the BRI.

In past years, they have dominated more and more as the *go to* strategy for fast economic development, and the future is filled with more places like this.

#### **5.4. Long term success of the BRI**

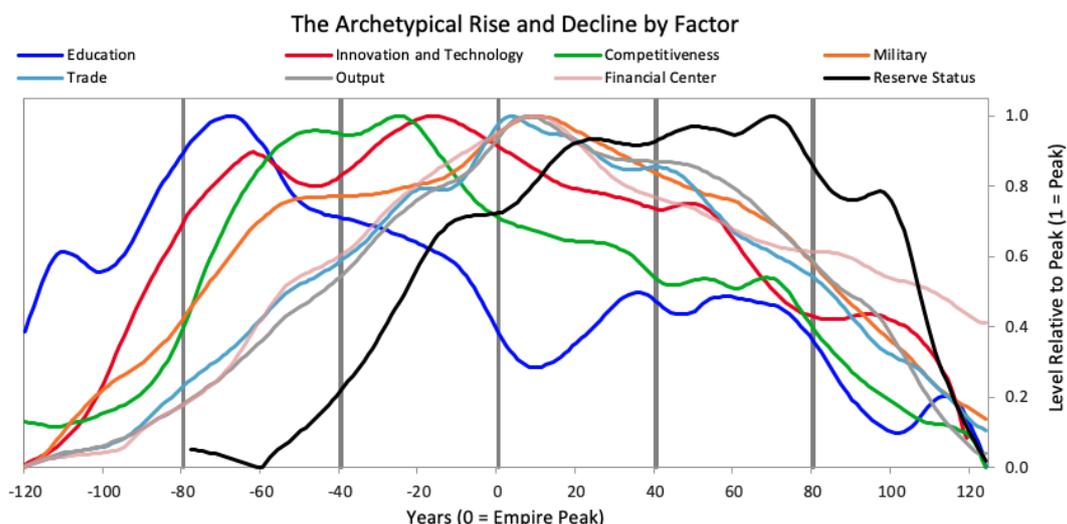
There is great debate about the fundamental purpose of the BRI. What are they really trying to achieve? As I stated in the introduction, I believe the BRI to be the way to expand the Chinese empire, happening in front of our faces, while we discuss if they are trying to get economic development thanks to the development of the countries around China. Military force to control the routes through which all their goods go through, or political power, to create a relationship with the countries that makes them become favorable to them, thus creating a new world order in which the US and Europe are no longer capable of ruling without China. If there is one perspective to win over the others, that should be the economic

one. It is the most important part of the cake, since that is what will give them legitimacy and confidence over the long term. If the economic branch of the initiative fails, there is no easy way to sustain the rest of the paraphernalia.

They need to build the framework in which the private economy can develop and create real and sustained growth. This is a far trickier objective than building a bridge or a railway, since it involves different countries with different governments, all corrupt, all inefficient, with an administration that is always difficult, to move forward with innovation and legislation, and much more. This will be the real challenge, having administrations along the corridor economies operate like developed countries, so that opportunities are open for them. Opportunities are there, but they are hidden behind a thick rug of impediments and unnecessary difficulties. If they succeed at doing this, they might have a chance at creating the promised win-win development that they are rooting for.

I say *might* because there is another factor that should be considered for the general success of the BRI, and that is knowledge. We must answer another question: Is it too soon to invest in these countries? Figure 5.1 puts into relation the rise and fall of empires with the different characteristics in the different moments of development, before and after they peaked.

Figure 5.1: The Archetypical Rise and Decline by Factor



Source: Dalio, Ray (2020): *The Changing World Order*.

I want to shine the light on the education line, the blue one. It comes before anything else, almost as a requirement for the empire to succeed. One of the latest and most influential modern theories of economic growth is the notion that makes the relationship and causation between economic growth and knowledge and how it is spread among the population. This is not infrastructure, which comes after, there is correlation but no causation, which are very different things, and the same with policy changes and institutional reform. Education, knowledge, comes first and then all the other seem to occur because of the resurgence of knowledge in any given society. ¿can we say that these countries are after or before the peak of knowledge? Maybe it does not matter, and the internet has change everything so radically that now we don't need broader education to happen before development. Maybe societies only need access to the internet, to knowledge, and this development can happen. They have access to technology and knowledge whenever they want.

There is, on a similar note, a cultural BRI going around, but nobody, at least intellectuals, don't seem to bother to talk about it. The cultural BRI is far more important than what Europeans think. They are creating ties between countries in Africa, Asia and China. They are developing deeper cultural relationship with the countries and people they work with. They are doing cultural gatherings, meetings, Chinese language courses paid by the government, and tourist from China visit African countries more and more. China is also deepening its relationship of respect with its smaller counterparts in Asia, while helping them develop industries in their land. This is important, the emotional and seemingly unrelated stuff is what in the end, determines decision-making. We are still humans, and humans over there are still in need, they are not robots without relationships with the people over there getting out papers in where we say what they have and do not have to do.

Our perception of the BRI is always changing, and the BRI itself will look very different ten or twenty years from now. We should try not to close our eyes and redeem it as a bad or good thing. We should open our eyes and watch for the good opportunities to involve as Europe in those places.

## 6. CONCLUSION

The BRI is a conglomerate not only of constructions and plans, but of opinions and perspectives. Academics and theorists rush to put the good or bad label on this initiative, while in reality this labeling is much difficult. Reality talks about progress and regression, about bad and learning experiences, and good and success stories along the plans made along the corridor. The perfect formula for one country is usually not the same for another one. Things have to be looked in greater detail that international relationships theory reaches, if one aims to truly understand the implications and ramifications of the BRI.

If we don't follow through with the developments brought by China to Asia and Africa, we will fail to integrate the European Union into these countries effectively. To successfully do that, we will need better eyes and ears, and a mind ready to learn. If we continue to analyze this initiative in terms of military danger or political imperialism in the unpredictable future, we will be blind to the changes occurring today, and therefore be left apart from the task of building the future.

The BRI is going to exist for many years. The net will grow and the connections will become stronger and stronger with China. They have always thought of themselves as the center of the world, and they will try to fulfill this vision in the globalized world. They will not conquer territory, they will simply be superior, and we will have to whether step up our game or let them take away the center of the world.

We have to get used to the idea we are losing the battle, sit down, rethink how the game works, and go back and play smarter and looking forward rather than backwards. The center of the world is changing from the Atlantic to the Pacific and the Indian Ocean, from Europe and the US to China. The world is different from anything we have ever seen, we can still lead in a world where the democracy of the internet and ideas governs the world over all things. The best one will be measured by the capacity and knowledge of its population, not by the force of their military or the control and help of the government. Only the ones with the best ideas and the best environment to make them flourish will win.

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