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WHITHER CHINA'S BELT AND ROAD INITIATIVE IN THE POST-20TH PARTY CONGRESS ERA?

*While China's president, Xi Jinping, is widely expected to secure his coveted third term as party chief at the upcoming 20th congress of the Communist Party of China, the future of his flagship economic foreign policy, the Belt and Road Initiative (BRI), deserves closer observation. **XUE GONG** argues that China's connectivity project may be set back by three factors: unresolved sustainability issues, geopolitical shocks, and Beijing's shrinking capacity for bankrolling the BRI.*



With Xi ready to roll for the upcoming party congress, how will the BRI fare under his expected next term? *Photo by [Bert van Dijk](#) on flickr.*

The Communist Party of China is gearing up for its most important political event of the decade — its 20th congress, starting on 16 October 2022. Just a month prior to this significant political event, Chinese president Xi Jinping made a rare overseas visit to Kazakhstan, where he spoke highly of his flagship economic foreign policy, the Belt and Road Initiative. The visit carried much symbolic significance since Kazakhstan is where Xi in 2013 first evoked memories of the ancient silk roads and spun stories about seamless regional connectivity through his proposed “Silk Road Economic Belt”.

While Xi is widely expected to secure his coveted third term as party chief, the future of the BRI deserves closer observation. The overseas visit [signalled Xi's confidence](#) in his own authority and leadership to both domestic and international audiences. But to what extent are such audiences confident in a China under his continued leadership?

From the outset, the BRI has been framed as a public good which Beijing provides to the world. It is said that the BRI will allow for the application of “[China's wisdom](#)” to global development issues. Despite the great deal of goodwill that Beijing has generally attracted through the launch of the BRI, the international community's response to the initiative is varied. While touted highly in some developing countries which are hungry for China's infrastructure funding and assistance, the rest of the world is questioning the sustainability of projects launched under the BRI, as well as China's capacity for continued bankrolling of the BRI amid global geopolitical setbacks and China's own economic struggles of late.

Self-Correcting and Adjusting?

Responding to international criticism of BRI projects revolving around sustainability issues, China has begun self-correcting and adjusting the concept. At the Second Belt and Road Forum for International Cooperation in 2019, Xi pledged to build “[open, green and clean cooperation](#)” through the BRI, shrewdly rebranding it with a more benign image. The new focus requires Chinese companies and entities involved in the BRI to strictly follow stringent environmental and social standards. Ostensible improvements can be seen in some BRI [collaborations with international entities](#) which work towards minimising climate, biodiversity, and pollution impact.

The Chinese government has also attempted to resolve worrisome debt issues through multilateral means, namely, the G20's Debt Service Suspension Initiative. In August 2022, Beijing announced that it would [waive 23 interest-free loans](#) for 17 African countries which had matured by the end of 2021. Furthermore, China provides ad hoc debt relief to low-income countries, to send important diplomatic signals about its lending practices. This measure is likely to continue in the future for foreign policy purposes.

Regional pushbacks have prompted the Chinese state in recent years to shift its focus from large-scale resource extractive and land-grabbing infrastructure projects, such as hydropower and mining, to more sustainable infrastructure projects. Besides that, the outbreak of the Covid-19 pandemic has changed the nature and scale of infrastructure projects under the BRI, giving way to China's Health and Digital Silk Road initiatives, supported by Chinese technology and governance experience.

So far, Beijing has not been able to deliver on a long-standing source of concern for the international community — transparency. Currently, there is no way to assess how BRI projects have performed in terms of environmental and social impact. As the lack of transparency has already incurred reputational costs, it will be a daunting challenge for China to reverse this negative image. Unless Beijing releases information on its BRI projects through an internationally credible entity, the international community will continue to entertain doubts about Beijing's commitment to good governance.

International concerns over the heavy debt burdens which participants in the BRI bear have loomed large over the past few years. Although the notion of a [Chinese debt trap](#) has been contested, the economic consequences of the pandemic, along with global commodity and energy price shocks, have crippled the ability of some developing countries to service their debts. China is the [largest bilateral creditor](#), and the opaque nature of its lending policies to developing countries raises eyebrows over the viability and sustainability of these projects. Moreover, debt relief is seldom provided for concessional loans, which are treated like commercial loans, with an [average interest rate of 4.2 per cent](#). What is as alarming is the increasing number of Chinese loans that are [collateralised](#), where, in the event of default, repayment is secured by acquiring assets from the borrowing country. As interest rates across the world rise swiftly, China will face greater pressure to provide debt relief for its borrowers.

Counterproductive Foreign Policy

The future of China's BRI, especially the land route, is uncertain owing to the ongoing Russia-Ukraine war. Ukraine is strategically significant in the BRI as it not only carries transport networks and pipelines that link Russia to the European continent, but also serves as an attractive market for Chinese technology exports and a source of agricultural imports (e.g., [corn and barley](#)) into China. The war has clearly affected the BRI, having caused destruction to infrastructure, disruption to global supply chains, and threats to connectivity plans.

In his expected third term, Xi's oversight of the BRI is likely to face insurmountable challenges owing to the Russia-Ukraine war. To begin with, there is the question of how China will engage in two diplomatic tangos simultaneously: with Russia's president, Vladimir Putin, to convince him that Beijing has not betrayed him, and with the rest of the world, to convince them that China is not taking Putin's side.

In a war that is widely perceived to be illegal and is almost universally condemned, an ambiguous foreign policy will meet its limits at some point. For one, China's balancing act carries risks for the BRI, namely its reputation for having a "no limits" partnership with Russia. Moreover, in promoting the Global Security Initiative endorsed by Xi in April 2022, China has [acknowledged its belief](#) in Russia's legitimate security concerns in the war. This statement serves as an oblique warning to neighbouring countries that have territorial disputes with China. In addition, Western economic sanctions imposed in response to the war have created challenges for Beijing in implementing the BRI, by being likely to affect the flow of goods and capital.

Intensified geopolitical opposition to China may pose challenges for Xi's third term. China is already in strategic competition with the United States, and has been at loggerheads with other key trading partners like Australia. Meanwhile, countries like

Japan have begun taking steps to diversify away from the Chinese market, recognising the dangers of overreliance on China as an export destination and a source of imports.

Regardless of their continued support for the BRI, participating countries are hardly comfortable with the potential consequences of heavy reliance on China, given that most of them are already running trade deficits with it. As China's economic might grows, its inclination to apply confrontational and coercive economic measures also increases. This is seen in its diplomatic spats with countries like the Philippines, over disputed expanses of the South China Sea; and South Korea, over the Terminal High Altitude Area Defense or THAAD anti-ballistic missile defence system; as well as with individuals who criticise China's political system. Even if Xi pursues a less confrontational diplomatic approach in his third term, negative [views of China](#) are unlikely to be reversed.

Self-Defeating Domestic Policy

Compounding the risks of sustainability issues and geopolitical disruptions is China's own questionable economic capacity to support the BRI. During the initial stages of the pandemic, the Chinese government was able to revive business activity quickly, in strong contrast to other economies. Since then, China's self-defeating pandemic policy has shattered investor confidence in the Chinese economy as its harsh lockdowns have disrupted business. Despite being relabelled as a [“dynamic”, targeted policy based on science](#), China's zero-tolerance policy is still being indiscriminately practised by local officials for fear of being sacked or punished for doing otherwise.

As a result, international engagement with the Chinese economy has been severely impacted. Soaring flight ticket prices and strict border controls have turned away visitors and dented confidence in the Chinese market. Some observers speculate that after the 20th party congress, the Chinese government will incrementally loosen the border restrictions. Yet, it is difficult to envision China reopening its borders to pre-pandemic levels. Just a week ahead of the party congress, the *People's Daily* newspaper, China's official mouthpiece, published a piece of [propaganda](#) in strong support of Xi's “dynamic” Covid-19 policy.

The business community has already begun to experience the disruption caused by China's unhelpful Covid-19 policy practices: rising costs, associated with unpredictability in the Chinese market. For the past several decades since China began opening up its economy, it has been able to provide a relatively open market, where foreign companies could reap the benefits of low-cost and efficient production. Today, however, two concerns loom large among the business community, arising from the unpredictability of China's Covid-19 policy. First, companies realise that low-cost supply chains are not necessarily safe and stable. Second, the single-minded pursuit of cost efficiency has led the home offices of these foreign companies to a worrisome dependency on the Chinese market.

The BRI is designed on the premise of a vibrant Chinese market which provides capital, knowledge, and information. But China's business-unfriendly Covid-19 policy practices and [slowing economic growth](#) today call into question its ability to continue bankrolling the global connectivity project through Xi's projected third term.

BRI after the 20th Party Congress

The waning confidence of the international community in globalisation and economic integration does not bode well for the future of the BRI during Xi's third term. Today, globalisation appears to be more about cooperation on economic security and less about cooperation for efficiency. Most countries, especially those in the West, are strengthening their capacities for economic self-reliance, just like China is doing.

In the run-up to the 20th party congress, Xi has manoeuvred to consolidate his power and secure an unprecedented third term. This simply means that China is unlikely to change course in future, as far as the BRI is concerned. The challenge that lies ahead for one of the world's most powerful men is in how to make the rest of the world believe in his story of connectivity.

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