Research memo

Tightening the Belt or End of the Road? China's BRI at 10

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February 27, 2024

"We should also strengthen international counter-corruption cooperation so that the Belt and Road will be a road with high ethical standards."

President Xi Jinping

Opening Ceremonies of the First Belt and Road Forum for International Cooperation, May 14, 2017

In October 2023, delegations from more than 140 countries, including 20 heads of state, gathered in Beijing to ring in the second decade of China's Belt and Road Initiative (BRI). Despite the celebrations and festivities, some level of disappointment cast a shadow over the proceedings.

Notwithstanding large and ambitious efforts to build infrastructure and connectivity throughout emerging markets in Asia, Africa, Europe, and Latin America, the BRI has failed to live up to China's lofty goals. Worse, it has simultaneously burdened developing economies around the world with substantial debt and insufficiently productive assets.

When the BRI was formally launched in 2013, President Xi Jinping touted the initiative as a world-spanning push to replicate the economic and political impact of the Silk Road — the dominant path for Eurasian trade for more than 1500 years. Yet instead of building "open, green, and clean" infrastructure within a framework of sustainable debt, as Beijing pledged, the BRI has wrought social, economic, and environmental havoc. Massive corruption has also generated a political backlash against both China and the governments that took Beijing's money.[1]

Ten years after its introduction, with tens of thousands of projects underway and over $1 trillion invested, the BRI has become a victim of its own opacity and lack of centralized coordination.[2] These two factors, above all others, paved the way for the BRI's disappointments and scandals.

1. Xi Jinping, *Keynote Speech Opening The Second Belt And Road Forum*, April 26, 2019. (https://china.usc.edu/xi-jinping-keynote-speech-opening-second-belt-and-road-forum-april-26-2019); Xi Jinping, "Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road," *Keynote Speech At the Opening Ceremony of The Belt and Road Forum for International Cooperation,* May 14, 2017. (https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/201705/t20170527_678618.html)

2. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

The BRI's opacity ranged from failing to publish any complete lists of BRI projects to refusing to disclose the amounts or terms of indebtedness. As the former president of China's Export-Import Bank once explained, "We have a saying: If the water is too clear, you don't catch any fish."[3] Opacity was a foundational precondition that led directly to secrecy and corruption. In other words, opacity and secretive deals were not "bugs" but rather "features." This made BRI projects especially attractive to corrupt leaders in emerging markets.

In addition to breeding corruption, opacity led directly to waste, Chinese interference in the domestic politics of borrowing nations, and unnecessarily high indebtedness. On top of that, opacity undermined the capacity to objectively evaluate the true benefits and costs of the BRI, casting doubt on China's claims of success but simultaneously limiting the global ability to demand accountability. According to AidData,[4] a BRI-tracking research lab at the College of William & Mary, "the opacity of the PRC's investments has traditionally made it difficult to access project-level data on historical Chinese development projects."[5] In other words, opacity makes it much harder for anyone to know when projects are failing.

The BRI also suffered from a lack of coordination. Beijing unleashed a funding bonanza but without a centralized function ensuring that the money was well used. Rapacious Chinese entities, both public and private, partnered with corrupt officials in borrower nations to advance their own narrow interests, leading to high-profile, low-quality projects that impressed voters and constituents in the short term but often were unneeded, poorly thought out, or defective.[6]

China sought to justify this approach by claiming that "the government's responsibility lies in building platforms, establishing mechanisms, and providing policy guidance."[7] Yet much of the day-to-day decision-making clearly fell

3. Jonathan E. Hillman, "Corruption Flows Along China's Belt and Road," *Center for Strategic and International Studies*, January 18, 2019. (https://www.csis.org/analysis/corruption-flows-along-chinas-belt-and-road)

4. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html#executive_summary)

5. Given the high levels of opacity surrounding the BRI, it can be difficult to assess many aspects of its impact. Nevertheless, scholars and journalists have pieced together many details about the initiative and the underlying projects from leaked contracts; on-the ground reporting; contracts collected from debt information management systems and official registers or gazettes; annual disclosures and financial reports from central banks that had currency swap agreements with China, and a comprehensive analysis of financial, operational, and location information for more than 20,000 projects painstakingly assembled from disparate public sources. Relying upon information like this allows for an imperfect yet insightful look into several troubling aspects of the BRI. The Chinese government has yet to make available transparent information available about all BRI projects to help confirm or refute external observations about the initiative. Samantha Custer, Axel Dreher, Thai-Binh Elston, Brooke Escobar, Rory Fedorochko, Andreas Fuchs, Siddartha Ghose, Joyce Jiahui Lin, Ammar A. Malik, Bradley C. Parks, Kyra Solomon, Austin Strange, Mike Tierney, Lydia Vlasto, Katherine Walsh, Fei Wang, Lincoln Zaleski, and Shen Zhang, "AidData's Global Chinese Development Finance Dataset, Version 3.0," *AidData*, November 6, 2023. (https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-3-0); Alex Wooley, "Belt and Road bailout lending reaches record levels, raising questions about the future of China's flagship global infrastructure program," *AidData*, March 27, 2023. (https://www.aiddata.org/blog/belt-and-road-bailout-lending-reaches-record-levels); Anna Gelpern, Sebastian Horn, Scott Morris, Bradley C. Parks, and Christoph Trebesch, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments," *Peterson Institute for International Economics*, May 2021. (https://www.piie.com/sites/default/files/documents/wp21-7.pdf); Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html); Michael Schroeder, "Is the Devil in the Details? A Rare Look into a BRI Contract in Kyrgyzstan," *Journal of Public & International Affairs*, May 26, 2023. (https://jpia.princeton.edu/news/devil-details-rare-look-bri-contract-kyrgyzstan)

6. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html)

7. The State Council Information Office of the People's Republic of China, "The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future," October 2023. (http://www.beltandroadforum.org/english/n101/2023/1010/c124-895.html) to other parties who were left, as one scholar put it, to "insert their own policy preferences and programs" into the shell of the BRI.[8] The result was a decentralized mishmash with no guiding authority to control reckless spending or limit bad behavior. Instead, state-owned banks, private industry, and government officials were left to their own devices to determine project viability, scale, and scope with wildly divergent interests and goals — acting akin to a thousand hungry weasels in a trench coat.

Ten years on from the launch of BRI, there remains an acute need for high-quality infrastructure on every continent. By learning from the BRI's mistakes, the United States and its partners can offer better deals to nations prepared to embrace transparency, rigorous cost-benefit analysis, consultation with citizens, and accountability for officials. Washington should expand the remit of the U.S. Development Finance Corporation (DFC) and support the G7's Partnership for Global Infrastructure and Investment with serious investment. The BRI's failures should inspire a new determination to build infrastructure properly.

An Ambitious Start

Throughout China, the BRI ushered in tremendous excitement and national pride. BRI-branded toothbrushes and coffee popped up everywhere, and scantily clad models promoted Belt and Road-themed wrestling competitions.[9] An English-language children's song about the BRI was pushed by state media, melodically claiming, "The future's coming now/The Belt and Road is how/We'll share the goodness now/The Belt and Road is how."[10]

Internationally, the level of initial enthusiasm was similarly high. Nearly 150 countries around the world, in great need of infrastructure, development, and increased trade linkages, signed up for the BRI.[11] Some saw it as an expedient way to expand their trading relationship with Beijing.[12] Many countries were particularly attracted to China's constant talk of "non-interference" and "no-strings financing" — meaning that Beijing offered loans without the usual Western conditions of anti-corruption safeguards, human rights protections, environmental controls, rigorous cost-benefit analysis, worker safety restrictions, transparency, or ability to repay. BRI loans were plentiful and easy to get.[13] The opacity of the terms protected all sides from scrutiny.[14]

8. Baogang He, "The Domestic Politics of the Belt and Road Initiative and its Implications," *Journal of Contemporary China*, September 11, 2018. (https://www.tandfonline.com/doi/abs/10.1080/10670564.2018.1511391)

9. Te-Ping Chen, "Coffee, Classical Music and Wrestling Celebrate Chinese Infrastructure," *The Wall Street Journal*, May 15, 2017. (https://www.wsj.com/articles/coffee-classical-music-and-wrestling-celebrate-chinese-infrastructure-1494862432?mod=article_inline)

10. New China TV, "Music Video: The Belt and Road is How," *YouTube*, May 10, 2017. (https://www.youtube.com/watch?v=M0lJc3PMNIg)

11. Dr. Alexander Kupatadze and Lakshmi Kumar, "Everything Everywhere All at Once: Understanding the Implications of the Belt and Road Initiative on Trade-Based Money Laundering (TBML) and Illicit Supply Chains," *Global Financial Integrity*, November 8, 2022. (https://34n8bd.p3cdn1.secureserver.net/wp-content/uploads/2022/11/EVERYTHING-EVERYWHERE-REPORT-07.11.2022.pdf?time=1695068503)

12. Natasha Turak, "Italy's Di Maio tries to reassure Washington after becoming first G-7 country to join China's massive Belt and Road initiative," *CNBC*, March 24, 2019. (https://www.cnbc.com/2019/03/24/italy-di-maio-first-g7-country-to-join-china-belt-and-road-initiative.html)

13. Christopher Balding, "Why Democracies Are Turning Against Belt and Road," *Foreign Affairs*, October 24, 2018. (https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road); Sovinda Po, "The Myth of Non-interference: Chinese Foreign Policy in Cambodia," *Asian Studies Review*, February 24, 2021. (https://www.tandfonline.com/doi/full/10.1080/10357823.2021.1887813); CCTV Video News Agency, "Chinese FM Refutes U.S. Allegations, Stresses Adherence to Non-interference Policy," *YouTube*, September 27, 2018. (https://www.youtube.com/watch?v=2VSpydKbqqA); CCTV Video News Agency, "BRI Not Driven by China's Own Selfish Pursuits: Ambassador," *YouTube*, September 6, 2023. (https://www.youtube.com/watch?v=xQzo_L6zaJg)

14. Scott Morris, "Testimony on China's Lending Practices and the International Debt Architecture," *Testimony before the House Committee on Financial Services Subcommittee on National Security, International Development and Monetary Policy*, May 18, 2021. (https://www.cgdev.org/publication/testimony-chinas-lending-practices-and-international-debt-architecture)

China also recognized how the BRI might provide tremendous benefits domestically. As the world's largest export economy, China would be boosted by greater connectivity to growing markets abroad.[15] Moreover, as its domestic infrastructure and housing construction slowed, the BRI would allow China to export its excess production of steel, concrete, and other materials needed to build dams and highways in far-flung locations.[16]

Soon, Beijing began to tout the BRI as the answer for many of the world's most pressing challenges. As one BRI white paper put it: "Development holds the master key to solving all problems."[17] According to other official Chinese government documents, the BRI would lead to "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit;" "cultivate a culture of integrity;" be based upon a "philosophy of open, green and clean cooperation;" build "lasting, inclusive and sustainable economic growth;" and contribute to "harmonious coexistence."[18]

The High Costs of the BRI Emerge

"A growing number of policymakers in low- and middle-income countries are mothballing high profile BRI projects because of overpricing, corruption and debt sustainability concerns."[19]

Bradley C. Parks, Executive Director of AidData
Quoted in Reuters, September 29, 2021

Beijing provided the capital for BRI, largely through the China Development Bank and the Export-Import Bank of China, but the central government did not constrain the types or terms of projects financed.[20] Soon, a wide range of state-owned entities, government agencies, party officials, and private sector actors leapt into action, taking advantage of plentiful, no-strings loans to sovereign borrowers for thousands of projects.

15. "China," *The Observatory of Economic Complexity*, accessed January 11, 2024. (https://oec.world/en/profile/country/chn)
16. "What This $6 Billion Rail Line in Laos Reveals About China's Future," *The Wall Street Journal*, September 22, 2023. (https://www.wsj.com/video/series/breaking-ground/what-this-6-billion-rail-line-in-laos-reveals-about-chinas-future/9C395122-9641-451B-BCDF-B7926DFF2A83)
17. The State Council Information Office of the People's Republic of China, "The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future," October 2023. (http://www.beltandroadforum.org/english/n101/2023/1010/c124-895.html)
18. Xi Jinping, *Toast by the H.E. Xi Jinping President of the People's Republic of China at the Welcoming Banquet of the Third Belt and Road Forum for International Cooperation*, October 17, 2023. (http://www.beltandroadforum.org/english/n101/2023/1018/c130-1150.html); The Third Belt and Road Forum for International Cooperation, "Chair's Statement of the Third Belt and Road Forum for International Cooperation," October 18, 2023. (http://www.beltandroadforum.org/english/n101/2023/1020/c127-1271.html); Xi Jinping, "Building an Open, Inclusive and Interconnected World for Common Development," *Keynote Speech At the Opening Ceremony Of the Third Belt and Road Forum for International Cooperation*, October 18, 2023. (http://www.beltandroadforum.org/english/n101/2023/1018/c124-1175.html); The State Council Information Office of the People's Republic of China, "The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future," October 2023. (http://www.beltandroadforum.org/english/n101/2023/1010/c124-895.html); The State Council Information Office of the People's Republic of China, "A Global Community of Shared Future: China's Proposals and Actions," September 2023. (http://www.beltandroadforum.org/english/n101/2023/1010/c127-916.html)
19. David Stanway, "China's Belt and Road plans losing momentum as opposition, debt mount -study," *Reuters*, September 29, 2021. (https://www.reuters.com/world/china/chinas-belt-road-plans-losing-momentum-opposition-debt-mount-study-2021-09-29)
20. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

Combined with BRI's opacity, this structural lack of restraint set up a cocktail of greed, incompetence, self-dealing, and waste. Rather than refraining from interference in borrower nations, Beijing propped up corrupt politicians in exchange for unbalanced, pro-China terms on BRI loans — funneling kickbacks into reelection campaigns or offering to scare off meddling journalists.[21]

The absence of anti-corruption safeguards contributed to projects being overloaded with payoffs and kickbacks.[22] Failing to add meaningful protections for human rights, environmental risk, or worker safety meant local communities were irreparably harmed and citizens were outraged.[23] In Ecuador, for instance, a poorly planned hydroelectric dam displaced millions of residents, led to more than 100 worker deaths, and caused massive environmental devastation to the surrounding forest.[24] The lack of rigorous feasibility studies and cost-benefit analysis caused unnecessary and unproductive projects to proliferate, with much-needed infrastructure built in the wrong locations, using substandard materials and faulty assumptions about expected returns.[25]

As William & Mary's AidData research lab pointed out, borrowers gambled that large infrastructure projects would pay for themselves through increased economic productivity or by generating fees, but these gambles "seldom work out in the favor of the borrowing country, due to a combination of overly rosy revenue projections and hidden costs that were either unanticipated or the result of collusion between officials and Chinese companies to artificially raise prices."[26]

China's rail line between Djibouti and Ethiopia is faring so poorly that China has been forced to write off a billion dollars in losses, with the head of China's state-owned insurer, Sinosure, describing the due diligence on the viability of the railroad as "downright inadequate."[27] Similarly, the $5.5 billion Jakarta-Bandung high-speed train

21. Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *The New York Times*, June 25, 2018. (https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html); Lau Siu-fung, Gao Feng, and Luisetta Mudie, "China 'Offered to Spy' on Hong Kong-Based Journalists With The Wall Street Journal," *Radio Free Asia*, January 8, 2019. (https://www.rfa.org/english/news/china/china-offered-to-spy-on-hong-kong-based-journalists-01082019110823.html)

22. "Bangladesh blacklists Chinese construction firm, cancels highway deal after bribe claim," *Agence France-Presse* (France), January 18, 2018. (https://www.scmp.com/news/asia/south-asia/article/2129493/bangladesh-blacklists-chinese-construction-firm-cancels-highway)

23. Ina Alleco R. Silverio, "China-Funded Dam Threatens Philippine's Indigenous People," *Maritime Fairtrade*, April 5, 2023. (https://maritimefairtrade.org/china-funded-dam-threatens-philippines-indigenous-people); Lily Kuo and Shibani Mahtani, "As Myanmar protesters torch Chinese factories, workers are caught in spiraling crisis," *The Washington Post*, March 17, 2021. (https://www.washingtonpost.com/world/asia_pacific/china-myanmar-coup-military/2021/03/17/39989378-86c2-11eb-be4a-24b89f616f2c_story.html)

24. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)

25. Andrew Higgins, "A Pricey Drive Down Montenegro's Highway 'From Nowhere to Nowhere,'" *The New York Times*, August 14, 2021. (https://www.nytimes.com/2021/08/14/world/europe/montenegro-highway-china.html); Huizhong Wu and Kristen Gelineau, "Chinese vaccines sweep much of the world, despite concerns," *Associated Press*, March 2, 2021. (https://apnews.com/article/china-vaccines-worldwide-0382aefa52c75b834fbaf6d869808f51); Derek Watkins, K.K. Rebecca Lai, and Keith Bradsher, "The World, Built by China," *The New York Times*, November 18, 2018. (https://www.nytimes.com/interactive/2018/11/18/world/asia/world-built-by-china.html); Mohammed Yusuf, "Kenya Wants to Renegotiate Loans for Chinese-Built Railway," *Voice of America*, October 19, 2022. (https://www.voanews.com/a/kenya-wants-to-renegotiate-loans-for-chinese-built-railway-/6796765.html)

26. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html)

27. David Pilling and Emily Feng, "Chinese investments in Africa go off the rails," *Financial Times* (UK), December 5, 2018. (https://www.ft.com/content/82e77d8a-e716-11e8-8a85-04b8afea6ea3) line in Indonesia has required two government-funded bailouts and will likely end up taking 40 years to break even — double the initial estimates.[28]

The BRI's failures have had reputational consequences worldwide. Dissatisfied customers in BRI countries have led to many projects being abandoned, contracts being renegotiated, and loans becoming lost causes.[29] Pakistan canceled a $2 billion BRI coal plant, and Myanmar reduced its BRI spending with a planned $7.3 billion port being downsized to only $1.3 billion amid debt fears.[30] Projects have been canceled or renegotiated across nearly 50 countries — with significant cancellations compared to pre-BRI years.[31]

Indeed, 35 percent of BRI projects that AidData analyzed faced major implementation problems, such as scandals, protests, corruption, labor violations, or environmental degradation — well above the numbers for Chinese infrastructure projects in general.[32] Even China's official newspaper, the People's Daily, acknowledged that the BRI needs to "pay more attention to how projects connect with the development and basic interests of relevant countries."[33]

Rather than a development program, the BRI resembled a new kind of imperialism.[34] That is partly because the BRI was increasingly viewed as a Chinese jobs and export promotion program.[35] Facing excess supply of steel and similar commodities from slowing domestic demand, Chinese state-owned enterprises sought overseas markets

28. "Belt and Road: 'debt trap' hovering over Indonesia," *AsiaNews* (Italy), April 17, 2023. (https://www.asianews.it/news-en/Belt-and-Road:-%E2%80%9Cdebt-trap%E2%80%99-hovering-over-Indonesia-58202.html); Stefanno Sulaiman, "China-backed Indonesian rail link seen taking 40 years to breakeven," *Reuters*, February 8, 2022. (https://www.reuters.com/markets/rates-bonds/china-backed-indonesian-rail-link-seen-taking-40-years-breakeven-2022-02-08)

29. Shahbaz Rana, "Pakistan stops bid to include Diamer-Bhasha Dam in CPEC," *The Express Tribune* (Pakistan), November 15, 2017. (https://tribune.com.pk/story/1558475/2-pakistan-stops-bid-include-diamer-bhasha-dam-cpec); Eileen Ng, "Malaysia: Revised China Deal Shows Costs Were Inflated," *The Diplomat*, April 16, 2019. (https://thediplomat.com/2019/04/malaysia-revised-china-deal-shows-costs-were-inflated); "China's BRI losing steam as loans turn sour, new investments decline: Report," *The Times of India* (India), September 7, 2023. (https://timesofindia.indiatimes.com/world/china/chinas-bri-losing-steam-as-loans-turn-sour-new-investments-decline-report/articleshow/103476189.cms)

30. Nyshka Chandran, "Fears of excessive debt drive more countries to cut down their Belt and road investments," *CNBC*, January 17, 2019. (https://www.cnbc.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html); Kanupriya Kapoor and Aye Min Thant, "Exclusive: Myanmar scales back Chinese-backed port project due to debt fears – official," *Reuters*, August 2, 2018. (https://www.reuters.com/article/us-myanmar-china-port-exclusive-idUSKBN1KN106)

31. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf); Ammar A. Malik, Bradley C. Parks, Brooke Russell, Joyce Jiahui Lin, Katherine Walsh, Kyra Solomon, Sheng Zhang, Thai-Binh Elston, and Seth Goodman, "Banking on the Belt and Road: Insights from a new global dataset of 13,427 Chinese development projects," *AidData*, November 2023. (https://docs.aiddata.org/ad4/pdfs/Banking_on_the_Belt_and_Road_Executive_Summary.pdf)

32. Ammar A. Malik, Bradley C. Parks, Brooke Russell, Joyce Jiahui Lin, Katherine Walsh, Kyra Solomon, Sheng Zhang, Thai-Binh Elston, and Seth Goodman, "Banking on the Belt and Road: Insights from a new global dataset of 13,427 Chinese development projects," *AidData*, November 2023. (https://docs.aiddata.org/ad4/pdfs/Banking_on_the_Belt_and_Road_Executive_Summary.pdf)

33. David Pilling and Emily Feng, "Chinese investments in Africa go off the rails," *Financial Times* (UK), December 5, 2018. (https://www.ft.com/content/82e77d8a-e716-11e8-8a85-04b8afea6ea3)

34. "China wants to put itself back at the centre of the world," *The Economist* (UK), February 6, 2020. (https://www.economist.com/special-report/2020/02/06/china-wants-to-put-itself-back-at-the-centre-of-the-world)

35. Jennifer Hillman and Alex Tippett, "Who Built That? Labor and the Belt and Road Initiative," *Council on Foreign Relations*, July 6, 2021. (https://www.cfr.org/blog/who-built-labor-and-belt-and-road-initiative); Ethan B. Kapstein and Jacob N. Shapiro, "Does the BRI Increase China's Influence?" *Foreign Policy*, September 20, 2023. (https://foreignpolicy.com/2023/09/20/china-philippines-malaysia-indonesia-southeast-asia-bri) to offload their surpluses.[36] Exporting Chinese concrete and copper became more important than the needs of the borrowing nation. This encouraged large loans and ambitious projects, irrespective of need.

BRI-financed pipelines and ports, rather than increasing trade for local countries, focused more on bringing critical resources into China and Chinese exports out into the world.[37] This hoarding of resources was central to Xi Jinping's vision of cornering markets on essential materials, components, and supplies that would "tighten international production chains' dependence on China, forming a powerful countermeasure and deterrent capability against foreigners…"[38] China also invested in overseas infrastructure with civilian/military interoperability in mind so that the Chinese navy might someday be able to resupply its warships at foreign ports.[39]

In other words, China wasn't building infrastructure for the world — it was building for itself.

The BRI's Overarching Lack of Coordination Exists Alongside Some Elements of Centralized Control

Despite the rhetoric about the sweeping value of the BRI and the priority to export excess capacity, the BRI has never been just one thing. As one report put it, the BRI has no "single governing authority" and serves more as "a wrapper to package and push through various initiatives" supported by disparate Chinese constituencies in conjunction with foreign officials.[40] In some ways, the BRI is largely a slogan or brand — part of the ever-evolving Xi Jinping Thought — that private companies, China-aligned development banks, and state-owned enterprises can leverage to push wildly divergent interests and goals.[41]

Even weak central coordination, however, has its limits. When criminal networks and warlords in Myanmar announced that a BRI "smart city" would host online gambling and fraud operations, Beijing issued its only known BRI-related disavowal of a project.[42]

Beijing has always maintained control over the BRI's public narrative and strategic goals, even with its emphasis on no-strings lending and non-interference.[43] It decides when to turn on and off the taps of cash and ensures

36. Lingling Wei, "China Reins In Its Belt and Road Program, $1 Trillion Later," *The Wall Street Journal*, September 26, 2022. (https://www.wsj.com/articles/china-belt-road-debt-11663961638)

37. "China wants to put itself back at the centre of the world," *The Economist* (UK), February 6, 2020. (https://www.economist.com/special-report/2020/02/06/china-wants-to-put-itself-back-at-the-centre-of-the-world); John Miller, "China Export Growth To BRI Countries Booms Since 2012," *Trade Data Monitor*, May 25, 2023. (https://tradedatamonitor.com/datanews/chinas-exports-to-bri-countries-grew-by-0-62-trillion-usd)

38. Xi Jinping, "Certain Major Issues for Our National Medium- to Long-Term Economic and Social Development Strategy," *Qiushi*, April 2020. (https://cset.georgetown.edu/wp-content/uploads/t0235_Qiushi_Xi_economy_EN-1.pdf)

39. Elaine Dezenski and David Rader, "How China Uses Shipping for Surveillance and Control," *Foreign Policy*, September 20, 2023. (https://foreignpolicy.com/2023/09/20/china-shipping-maritime-logistics-lanes-trade-ports-security-espionage-intelligence)

40. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html)

41. Ruby Osman, "Bye Bye BRI? Why 3 New Initiatives Will Shape the Next 10 Years of China's Global Outreach," *Time*, October 1, 2023. (https://time.com/6319264/china-belt-and-road-ten-years); Chris Buckley, "Xi Jinping Thought Explained: A New Ideology for a New Era," *The New York Times*, February 26, 2018. (https://www.nytimes.com/2018/02/26/world/asia/xi-jinping-thought-explained-a-new-ideology-for-a-new-era.html)

42. Plato Cheng, "Shwe Kokko Special Economic Zone/Yatai New City," *The People's Map of Global China*, August 18, 2022. (https://thepeoplesmap.net/project/shwe-kokko-special-economic-zone-yatai-new-city)

43. Xi Jinping, "Work Together for Common Development and a Shared Future," *Keynote speech at the opening ceremony of the 2018 FOCAC Beijing Summit*, September 3, 2018. (http://www.xinhuanet.com/english/2018-09/03/c_129946189.htm) the prioritization of its debt over that of other multilateral and bilateral lenders. Beijing also insists on extreme confidentiality clauses in BRI agreements and binding requirements to settle disputes in Chinese arbitration venues and Chinese courts.[44]

For a government that monitors the social behavior of 1.4 billion people, a lack of central coordination suggests intention. In particular, it is a choice that has contributed to corruption, negligent planning, and the exploding indebtedness they cause.[45]

The Fading Goal of Sustainable Debt

At China's first BRI Forum in 2017, Xi Jinping announced that the BRI would be built upon a "Debt Sustainability Framework" that would "establish a stable and sustainable financial safeguard system that keeps risks under control."[46] That framework was sorely needed but never translated into concrete policy that benefitted borrowing nations. For an initiative that would inject over $1 trillion into emerging markets with poor creditworthiness and fragile economies, debt sustainability should have been a prerequisite for all loans and projects. Yet, the lack of central coordination led debt to proliferate with few limitations.

China contributed to the financial risk of its BRI projects by giving massive loans to countries with weak and non-diverse economies, often getting paid back with natural resources subject to unpredictable swings in value.[47] New layers of opacity compounded those risks, as Chinese lenders began to move away from sovereign borrowers by engaging with other national entities, such as state-owned companies and banks, special purpose vehicles, and joint ventures.[48] Much of the debt owed to China, therefore, appears to be hidden, with recent reports suggesting that the BRI has generated $385 billion in off-the-books debt.[49] This kept the true scale of Chinese debt off government balance sheets and muddied the distinctions between public and private debt.

From Argentina to Zambia, scores of countries are facing extreme debt-to-GDP ratios and debts so large that servicing them (not to mention funding domestic needs or investing in future projects) is nearly impossible.[50]

44. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6); Anna Gelpern, Sebastian Horn, Scott Morris, Bradley C. Parks, and Christoph Trebesch, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments," *AidData*, March 2021. (https://docs.aiddata.org/ad4/pdfs/How_China_Lends__A_Rare_Look_into_100_Debt_Contracts_with_Foreign_Governments.pdf)

45. "China's behavior monitoring system bars some from travel, purchasing property," *CBS News*, April 24, 2018. (https://www.cbsnews.com/news/china-social-credit-system-surveillance-cameras)

46. Xi Jinping, "Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road," *Speech at the Opening Ceremony of The Belt and Road Forum For International Cooperation*, May 14, 2017. (https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/201705/t20170527_678618.html)

47. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

48. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html#executive_summary); Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

49. Helen Davidson, "China owed $385bn – including 'hidden debt' from poorer nations, says report," *The Guardian* (UK), September 30, 2021. (https://www.theguardian.com/world/2021/sep/30/42-nations-owe-china-hidden-debts-exceeding-10-of-gdp-says-report)

50. Michael Bennon and Francis Fukuyama, "China's Road to Ruin: The Real Toll of Beijing's Belt and Road," *Foreign Affairs*, August 22, 2023. (https://www.foreignaffairs.com/china/belt-road-initiative-xi-imf)

Across sub-Saharan Africa, public debt has tripled since 2010 — with Chinese lending a substantial contributor. China is also increasingly using debt financing instead of direct aid.[51] Currently, China's debt-to-aid ratio is 31-to-1.[52]

Many BRI countries were heavily indebted before China's loans — frequently from prior Western financing or funding from the World Bank or International Monetary Fund.[53] Yet BRI loans pushed many countries into crippling dependency. Moreover, unlike most OECD countries or multilateral lenders, such as the World Bank or the International Monetary Fund (IMF), BRI loans tend to be offered at market rates, which add high interest on top of substantial principal obligations.[54]

While only 5 percent of BRI countries were overly indebted before the initiative began in 2010, by 2023, that number had risen to a shocking 60 percent.[55] Another analysis puts the percentages even higher, claiming that "80 percent of China's overseas lending portfolio in the developing world is currently supporting countries in financial distress."[56]

Notwithstanding a large portfolio of non-performing loans, China has worked diligently to ensure it still gets paid.[57] Projects that will never recoup their price tag still generate value for Beijing since BRI loans often require payment in critical commodities, boosting China's balance sheet but depriving target countries of their only source of meaningful revenue.[58] In Guinea, for example, Chinese loans worth more than 200 percent of the country's GDP are backed by the country's bauxite deposits, while in the Democratic Republic of the Congo, China is siphoning away cobalt and copper resources in exchange for promised infrastructure that is largely unbuilt.[59]

51. Javier Blas, "What Happened to Africa Rising? It's Been Another Lost Decade," *Bloomberg*, September 12, 2023. (https://www.bloomberg.com/opinion/features/2023-09-12/africa-s-lost-decade-economic-pain-underlies-sub-saharan-coups?sref=3OIZCXOE)
52. Mercy A. Kuo, "China's BRI Lending: $385 Billion in 'Hidden Debts," *The Diplomat*, November 29, 2021. (https://thediplomat.com/2021/11/chinas-bri-lending-385-billion-in-hidden-debts)
53. Mercy A. Kuo, "China's BRI Lending: $385 Billion in 'Hidden Debts," *The Diplomat*, November 29, 2021. (https://thediplomat.com/2021/11/chinas-bri-lending-385-billion-in-hidden-debts); Center for Global Development, Press Release, "China's Belt and Road Initiative Heightens Debt Risks in Eight Countries, Points to Need for Better Lending Practices," March 4, 2018. (https://www.cgdev.org/article/chinas-belt-and-road-initiative-heightens-debt-risks-eight-countries-points-need-better)
54. Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html)
55. "Belt and Road Bailout Lending Reaches Record Levels," *Kiel Institute for the World Economy*, March 28, 2023. (https://www.ifw-kiel.de/publications/news/belt-and-road-bailout-lending-reaches-record-levels)
56. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)
57. Ibid.
58. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)
59. Julia Payne, "Chinese commodity-backed loans crippling Africa and Latin America -report," *Reuters*, February 26, 2020. (https://www.reuters.com/article/commodities-loans-africa-americas/chinese-commodity-backed-loans-crippling-africa-and-latin-america-report-idUSL5N2AP3NL); Jevans Nyabiage, "Is Chinese-controlled copper and cobalt mining joint venture being turned into a political pawn in Congo?" *South China Morning Post* (China), February 23, 2023. (https://www.scmp.com/news/china/diplomacy/article/3211192/chinese-controlled-copper-and-cobalt-mining-joint-venture-being-turned-political-pawn-congo); Michael J Kavanagh, "Congo Reviews $6.2 Billion China Mining Deal as Criticism Grows," *Bloomberg*, September 28, 2021. (https://www.bloomberg.com/news/articles/2021-09-28/congo-reviews-6-2-billion-china-mining-deal-as-criticism-grows?sref=3OIZCXOE)

China has, on occasion, agreed to assist countries facing debt distress but only through mechanisms that extend the debt to a longer term at interest rates that are substantially higher than similar IMF loans.[60] Using currency swaps — a particularly non-transparent form of lending — China funded $240 billion in bailouts for select BRI countries of strategic importance to Beijing.[61] It left others to default. As one author of a recent World Bank study of Chinese emergency lending explained, "Beijing is ultimately trying to rescue its own banks. That's why it has gotten into the risky business of international bailout lending."[62]

In an ironic twist, the IMF and other multilateral lenders have been forced to step in and rescue BRI countries in crisis — most recently in Bangladesh, Sri Lanka (twice), Zambia, Suriname, Kenya, and Ecuador.[63] In Argentina — twice bailed out by the IMF since 2018 to the tune of more than $100 billion — $2 billion in IMF funds were directly used to pay off debt from the People's Bank of China. This dynamic is forcing the world's taxpayers to cover China's bad bets.[64]

Most problematically, Beijing refuses to coordinate debt relief efforts with other lenders, or it attempts to artificially elevate the priority of its debt over that of other lenders, attacking the norms by which multilateral organizations and bilateral lenders traditionally seek to lessen the burden on highly indebted nations.[65] Those norms, by which lenders make concessions and spread losses among themselves equally, are undermined when China agrees to independent relief mechanisms, such as debt extensions at higher rates. China also heavily relies upon borrower-funded secret foreign-currency escrow accounts that China can — and frequently does — draw down unilaterally in the event of a missed payment.[66]

60. Matthew Mingey and Logan Wright, "China's External Debt Renegotiations After Zambia," *Rhodium Group*, June 29, 2023. (https://rhg.com/research/chinas-external-debt-renegotiations-after-zambia); Alex Wooley, "Belt and Road bailout lending reaches record levels, raising questions about the future of China's flagship global infrastructure program," *AidData*, March 27, 2023. (https://www.aiddata.org/blog/belt-and-road-bailout-lending-reaches-record-levels)

61. Michael Bennon and Francis Fukuyama, "China's Road to Ruin: The Real Toll of Beijing's Belt and Road," *Foreign Affairs*, August 22, 2023. (https://www.foreignaffairs.com/china/belt-road-initiative-xi-imf); Sebastian Horn, Bradley C. Parks, Carmen M. Reinhart, and Christoph Trebesch, "China as an International Lender of Last Resort," *AidData*, March 2023. (https://docs.aiddata.org/ad4/pdfs/WPS124_China_as_an_International_Lender_of_Last_Resort.pdf)

62. Alex Wooley, "Belt and Road bailout lending reaches record levels, raising questions about the future of China's flagship global infrastructure program," *AidData*, March 27, 2023. (https://www.aiddata.org/blog/belt-and-road-bailout-lending-reaches-record-levels)

63. Michael Bennon and Francis Fukuyama, "China's Road to Ruin: The Real Toll of Beijing's Belt and Road," *Foreign Affairs*, August 22, 2023. (https://www.foreignaffairs.com/china/belt-road-initiative-xi-imf)

64. Michael Bennon and Francis Fukuyama, "China's Road to Ruin: The Real Toll of Beijing's Belt and Road," *Foreign Affairs*, August 22, 2023. (https://www.foreignaffairs.com/china/belt-road-initiative-xi-imf); Jorgelina Do Rosario, "Exclusive: Argentina to use IMF money to pay back part of a currency swap with China, sources say," *Reuters*, August 24, 2023. (https://www.reuters.com/world/americas/argentina-use-imf-money-pay-back-part-currency-swap-with-china-sources-2023-08-23)

65. Christina Lu, "China Is a Loan Shark With No Legs Left to Break," *Foreign Policy*, May 9, 2023. (https://foreignpolicy.com/2023/05/09/china-debt-lending-paris-club-bri-development-finance); Ana Horigoshi, Samantha Custer, Bryan Burgess, Kelsey Marshall, Vera Choo, Katie Andrzejewski, and Emily Dumont, "Delivering the Belt and Road: Decoding the supply of and demand for Chinese overseas development projects," *AidData*, October 2022. (https://docs.aiddata.org/reports/delivering-the-belt-and-road.html); Matt Wirz and Alexander Saeedy, "China Turns the Tables on Wall Street," *The Wall Street Journal*, December 13, 2023. (https://www.wsj.com/finance/china-turns-the-tables-on-wall-street-ed126a47)

66. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6); Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

Penalty interest rates for countries facing financial troubles have also skyrocketed, with the maximum penalty rates imposed by China nearly tripling over the last few years.[67] On top of all this, the opaque terms of BRI debt also prevent multilateral lenders from making the assessments necessary to rework loans, driving countries into unnecessary default.[68]

Tilting the economic landscape even further, China also undermines efforts at multilateral debt reduction by expressly forbidding partner countries from including Chinese loans in any global debt restructuring — meaning that China unilaterally moves its debt to the front of the line and prevents international effort to rescue debt-trapped nations.[69] As AidData has pointed out:

If Beijing insists upon being treated as a senior creditor whose debts should be given first priority, then coordinated debt reschedulings with non-Chinese creditors will likely become more difficult to negotiate. The biggest losers in this scenario will be ordinary people in the developing world who are denied basic public services because of a collective action failure among foreign creditors.[70]

A Shrinking BRI?

Amidst disappointing returns, China has quietly begun to pull the plug on BRI infrastructure spending.[71] China's overseas development financing shrunk from a high of more than $80 billion in new funding in 2016 to around $5 billion in 2021.[72] In Africa, the numbers are particularly stark — dropping from almost $30 billion in 2016 to less than $1 billion last year.[73] While some of that reduction is undoubtedly due to the COVID pandemic, the economic headwinds make the return of big infrastructure spending unlikely.[74]

While China made substantial new commitments at the 2023 BRI Forum for $100 billion in new financing windows at its top policy banks, China Development Bank and Export-Import Bank of China, it is unclear if and how those

67. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)
68. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6)
69. Anna Gelpern, Sebastian Horn, Scott Morris, Bradley C. Parks, and Christoph Trebesch, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments," *AidData*, March 2021. (https://docs.aiddata.org/ad4/pdfs/How_China_Lends__A_Rare_Look_into_100_Debt_Contracts_with_Foreign_Governments.pdf)
70. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)
71. Christina Lu, "China's Belt and Road to Nowhere," *Foreign Policy*, February 13, 2023. (https://foreignpolicy.com/2023/02/13/china-belt-and-road-initiative-infrastructure-development-geopolitics)
72. "'Small is Beautiful': A New Era in China's Overseas Development Finance?" *Boston University Global Development Policy Center*, January 19, 2023. (https://www.bu.edu/gdp/2023/01/19/small-is-beautiful-a-new-era-in-chinas-overseas-development-finance)
73. Simone McCarthy, "China has poured billions into Africa's infrastructure. Is it now tightening the tap?" *CNN*, September 27, 2023. (https://www.cnn.com/2023/09/26/china/china-african-loans-development-belt-and-road-intl-hnk/index.html)
74. Lingling Wei, "China Reins In Its Belt and Road Program, $1 Trillion Later," *The Wall Street Journal*, September 26, 2022. (https://www.wsj.com/articles/china-belt-road-debt-11663961638); Xue Gong, "The Belt and Road Initiative Is Still China's 'Gala' but Without as Much Luster," *Carnegie Endowment for International Peace*, March 3, 2023. (https://carnegieendowment.org/2023/03/03/belt-and-road-initiative-is-still-china-s-gala-but-without-as-much-luster-pub-89207)

funds will be disbursed.[75] If substantial BRI financing is deployed, it may be to rescue existing projects in trouble, not to initiate new ones. Indeed, by 2021, only 31 percent of Chinese foreign lending under the BRI and related programs was associated with infrastructure spending, compared to 58 percent directed to emergency rescue.[76]

The scale of projects is also shrinking. Starting in 2020, the Chinese Communist Party began to discuss the need to focus on "high-quality" BRI projects, indicating a narrowing of scope and an implicit acknowledgment that much of the BRI to date had failed to meet that description.[77] Xi similarly said BRI should shift its focus to "small but beautiful" BRI projects while also arguing that China needs to turn away from "vanity projects" designed only to boost the popularity of local elites.[78]

These reduced ambitions for the BRI are likely less about the corruption, wasteful spending, and indebtedness that it has prompted overseas and more that the BRI has failed to produce anticipated benefits at home. The Dongchuan international rail station in Northwest China was supposed to be a critical rail hub on the "new Silk Road" for Chinese cargo headed to Central Asia and Europe. These days, the railyard is largely quiet, and both imports to and exports from the area have actually fallen since the BRI began.[79]

As the terms of office of many early BRI proponents and participants have ended, the breadth of corruption throughout the Belt and Road Initiative is now more evident. Ongoing investigations into former rulers and ousted prime ministers have revealed a staggering amount of blatant bribery.[80] Details of opaque infrastructure projects and contractual terms have been made public, demonstrating the extent of this corruption as well as the exploitation of host countries' natural resources, low quality projects, and widespread mismanagement.[81]

As an example, after taking office, Tanzania's President John Magufuli canceled his country's $10 billion BRI port project because the "exploitative" terms agreed to by his predecessor were so outrageous that "only a drunkard"

75. Xi Jinping, "Building an Open, Inclusive and Interconnected World for Common Development," *Keynote Speech at the Opening Ceremony Of the Third Belt and Road Forum for International Cooperation*, October 18, 2023. (http://www.beltandroadforum.org/english/n101/2023/1018/c124-1175.html)
76. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)
77. China Ministry of Commerce, "商务部、国家开发银行联合印发关于应对新冠肺炎疫情 发挥开发性金融作用支持高质量共建'一带一路' 的工作通知 商合函 号 [The Ministry of Commerce (MOFCOM) and the China Development Bank (CDB) jointly issued a notice on the work of responding to the novel coronavirus pneumonia epidemic and giving full play to the role of development finance in supporting high-quality Belt and Road cooperation]," March 2, 2020. (https://www.gov.cn/zhengce/zhengceku/2020-04/08/content_5500262.htm)
78. "The path ahead for China's Belt and Road Initiative," *The Economist* (UK), September 6, 2023. (https://www.economist.com/china/2023/09/06/the-path-ahead-for-chinas-belt-and-road-initiative); David Pilling and Emily Feng, "Chinese investments in Africa go off the rails," *Financial Times* (UK), December 5, 2018. (https://www.ft.com/content/82e77d8a-e716-11e8-8a85-04b8afea6ea3)
79. "The Belt and Road, as seen from China," *The Economist* (UK), September 7, 2023. (https://www.economist.com/china/2023/09/07/the-belt-and-road-as-seen-from-china)
80. Federico Giulani, "L'ombra di Putin dietro le purghe di Xi: la rivelazione sui ministri cinesi scomparsi [Putin's Shadow Behind Xi's Purges: The Revelation of Missing Chinese Ministers]," *InsideOver* (Italy), December 18, 2023. (https://it.insideover.com/politica/lombra-di-putin-dietro-le-purghe-di-xi-la-rivelazione-sui-ministri-cinesi-scomparsi.html)
81. The Sentry, Press Release, "Breaking: China-Congo 'Deal of the Century' Linked to Fraud, Bribery," November 28, 2021. (https://thesentry.org/2021/11/28/6516/breaking-china-congo-deal-century-linked-fraud-bribery); Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180); Christina Lu, "China's Belt and Road to Nowhere," *Foreign Policy*, February 13, 2023. (https://foreignpolicy.com/2023/02/13/china-belt-and-road-initiative-infrastructure-development-geopolitics)

would agree to them.[82] (After Magufuli's death, his successor revived the port project.) Nigerian politicians have pushed back as well as unfavorable contract terms came to light — prompting a review of all Chinese loans and projects. BRI borrowers are beginning to wake up.[83]

Waning Popularity and Fading Influence

China promoted the BRI to improve its global standing and image as a benevolent world power throughout the Global South. As Xi Jinping stated in 2014: "We should increase China's soft power, give a good Chinese narrative, and better communicate China's message to the world."[84] China's Ministry of Commerce even said China would be evaluated based on the quality of BRI projects and their value for participant countries, so "we cannot tolerate any negligence or projects of poor quality."[85] Yet wastefulness and corruption led to widespread dissatisfaction, scandals, and backlash against China.[86]

"BRI investments have been a lightning rod for controversy with citizens, opposition leaders, and other development partners," AidData reported, while pointing out that "Beijing's public approval rating in the developing world plunged from 56 percent in 2019 to 40 percent in 2021."[87] Across vectors of public opinion, media coverage, and support from governing elites, data shows support for China diminishing across the board.[88] Whereas the issue of COVID origins elicited anti-China sentiments in the West, Beijing's vaccines and medical aid won it plaudits in much of the developing world.

While polling data has its shortcomings, it's clear that a decade of BRI investment has not delivered a public relations dividend for Beijing. Indonesia, a key BRI partner, has seen public support for China decline from a peak of 66 percent in 2014 to 49 percent in 2023.[89] While China remains relatively popular in Africa, its approval rating has fallen by about five percentage points from 2014 to 2020 period, the peak BRI years. The decline even reached 22 percent in Gabon and 18 in Namibia.

82. Ken Moriyasu, "Tanzania to revive $10bn Indian Ocean port project with China," *Nikkei Asia* (Japan), June 27, 2021. (https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/Tanzania-to-revive-10bn-Indian-Ocean-port-project-with-China); "The pandemic is hurting China's Belt and Road Initiative," *The Economist* (UK), June 4, 2020. (https://www.economist.com/china/2020/06/04/the-pandemic-is-hurting-chinas-belt-and-road-initiative)

83. "The pandemic is hurting China's Belt and Road Initiative," *The Economist* (UK), June 4, 2020. (https://www.economist.com/china/2020/06/04/the-pandemic-is-hurting-chinas-belt-and-road-initiative)

84. "Xi eyes more enabling int'l environment for China's peaceful development," *Xinhua* (China), November 30, 2014. (http://en.people.cn/n/2014/1130/c90883-8815967-3.html)

85. Lukas Wellner, Axel Dreher, Andreas Fuchs, Bradley C. Parks, and Austin Strange, "Can Aid Buy Foreign Public Support? Evidence from Chinese Development Finance," *AidData*, April 2022. (https://docs.aiddata.org/ad4/pdfs/WPS117_Can_Aid_Buy_Foreign_Public_Support__Evidence_from_Chinese_Development_Finance.pdf)

86. "Philippines keeps eye on Chinese workers over potential 'covert activities' amid South China Sea tensions," *South China Morning Post* (China), September 14, 2023. (https://www.scmp.com/week-asia/politics/article/3234531/south-china-sea-philippines-keeps-eye-chinese-workers-over-potential-covert-activities); Will Doig, "The Belt and Road Initiative Is a Corruption Bonanza," *Foreign Policy*, January 15, 2019. (https://foreignpolicy.com/2019/01/15/the-belt-and-road-initiative-is-a-corruption-bonanza); David Stanway, "China's Belt and Road plans losing momentum as opposition, debt mount – study," *Reuters*, September 29, 2021. (https://www.reuters.com/world/china/chinas-belt-road-plans-losing-momentum-opposition-debt-mount-study-2021-09-29)

87. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

88. Ibid.

89. Laura Silver, Christine Huang, and Laura Clancy, "Views of China," *Pew Research Center*, July 27, 2023. (https://www.pewresearch.org/global/2023/07/27/views-of-china)

Overt pushback against Chinese interests has increased in many BRI countries. Throughout Africa, studies show, the presence of China-backed projects increases the likelihood of protests.[90] In Gambia, for instance, environmental damage from Chinese-owned fishmeal factories has sparked protests against China.[91]

In Myanmar, assumptions that China had tacitly supported the military coup that overthrew the democratically elected government led to violent anti-Chinese protests that killed three.[92] In Central Asia, Kazakhstan and Kyrgyzstan have both experienced an increase in anti-China sentiment.[93] Locals raised concerns over Chinese laborers in Kyrgyzstan following a 2019 incident where Chinese miners were attacked by up to 500 residents.[94]

Europe is also reevaluating its engagement with Beijing and the BRI. Once a more BRI-friendly bloc, the European Union has since designated China a "systemic rival" and sought to limit its exposure to an increasingly autocratic Beijing.[95] Greece, which once vetoed EU statements condemning China's human rights abuses after China made a huge investment in the Port of Pireaus, has begun to turn its back on Beijing as public opinion of China sours.[96] Italy, the only G7 country to sign on to the BRI, has indicated it will leave the initiative, having failed to realize larger export opportunities for Italian products.[97] Others in the EU are likely to follow suit.[98]

But as much as China has suffered some level of reputational fallout, it has also built dependencies through which it can exert influence. Far from its claim of political non-interference, China routinely demands fealty to its foreign

90. Bruno Martorano, Francesco Iacoella, Laura Metzger, and Marco Sanfilippo, "Areas in Africa with More Chinese-backed Projects Were More Likely to Experience Protests," *United Nations University*, August 16, 2021. (https://ourworld.unu.edu/en/areas-in-africa-with-more-chinese-backed-projects-were-more-likely-to-experience-protests)

91. Holly Eva Ryan, "Protests in the Gambia highlight tensions over Chinese investment in Africa," *The Conversation* (Australia), June 27, 2019. (https://theconversation.com/protests-in-the-gambia-highlight-tensions-over-chinese-investment-in-africa-119221)

92. Jason Tower and Priscilla A. Clapp, "Chaos in Myanmar Is China's Nightmare," *United States Institute of Peace*, May 28, 2021. (https://www.usip.org/publications/2021/05/chaos-myanmar-chinas-nightmare)

93. Bradley Jardine, "Why are there anti-China protests in Central Asia?" *The Washington Post*, October 16, 2019. (https://www.washingtonpost.com/politics/2019/10/16/why-are-there-anti-china-protests-central-asia)

94. "Dozens Injured As Locals Clash With Chinese Mining Company Workers In Kyrgyzstan," *Radio Free Europe*, August 6, 2019. (https://www.rferl.org/a/dozens-injured-as-locals-clash-with-chinese-mining-company-workers-in-kyrgyzstan/30094924.html)

95. Chun Han Wong and Drew Hinshaw, "Europe Avoids China's Belt and Road Forum, Keeping a Distance from Xi and Putin," *The Wall Street Journal*, July 28, 2023. (https://www.wsj.com/articles/europe-avoids-chinas-belt-and-road-forum-keeping-a-distance-from-xi-and-putin-14f6253b)

96. "The path ahead for China's Belt and Road Initiative," *The Economist* (UK), September 6, 2023. (https://www.economist.com/china/2023/09/06/the-path-ahead-for-chinas-belt-and-road-initiative); Erik Brattberg, Philippe Le Corre, Paul Stronski, and Thomas De Waal, "China's Influence in Southeastern, Central, and Eastern Europe: Vulnerabilities and Resilience in Four Countries," *Carnegie Endowment for International Peace*, October 13, 2021. (https://carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415)

97. Elaine Dezenski, "Italy is about to say to Beijing, 'Hit the road, Xi,'" *Euronews* (Belgium), August 9, 2023. (https://www.euronews.com/2023/09/08/italy-is-about-to-say-to-beijing-hit-the-road-xi); "Conte sticks to the BRI as Italy readies to detach," *Decode 39*, September 4, 2023. (https://decode39.com/7615/conte-sticks-bri-italy-exit)

98. Michael Sheridan, "Portugal Steps Off the Silk Road," *Center for European Policy Analysis*, September 8, 2023. (https://cepa.org/article/portugal-steps-off-the-silk-road) policy from indebted countries, marshalling their support against Taiwan, against America, or in favor of its currency, coronavirus response, or geopolitical posturing.[99]

China can also rally support from certain BRI countries in the United Nations and other multilateral fora.[100] For instance, China's BRICS group has garnered interest from over 40 countries.[101] Despite the backlash against the BRI, Beijing has effectively purchased some forms of support.

Case Studies in Corruption, Poor Construction, and Debt Crisis

Case studies cannot show that all BRI projects suffer from corruption and waste, but they can illustrate how a lack of institutional guardrails and transparency enables corruption and waste to flourish.

The Democratic Republic of the Congo — Cobalt and Corruption

The Democratic Republic of the Congo (DRC) sits on tremendous mineral wealth, accounting for 8 percent of the world's copper and an astounding 70 percent of the world's cobalt — an element critical to high-powered lithium ion batteries found everywhere from laptops and cellphones to electric vehicles and large-scale power storage.[102] Notwithstanding this bounty, the largest country in sub-Saharan Africa — roughly the size of Western Europe — remains stubbornly poor, the victim of regional wars, decades of authoritarian rule (now ended), and corruption.[103]

China has been heavily invested in the DRC since 2008, when two state-owned Chinese companies with reputations for corruption — Sinohydro Corp and China Railway Group Limited — agreed to a $6.2 billion minerals-for-infrastructure swap that would give China tax-free proceeds from DRC mines in exchange for roads, railways,

99. Patricio Giusto and Juan Manuel Harán, "Taiwan Fights for Its Diplomatic Survival in Latin America," *The Diplomat*, May 16, 2022. (https://thediplomat.com/2022/05/taiwan-fights-for-its-diplomatic-survival-in-latin-america); Dan Blumenthal and Derek Scissors, "Breaking China's Hold," *The Atlantic*, December 23, 2022. (https://www.theatlantic.com/international/archive/2022/12/china-economic-coercion-united-states/672524); James Kynge, "'One Belt, One Road' set to turbocharge renminbi usage," *Financial Times* (UK), November 29, 2015. (https://www.ft.com/content/6f105c2a-7f02-11e5-98fb-5a6d4728f74e); Craig Singleton, "China's Military Is Going Global," *The New York Times*, September 7, 2023. (https://www.nytimes.com/2023/09/07/opinion/china-military-strategy-global.html)

100. Anna Hayes, "Beijing's BRI influence over the UN Human Rights Council," *East Asia Forum*, January 19, 2023. (https://www.eastasiaforum.org/2023/01/19/beijings-bri-influence-over-the-un-human-rights-council)

101. Tim Cocks, "More than 40 nations interested in joining BRICS, South Africa says," *Reuters*, July 20, 2023. (https://www.reuters.com/world/more-than-40-nations-interested-joining-brics-south-africa-2023-07-20); Elaine Dezenski, "Beware of Falling BRICS," *The Spectator*, August 28, 2023. (https://spectator.org/brics-beware-of-falling)

102. Bruno Venditti and Alejandra Dander, "Ranked: The World's Largest Copper Producers," *Visual Capitalist*, December 1, 2022. (https://www.visualcapitalist.com/visualizing-the-worlds-largest-copper-producers); Terry Gross, "How 'modern-day slavery' in the Congo powers the rechargeable battery economy," *NPR*, February 1, 2023. (https://www.npr.org/sections/goatsandsoda/2023/02/01/1152893248/red-cobalt-congo-drc-mining-siddharth-kara)

103. William Clowes and Michael J. Kavanaugh, "Biggest African Bank Leak Shows Kabila Allies Looted Congo Funds," *Bloomberg*, November 19, 2021. (https://www.bloomberg.com/news/articles/2021-11-19/biggest-african-bank-leak-shows-ex-congo-president-s-allies-looted-state); Jeffrey Gettleman, "In Congo, Wars Are Small and Chaos Is Endless," *The New York Times*, April 30, 2016. (https://www.nytimes.com/2016/05/01/world/africa/in-congo-wars-are-small-and-chaos-is-endless.html); Jeffrey Gettleman, "Businessman and Dictator Face Off as Congo Lurches Toward Abyss," *The New York Times*, March 30, 2016. (https://www.nytimes.com/2016/03/31/world/africa/congo-elections-moise-katumbi.html); Lydia Polgreen, "Unlikely Ally Against Congo Republic Graft," *The New York Times*, December 10, 2007. (https://www.nytimes.com/2007/12/10/world/africa/10congo.html) universities, and hospitals.[104] (Significant stakes in the DRC's cobalt industry were initially controlled by U.S. companies, but a lack of attention allowed the mines to be sold off without protest from Washington.)[105]

These projects, which were later swept into the BRI, allowed Beijing to largely corner the market on cobalt, providing a major boost to China's already dominant position as a producer of electric vehicle batteries.[106] Overall, China controls 15 out of the 19 cobalt mines in the DRC and imports 80 to 90 percent of Congolese cobalt and copper.[107]

The DRC has not fared well in these deals. The Congolese mines are operated by a joint venture called Sicomines that is 68 percent owned by Sinohydro and China Railway Group, with the remaining 32 percent owned by the Congolese state mining company.

This imbalance was intended to reflect a corresponding commitment by China to build more than $3 billion in infrastructure. However, reports indicate only $822 million in projects have been undertaken.[108] Under the terms of the contract, China purportedly agreed to provide 3,500 kilometers of railway.[109] To date, no track has been laid. Only a few kilometers of roads — of the thousands of kilometers promised — were built.[110]

In addition, Congolese auditors believe that concessions under the original deal were so one-sided that China only had to pledge $3 billion of infrastructure for a DRC concession that ended up being worth $17 billion.[111] Other figures suggest that China has earned at least $10 billion in exchange for the $822 million in infrastructure it has provided.[112]

The DRC's autocratic President Joseph Kabila, who ruled from 2001 to 2019, benefited from China's enrichment. While Congolese miners were subject to exploitation, unsafe working conditions, and abuse, Kabila and his associates made off with hundreds of millions of dollars.[113]

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104. "The Backchannel: State Capture and Bribery in Congo's Deal of the Century," *The Sentry*, November 2021. (https://thesentry.org/wp-content/uploads/2021/11/TheBackchannel-TheSentry-Nov2021.pdf); Michael J. Kavanaugh and William Clowes, "China Cash Flowed Through Congo Bank to Former President's Cronies," *Bloomberg*, November 28, 2021. (https://www.bloomberg.com/news/features/2021-11-28/africa-s-biggest-data-leak-reveals-china-money-role-in-kabila-s-congo-looting)

105. Eric Lipton and Dionne Searcey, "How the U.S. Lost Ground to China in the Contest for Clean Energy," *The New York Times*, November 21, 2021. (https://www.nytimes.com/2021/11/21/world/us-china-energy.html)

106. Liliane Ahombo, "DR Congo develops with BRI," *China Daily* (China), November 23, 2022. (https://www.chinadaily.com.cn/a/202211/23/WS637d5377a31049175432b4e6.html); Pete Pattisson and Febriana Firdaus, "'Battery arms race': how China has monopolized the electric vehicle industry," *The Guardian* (UK), November 25, 2021. (https://www.theguardian.com/global-development/2021/nov/25/battery-arms-race-how-china-has-monopolised-the-electric-vehicle-industry)

107. "In DRC, China Uses Military Aid, Corruption to Protect Mining Interests," *Africa Defense Forum*, November 22, 2022. (https://adf-magazine.com/2022/11/in-drc-china-uses-military-aid-corruption-to-protect-mining-interests); Patricia Ilunga, "DR Congo to audit and review 'unfair' Chinese mining contracts," *The East African* (Kenya), April 11, 2023. (https://www.theeastafrican.co.ke/tea/business/drc-moves-to-terminate-skewed-china-contracts-4194276)

108. "Congo demands $17 bln more in infrastructure investments from China deal," *Reuters*, February 17, 2023. (https://www.reuters.com/markets/commodities/congo-demands-17-bln-more-infrastructure-investments-china-deal-2023-02-16)

109. Patricia Ilunga, "DR Congo to audit and review 'unfair' Chinese mining contracts," *The East African* (Kenya), April 11, 2023. (https://www.theeastafrican.co.ke/tea/business/drc-moves-to-terminate-skewed-china-contracts-4194276)

110. Tanya Pampalone, "High hopes and low blows in DRC election battle," *Mail & Guardian* (South Africa), November 18, 2011. (https://mg.co.za/article/2011-11-18-high-hopes-and-low-blows-in-drc-election-battle)

111. "Congo demands $17 bln more in infrastructure investments from China deal," *Reuters*, February 17, 2023. (https://www.reuters.com/markets/commodities/congo-demands-17-bln-more-infrastructure-investments-china-deal-2023-02-16)

112. Patricia Ilunga, "DR Congo to audit and review 'unfair' Chinese mining contracts," *The East African* (Kenya), April 11, 2023. (https://www.theeastafrican.co.ke/tea/business/drc-moves-to-terminate-skewed-china-contracts-4194276)

113. "The Road to Ruin? Electric vehicles and workers' rights abuses at DR Congo's industrial cobalt mines," *RAID UK*, November 2021. (https://raid-uk.org/wp-content/uploads/2023/03/report_road_to_ruin_evs_cobalt_workers_nov_2021.pdf)

According to *The Sentry*, Chinese entities funneled millions to Kabila and his family via a shell company called Congo Construction Company (CCC). From 2013 to 2018, CCC gave at least $31 million to companies and people directly linked to Kabila; $21 million, mostly in cash, to unknown parties; and $8 million to the Kabila family's business partners.[114]

The Congolese government set up a special watchdog agency to oversee the relationship with China, but Moise Ekanga, a corrupt official aligned with Kabila, co-opted the body. Ekanga used his leverage and connections to misappropriate over $100 million in toll road proceeds that were supposed to be managed by China Railway Group.[115] Money may have gone to Zoe Kabila, the president's brother and Ekanga's business partner. Rhetoric about non-intervention aside, Chinese companies also made substantial contributions to Kabila's re-election campaign in 2011.[116]

After its failure to capitalize on huge potential mining revenue, the DRC was forced to restructure its unsustainable debt in 2021, earning a reprieve from both China and the IMF.[117] This was not the first DRC bailout related to poor debt management. In 2010, the DRC worked out an agreement with the IMF and the World Bank to wipe out over $12 billion in sovereign debt, which represented nearly 90 percent of what the country owed. The IMF agreement left China's interests untouched.[118]

Kabila's successor, Félix Tshisekedi, came to power in 2019 and questioned the unbalanced Sicomines agreement with China, seeking a major renegotiation of its terms.[119] This includes pushing China to provide more infrastructure and seeking to increase the DRC's ownership percentage of the Sicomines venture.[120] Negotiations are ongoing.[121]

114. "The Backchannel: State Capture and Bribery in Congo's Deal of the Century," *The Sentry*, November 2021. (https://thesentry.org/wp-content/uploads/2021/11/TheBackchannel-TheSentry-Nov2021.pdf)

115. Michael J. Kavanaugh and William Clowes, "China Cash Flowed Through Congo Bank to Former President's Cronies," *Bloomberg*, November 28, 2021. (https://www.bloomberg.com/news/features/2021-11-28/africa-s-biggest-data-leak-reveals-china-money-role-in-kabila-s-congo-looting?sref=3OIZCXOE)

116. "'This is What We Die For': Human Rights Abuses in the Democratic Republic of the Congo Power the Global Trade in Cobalt," *Amnesty International*, January 2016. (https://www.amnesty.org/en/wp-content/uploads/2021/05/AFR6231832016ENGLISH.pdf)

117. "China agrees to reschedule Congo Republic's $2.4 billion debt – minister," *Reuters*, June 21, 2021. (https://www.reuters.com/article/congorepublic-debt-china/update-2-china-agrees-to-reschedule-congo-republics-2-4-bln-debt-minister-idUSL5N2O331M)

118. International Monetary Fund, Press Release, "Press Release: IMF and World Bank Announce US$12.3 billion in Debt Relief for the Democratic Republic of the Congo," July 1, 2010. (https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10274); "DR Congo to get billions in debt relief from IMF," *BBC* (UK), July 2, 2010. (https://www.bbc.com/news/10484495)

119. Richard Gonzales and Matthew S. Schwartz, "Surprise Winner Of Congolese Election Is An Opposition Leader," *NPR*, January 9, 2019. (https://www.npr.org/2019/01/09/683830171/surprise-winner-of-congolese-election-is-an-opposition-leader); Aaron Ross and Karin Strohecker, "Congo reviewing $6 billion mining deal with Chinese investors – Finance Minister," *Reuters*, August 28, 2021. (https://www.reuters.com/article/us-congo-mining-exclusive/congo-reviewing-6-billion-mining-deal-with-chinese-investors-finance-minister-idUSKBN2FS11M)

120. "Congo demands $17 bln more in infrastructure investments from China deal," *Reuters*, February 17, 2023. (https://www.reuters.com/markets/commodities/congo-demands-17-bln-more-infrastructure-investments-china-deal-2023-02-16); Sonia Rolley, "Exclusive: Congo to hike stake in copper, cobalt venture with China," *Reuters*, May 24, 2023. (https://www.reuters.com/markets/commodities/congo-hike-stake-copper-cobalt-venture-with-china-2023-05-24)

121. Michael J Kavanagh, "Congo and China Talking $7 Billion in Finance, Tshisekedi Says," *Bloomberg*, January 20, 2024. (https://www.bloomberg.com/news/articles/2024-01-20/congo-and-china-talking-7-billion-in-finance-tshisekedi-says?sref=3OIZCXOE&embedded-checkout=true)

Ecuador — A Dam Failure

"Over my dead body will I accept this poorly built plant."[122]

Fernando Santos, Minister of Energy, Ecuador

Quoted in The Wall Street Journal, January 20, 2023

Rafael Correa was the President of Ecuador from 2007 to 2017, presiding over major Chinese-financed infrastructure projects like the reconstruction of the Manta airport, new highways and bridges, the Panantza-San Carlos and Mirador copper mines, and the Coca Codo Sinclair hydroelectric plant — a dam and power plant project designed to provide 1500 megawatts of much needed power annually.[123]

Today, Correa lives in exile, convicted of corruption charges in absentia. His vice president and successor, former President Lenin Moreno, is also facing corruption charges, along with 37 other officials, for over $76 million of Chinese bribes relating to the Coca Codo project.[124] This coterie of defendants includes the electricity minister and an official at the anti-corruption taskforce overseeing the project who was caught on tape discussing the bribes.[125] On top of that, the Coca Codo hydroelectric dam is operating at reduced capacity as engineers grapple with 17,000 cracks that have appeared in the structure.[126]

The Coca Codo Sinclair plant is the largest of eight Chinese hydroelectric power plants in the country built under the BRI. The Coca Codo was a massive project, with a price tag of $2.6 billion (at 7 percent interest), making it the most expensive infrastructure project in Ecuadorian history.[127] It was more expensive — and was slated to provide more electricity — than all the other seven Chinese-backed hydroelectric projects combined. Overall, China lent more than $19 billion to Ecuador during Correa's terms in office, notwithstanding Correa's decision to default on Western loans a few years earlier.[128]

122. Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180)

123. Andrés Bermúdez Liévano, "China's Belt and Road advances in Latin America's Andean Region," *Diálogo Chino*, June 18, 2019. (https://dialogochino.net/en/infrastructure/27815-chinas-belt-and-road-advances-in-latin-americas-andean-region); Cintia Quiliconi and Pablo Rodriguez Vasco, "Chinese Mining and Indigenous Resistance in Ecuador," *Carnegie Endowment for International Peace*, September 20, 2021. (https://carnegieendowment.org/2021/09/20/chinese-mining-and-indigenous-resistance-in-ecuador-pub-85382)

124. Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180); "Ecuador judge Oks bribery charges against ex-president over Chinese dam contract," *Reuters*, March 5, 2023. (https://www.reuters.com/world/americas/ecuador-judge-oks-bribery-charges-against-ex-president-over-chinese-dam-contract-2023-03-06)

125. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)

126. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html); Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180)

127. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)

128. Matthew Crittenden, Caroline Morin, Remington Fritz, Sophie Pittaluga, Emily Maison, William Weston, Kaitlyn Wilson, and Asha Silva, "China's BRI in Latin America: Case Study – Hydropower in Ecuador," *National Geospatial-Intelligence Agency*, June 15, 2021. (https://www.tearline.mil/public_page/china-bri-in-ecuador-hydropower); Clifford Krauss and Keith Bradsher, "China's Global Ambitions, Cash and Strings Attached," *The New York Times*, June 24, 2015. (https://www.nytimes.com/2015/07/26/business/international/chinas-global-ambitions-with-loans-and-strings-attached.html)

Despite the high cost and grand expectations, Coca Codo has yet to reach full operational capacity and is suffering from the aforementioned cracks in its substandard steel, raising the prospect of imminent equipment failure or collapse.[129] These shortcomings are not an isolated occurrence — cracks have been found in BRI hydroelectric dams constructed in Uganda and Pakistan as well as BRI-associated apartment buildings in Angola.[130] In the 200 Chinese-built schools in Ecuador under the BRI, issues arose around faulty foundations, sloping floors, and exposed cables.[131]

The tragedy for Ecuador is that the dam debacle was both predictable and preventable, the results of excessive ambition and poor risk planning.

Concerns about the location date back to 1975 — including worries about building a dam at the foot of an active volcano that has been erupting since the 16th century.[132] Others worried that the shrinking Andean glacier feeding the Coca River would limit the power plant to 50 percent capacity as climate change accelerated.[133] On top of that, the mountainous slopes next to the Coca River are eroding, risking further damage to the dam, while abundant sand and silt threaten the internal machinery.[134]

Additional environmental and social impacts from the dam were ignored in the rush to build high-profile projects that would — and did — boost Correa's popularity.[135] Fourteen workers died when an underground river burst

129. Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180); Julie Radomski, "Ecuador: Is Coca Codo Sinclair a Bellwether for China in Latin America?" *American University Center for Latin American & Latino Studies*, May 6, 2022. (https://aulablog.net/2022/05/06/ecuador-is-coca-codo-sinclair-a-bellwether-for-china-in-latin-america)

130. Marco Rubio, "'Made in China' infrastructure is often a glorified money pit," *Nikkei Asia* (Japan), February 9, 2023. (https://asia.nikkei.com/Opinion/Made-in-China-infrastructure-is-often-a-glorified-money-pit); Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180); "China's global development drive begins showing major cracks," *Caravanserai*, February 17, 2023. (https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2023/02/17/feature-01)

131. Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180)

132. "Estudios del proyecto Coca Codo Sinclair datan de 1992 [Studies of the Coca Codo Sinclair project date back to 1992]," *El Universo* (Ecuador), April 25, 2008. (https://www.eluniverso.com/2008/04/25/0001/9/6D04309880204175BF1C23D443E36A8C.html); Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)

133. Clifford Krauss and Keith Bradsher, "China's Global Ambitions, Cash and Strings Attached," *The New York Times*, June 24, 2015. (https://www.nytimes.com/2015/07/26/business/international/chinas-global-ambitions-with-loans-and-strings-attached.html)

134. Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180); Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html)

135. Matthew Crittenden, Caroline Morin, Remington Fritz, Sophie Pittaluga, Emily Maison, William Weston, Kaitlyn Wilson, and Asha Silva, "China's BRI in Latin America: Case Study – Hydropower in Ecuador," *National Geospatial-Intelligence Agency*, June 15, 2021 (https://www.tearline.mil/public_page/china-bri-in-ecuador-hydropower); Eduardo Garcia, "Ecuador's Correa to seek re-election, clear favorite," *Reuters*, November 10, 2012. (https://www.reuters.com/article/us-ecuador-election-correa/ecuadors-correa-to-seek-re-election-clear-favorite-idUSBRE8A90DG20121110) through a tunnel, but construction on the plant continued.[136] Overall, 100 workers have died and a million residents have been displaced — sometimes by their houses falling off a cliff because of construction-fueled erosion.[137]

The recurring BRI themes of corruption, poor risk planning, incompetence, and high-interest debt have played out in Ecuador with predictable results. In 2019, Ecuador was bailed out by the IMF to the tune of $4.2 billion.[138] The following year, another $6.5 billion IMF bailout was needed. Chinese lenders, meanwhile, agreed to extend the maturity date on $3.2 billion in loans but do not appear to forgive any of the obligations.[139]

Zambia — Debt and Default

Zambia — a major supplier of raw copper to China — borrowed heavily under the BRI to finance expensive railroads, airports, and energy projects.[140] Between 2014 and 2023, Zambia agreed to thirty separate projects with loans totaling $11.3 billion.[141] Some of the projects were technically impressive but of limited utility, like the Mongu-Kalabo highway linking western Zambia to Angola.[142] An engineering marvel with 26 bridges, the road appears to be mostly used these days for foot and bicycle traffic.[143]

William & Mary's AidData described other Zambian projects as "politically advantageous but commercially non-viable," while allegations of kickbacks and inflated costs proliferated.[144] Million-dollar firetrucks were bought at 70 percent markup, road building costs were twice the African average, and construction of a new airport terminal was premised on an exceptionally optimistic tenfold increase in passengers.[145] Current Zambian President Hakainde

136. Clifford Krauss and Keith Bradsher, "China's Global Ambitions, Cash and Strings Attached," *The New York Times*, June 24, 2015. (https://www.nytimes.com/2015/07/26/business/international/chinas-global-ambitions-with-loans-and-strings-attached.html)
137. Nicholas Casey and Clifford Krauss, "It Doesn't Matter if Ecuador Can Afford This Dam. China Still Gets Paid." *The New York Times*, December 24, 2018. (https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html); Ryan Dube and Gabriele Steinhauser, "China's Global Mega-Projects Are Falling Apart," *The Wall Street Journal*, January 20, 2023. (https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180)
138. Sophie Wintgens, "China's growing footprint in Latin America," *fDi Intelligence* (UK), March 10, 2023. (https://www.fdiintelligence.com/content/feature/chinas-growing-footprint-in-latin-america-82014)
139. Sophie Wintgens, "China's growing footprint in Latin America," *fDi Intelligence* (UK), March 10, 2023. (https://www.fdiintelligence.com/content/feature/chinas-growing-footprint-in-latin-america-82014); "Ecuador reaches deal with China to restructure debt," *Reuters*, September 20, 2022. (https://www.reuters.com/world/americas/ecuador-reaches-deal-with-china-restructure-debt-2022-09-20)
140. "China, Zambia to 'upgrade' ties as Hichilema holds talks with Xi," *TRT Afrika* (Turkey), September 15, 2023. (https://www.trtafrika.com/africa/china-zambia-upgrade-ties-to-strategic-partnership-14962042); "China's support to Zambia's infrastructure development mark of true friendship," *Xinhua* (China), August 11, 2021. (http://www.xinhuanet.com/english/africa/2021-08/11/c_1310121437.htm)
141. "China, Zambia to 'upgrade' ties as Hichilema holds talks with Xi," *TRT Afrika* (Turkey), September 15, 2023. (https://www.trtafrika.com/africa/china-zambia-upgrade-ties-to-strategic-partnership-14962042)
142. Deborah Brautigam, "How Zambia and China Co-Created a Debt 'Tragedy of the Commons,'" *Johns Hopkins School of Advanced International Studies China Africa Research Initiative*, September 2021. (https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/615263af0820b159230eccb1/1632789426031/WP+51+%E2%80%93+Brautigam+%E2%80%93+Zambia+Tragedy+of+the+Commons.pdf)
143. Ibid.
144. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf); Nosmot Gbadamosi, "Is China Responsible for Zambia's Debt Crisis?" *Foreign Policy*, September 7, 2022. (https://foreignpolicy.com/2022/09/07/zambia-china-debt-imf-economy)
145. "Zambia slumps towards another debt crisis," *The Economist* (UK), September 13, 2018. (https://www.economist.com/middle-east-and-africa/2018/09/13/zambia-slumps-towards-another-debt-crisis)

Hichilema complained in 2019 about "projects we are giving to China in the corrupt way, which is costing us too much of tax-payer's money."[146]

Foreign debt piled up to the tune of $17 billion, roughly a third from BRI projects.[147] Between 2012-2020, Zambian debt grew from 32 percent of GDP to 120 percent, with Chinese lending increasing from $178 million annually before 2012 to an average of $932 million annually from 2012 until 2018.[148] In 2016 alone, Zambia took out nearly $3 billion in Chinese loans.[149]

High interest-rate obligations soon forced the government to make substantial cuts to healthcare and agricultural assistance.[150] When civil servants were not paid on time, a government spokesperson suggested they could breed chickens on the side to make ends meet.[151]

While foreign and multilateral lenders might have been open to assistance, there was no way to assess the damage. Acceding to Chinese demands for opacity, Zambia refused to disclosure its finances or divulge the extent of its indebtedness.[152] Still, the debt burden was high enough that by 2018, Zambia began suspending all unfinished BRI projects.[153]

Attempts by multilateral organizations to rework the massive debt were stymied by China, which refused to cooperate with international efforts, demanding strict secrecy about the amounts and terms of its loans to Zambia.[154] Without Chinese cooperation, other foreign lenders were unwilling to negotiate terms that would have effectively been used to subsidize irresponsible lending by China, Zambia's largest creditor.[155]

146. Sipilisiwe Ncube, "China's $22m debt cancellation a mockery – HH," *News Diggers* (Zambia), July 3, 2019. (https://diggers.news/local/2019/07/03/chinas-22m-debt-cancellation-a-mockery-hh)

147. Nosmot Gbadamosi, "Is China Responsible for Zambia's Debt Crisis?" *Foreign Policy*, September 7, 2022. (https://foreignpolicy.com/2022/09/07/zambia-china-debt-imf-economy)

148. Bradley C. Parks, Ammar A. Malik, Brooke Escobar, Shen Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman, "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative," *AidData*, November 2023. (https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf)

149. Ibid.

150. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6)

151. "Zambia slumps towards another debt crisis," *The Economist* (UK), September 13, 2018. (https://www.economist.com/middle-east-and-africa/2018/09/13/zambia-slumps-towards-another-debt-crisis)

152. Deborah Brautigam, "How Zambia and China Co-Created a Debt 'Tragedy of the Commons,'" *Johns Hopkins School of Advanced International Studies China Africa Research Initiative*, September 2021. (https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/615263af0820b159230eccb1/1632789426031/WP+51+%E2%80%93+Brautigam+%E2%80%93+Zambia+Tragedy+of+the+Commons.pdf); World Bank, "Zambia Economic Brief: How Zambia Can Borrow Without Sorrow," December 2017. (https://documents1.worldbank.org/curated/en/782221512459934813/pdf/WP-P157243-PUBLIC-WorldBankthZambiaEconomicBriefDecemberFinalWEB.pdf)

153. Deborah Brautigam, "How Zambia and China Co-Created a Debt 'Tragedy of the Commons,'" *Johns Hopkins School of Advanced International Studies China Africa Research Initiative*, September 2021. (https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/615263af0820b159230eccb1/1632789426031/WP+51+%E2%80%93+Brautigam+%E2%80%93+Zambia+Tragedy+of+the+Commons.pdf)

154. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6)

155. Nosmot Gbadamosi, "Is China Responsible for Zambia's Debt Crisis?" *Foreign Policy*, September 7, 2022. (https://foreignpolicy.com/2022/09/07/zambia-china-debt-imf-economy)

In November 2020, Zambia ran out of money and defaulted on its debt — the first, but not the last, BRI country to do so.[156] The default sent unemployment soaring, inflation to 50 percent, and drove 3.5 million people into food insecurity.[157] While the IMF eventually agreed to a $1.3 billion loan, and China recently signaled an evolving approach to Zambia debt, much of the damage from the default has already been borne by the Zambian people.[158]

The Zambian case stands out both because of the high level of Chinese debt relative to national income — 43 percent of 2019 gross national income, compared to an average of 10 percent for the rest of Africa — and because of Zambia's high pre-BRI level of indebtedness.[159] Indeed, Zambia required Paris Club bailouts nine times between 1983 and 2005.[160] Given that history and the country's entrenched corruption, the decision of Chinese lenders to extend so many large, "no-strings" loans to the country appears exceptionally irresponsible.[161]

Zambia's story is not unique. Sri Lanka has similarly been forced into default, and a number of countries, like Pakistan, Mongolia, the DRC, and Ethiopia have seen their foreign reserves dwindle as they struggle to service their massive BRI debts.[162]

Zambia remains in desperate need of infrastructure. Recognizing this, the G7 countries recently announced the Partnership for Global Infrastructure and Investment, which plans to build railway infrastructure connecting Zambia (and the DRC) with ports in Angola to more easily export goods by sea from the landlocked country.[163]

Recommendations

With so many countries desperate for quality infrastructure, the waste of hundreds of billions of dollars in BRI spending is a tragedy. Responding to persistent needs, the G7 has proposed a $600 billion infrastructure push through its new Partnership for Global Infrastructure and Investment. But more investment is needed, not to mention integrity-based conditionality.[164]

156. "Asia: Sri Lanka default puts China's Belt and Road Initiative under scrutiny," *Funds Europe*, November 2022. (https://www.funds-europe.com/november-2022/asia-sri-lanka-default-china-belt-road-initiative-scrutiny)

157. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6)

158. Nosmot Gbadamosi, "Is China Responsible for Zambia's Debt Crisis?" *Foreign Policy*, September 7, 2022. (https://foreignpolicy.com/2022/09/07/zambia-china-debt-imf-economy); Matthew Mingey and Logan Wright, "China's External Debt Renegotiations After Zambia," *Rhodium Group*, June 29, 2023. (https://rhg.com/research/chinas-external-debt-renegotiations-after-zambia)

159. Deborah Brautigam, "How Zambia and China Co-Created a Debt 'Tragedy of the Commons,'" *Johns Hopkins School of Advanced International Studies China Africa Research Initiative*, September 2021. (https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/615263af0820b159230eccb1/1632789426031/WP+51+%E2%80%93+Brautigam+%E2%80%93+Zambia+Tragedy+of+the+Commons.pdf)

160. Ibid.

161. "Former State House Economic Advisor Arrested for Corruption," *Lusaka Times* (Zambia), August 16, 2022. (https://www.lusakatimes.com/2022/08/16/former-state-house-economic-advisor-arrested-for-corruption)

162. Bernard Condon, "China's loans pushing world's poorest countries to brink of collapse," *Associated Press*, May 18, 2023. (https://apnews.com/article/china-debt-banking-loans-financial-developing-countries-collapse-8df6f9fac3e1e758d0e6d8d5dfbd3ed6)

163. The White House, Fact Sheet, "Fact Sheet: Partnership for Global Infrastructure and Investment at the G7 Summit," May 20, 2023. (https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/fact-sheet-partnership-for-global-infrastructure-and-investment-at-the-g7-summit)

164. The White House, Fact Sheet, "Factsheet on the G7 Partnership for Global Infrastructure and Investment," 2023. (https://www.whitehouse.gov/wp-content/uploads/2023/06/Factsheet-on-the-G7-Partnership-for-Global-Infrastructure-and-Investment.pdf)

Lessons for the United States: Build Out DFC and Related Capabilities

In 2019, Congress approved a new mechanism for financing international infrastructure projects. The bipartisan BUILD Act created the Development Finance Corporation (DFC), which empowers the U.S. government to take equity investments in global infrastructure for the first time.[165] The new agency manages a portfolio of new projects as well as overseeing legacy commitments from the Overseas Private Investment Corporation, which was subsumed within the new DFC. But progress and scale have, so far, been limited.

The United States should accelerate the work of the DFC, expanding its budget and enlarging its scope to include more middle-income countries, like Indonesia, Chile, and Brazil, which are critical partners in the Global South. By employing transparent and economically sustainable development methods unlike those of the BRI, the DFC can reduce risk, strengthen the project pipeline, and attract more private sector capital to infrastructure projects in the developing world, which the private sector has traditionally avoided.

Maximizing private sector impact will require U.S. government-led action, such as expanding the implementation and availability of political risk insurance. Project guarantees will be needed to offset geopolitical and project risk as well. It will further be necessary to streamline bureaucratic elements of the approval process while retaining robust feasibility, environmental, and social safeguards. Borrowers may chafe at some conditions and prefer BRI's low standards, but that approach led to one debacle after another.

The foundation of U.S. and allied efforts should be an inspiring vision of how well-designed infrastructure can accelerate equitable, market-driven development. To promote this vision, the United States needs a stronger presence on the ground in developing nations, which it can build by enhancing the role and capacity of other agencies — including the Departments of Commerce and State, DFC, and USAID — that can assist partners and investors in identifying, de-risking, and advancing projects of strategic value. Against a backdrop of Chinese opacity, corruption, and debt, the United States and its partners can build a strategic investment path based upon transparency, economic sustainability, and equitable partnerships.

Lessons From the BRI for Lenders and Borrowers

From the rebuilding of war-torn Ukraine to the massive challenges that must be overcome to address climate change, the failures of the BRI should inform best practices as the world scrambles to meet enormous global infrastructure needs.

Lesson #1: Ensure Complete Transparency

If the failures of the BRI demonstrate anything, it is that distributing hundreds of billions of dollars in infrastructure funding under opaque terms and conditions is a recipe for waste, corruption, and backlash. Any future infrastructure and development financing should feature transparent negotiations and borrowing terms, public feasibility and impact assessments, open bidding for contracts, and processes for incorporating citizens' feedback. All these features are essential to holding politicians accountable, especially in countries with a history of corruption.

165. BUILD Act of 2018, H.R. 302, 115th Congress, (2018). (https://www.dfc.gov/sites/default/files/2019-08/BILLS-115hr302_BUILDAct2018.pdf); "Investing in Development," *U.S. International Development Finance Corporation*, accessed January 16, 2024. (https://www.dfc.gov)

Lesson #2: Avoid Projects That Are Mainly Political Props

China appears to have financed over $1 trillion in BRI projects but often produced only highways to nowhere and railways to empty fields. With infrastructure funding so hard to come by in the developing world, this represents a major missed opportunity.[166]

Leaders of borrowing nations often prioritize massive projects that burnish their image as builders to generate enthusiasm for their continued rule or re-election. While political benefits are not intrinsic harms, wasteful projects for domestic political gain certainly are.

Lesson #3: Thoroughly Assess Risks and Opportunities

Well-designed infrastructure can increase trade, efficiently utilize natural resources, and stimulate growth. But costly infrastructure projects can saddle a country with debt that cripples national budgets for decades. Poorly planned infrastructure can negatively impact local environments, living conditions, labor markets, and human rights. Leaders should carefully weigh costs and benefits — both economic and social — before moving forward.

Publicly available economic viability studies, environmental impact studies, and examination of social conditions should inform key decisions. The essence of conditionality is for lenders to ensure that proposed projects meet these standards.

Lesson #4: Balance Debt With Aid and Facilitate Multilateral Coordination

The United States and other Western democracies have made countless loans to nations that were unable to repay their debt, spurring events such as the Latin American debt crisis of the 1970s. China's record in the BRI may be even worse, but doing better than China is not enough.

A thorough assessment of debt impact should be a prerequisite for infrastructure loans. Once loans go bad, creditors should face consequences if they impede restructuring by (1) obfuscating the amount or terms of its loans or (2) insisting on prioritizing their debt over that of other lenders.

Finally, investments in emerging market infrastructure and development should rarely be made in the form of loans at commercial rates. Direct aid, subsidized loans, and equity investments are necessary to build roads and bridges throughout the Global South. Going forward, loans and aid should be balanced to bring both low- and middle-income countries up to minimum standards of infrastructure development.

Lesson #5: Buy-in From Citizens and Stakeholders, Not Merely Elites and Politicians

China is a single party state, but many of the nations that signed up for the BRI are raucous and competitive democracies. When Beijing agreed to secret and extractive terms with one administration — too frequently with bribes and kickbacks on the side — it often laid the foundation for enormous blowback once the government changed hands and the outrageous details of BRI projects came to light.

166. Andrew Higgins, "A Pricey Drive Down Montenegro's Highway 'From Nowhere to Nowhere,'" *The New York Times*, August 14, 2021. (https://www.nytimes.com/2021/08/14/world/europe/montenegro-highway-china.html); Abdi Latif Dahir, "'Jewel in the Crown of Corruption': The Troubles of Kenya's China-Funded Train," *The New York Times*, August 7, 2022. (https://www.nytimes.com/2022/08/07/world/africa/kenya-election-train.html)

BRI's opacity prevented citizens and stakeholders from evaluating their country's debt before it was secured. Massive infrastructure deals should include deep consultation with relevant parties to prevent leaders and elites from putting personal gain ahead of the needs of the population.

Conclusion

Around the world, China's ambitious vision for the Belt and Road have given way to failure, corruption, and backlash. The instability of the global economy, rising geopolitical tension, and mounting debt have forced China to scale back its infrastructure lending as poor investments have come back to haunt both debtor and creditor.[167] Beijing is now shifting its investment strategy away from massive BRI infrastructure lending and toward far smaller, but perhaps more sustainable, projects.[168] These changes create a window of opportunity for the United States and its allies to build better infrastructure for countries that need it most and to solidify our alliances in the face of challenges to the American-led world order.

167. Mario Catalán, Fabio Natalucci, Mahvash S. Qureshi, and Tomohiro Tsuruga, "Geopolitics and Fragmentation Emerge as Serious Financial Stability Threats," *International Monetary Fund Blog*, April 25, 2023. (https://www.imf.org/en/Blogs/Articles/2023/04/05/geopolitics-and-fragmentation-emerge-as-serious-financial-stability-threats); Lindsay Maizland, "Why China-Taiwan Relations Are So Tense," *Council on Foreign Relations*, April 18, 2023. (https://www.cfr.org/backgrounder/china-taiwan-relations-tension-us-policy-biden); Keith Bradsher, "Why China Has a Giant Pile of Debt," *The New York Times*, July 8, 2023. (https://www.nytimes.com/2023/07/08/business/china-debt-explained.html); Keith Bradsher, "After Doling Out Huge Loans, China Is Now Bailing Out Countries," *The New York Times*, March 27, 2023. (https://www.nytimes.com/2023/03/27/business/china-loans-bailouts-debt.html)
168. Lunting Wu, "China's Transition From the Belt and Road to the Global Development Initiative," *The Diplomat*, July 11, 2023. (https://thediplomat.com/2023/07/chinas-switch-from-the-belt-and-road-to-the-global-development-initiative)

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