Has the Belt and Road Initiative Become a Political Liability for China?

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Issue

Since President Xi Jinping announced the Belt and Road Initiative (BRI) in late 2013, shortly after his arrival to power, China has invested some $300 billion in it, mainly in connectivity among neighboring countries. While the project is only five years old, President Xi Jinping's grand plan for China's global expansion has elicited strong reactions from the rest of the world, both from countries that will benefit from the BRI as well as other major players, such as the United States and the European Union.

Over the five years since its announcement, the BRI has evolved in terms of its objectives: from its initial economic focus related to trade connectivity — and a way for China to export its excess capacity — to much more of a soft-power tool. A large number of the BRI’s infrastructure projects now appear to be strategic rather than economic in nature.
This change in tone is associated with the increasingly negative view of BRI in the West. The EU has expressed concerns about China’s strategic ambition at the annual EU-China summit in April 2019. Nonetheless, this has not stopped Italy from becoming the first G7 country to formally join the BRI. There also has been backlash in the developing world where recipients of BRI’s infrastructure projects are in desperate need of funding to pay off their borrowing.

**Assessment**

A recent analysis that we conducted confirmed that sentiment toward the Belt and Road has indeed worsened in many countries. Our report, which drew data from the Global Database of Events, Language, Tone (GDELT) that covers broadcast, online and printed news from 132 countries in over 100 languages, shows a sharp move away from an average positive image before 2018 to a negative one thereafter. The only exceptions are the Middle East and North Africa. The worsening image of BRI is a wake-up call for China as it seeks to increase its soft power globally.

Our analysis offers some insights into the reasons for the worsening image of BRI. The first and foremost is trade. Countries appear increasingly wary of excessive dependence on Chinese imports and an imbalanced trade pattern. For investment, while our study shows that it is not generally as negatively perceived as trade, there are a number of salient issues which are closely related to investment, i.e. debt dynamics for the recipient country, environmental issues.

More generally, China may have been piling up too many objectives under the guise of the BRI, some of which could be inconsistent with one another. In particular, China tries to replicate its internal way of doing business in overseas markets: using China’s resources and materials with a clear flavor of state capitalism.

While keeping state-owned companies busy with BRI projects may be appealing from an economic perspective, it only exacerbates foreign concerns, weakening China’s international image. Most of the recipient countries welcome infrastructure financing from China, but also expect transparency and fair competition. The latter is at odds with China’s existing strategy.

The fact that the BRI’s image is suffering is also demonstrated by the announcement of alternative proposals from both the U.S., through its Indo-Pacific strategy with Australia, India and Japan, and the EU with its EU-Asia connectivity plan. Some argue that the BRI may have been the tipping point for the U.S. administration to move from engagement to containing China, which has contributed to the current trade war between the two.

**Figure 1: China’s Belt and Road Initiative (BRI)**

Source: Geopolitical Intelligence Service
While painful, this is not a completely negative outcome for China, as it is clearly learning how difficult it is to acquire soft power, no matter a country’s economic size. In fact, such a backlash offers China an opportunity to explore a more sustainable strategy. China is realizing that aggressive expansion will trigger a confrontation with the U.S., and it is definitely not a winning strategy for China in spite of its economic benefits.

Given the diminishing returns on investment at home, China needs to expand in overseas markets, but it should not do so by excluding other investors from benefiting from such projects. Against this backdrop, the next path for China’s Belt and Road needs to be a more flexible and open route to building its soft-power image.

**Recommendations**

To that end, China has recently made a number of strategic changes regarding the BRI, which have largely remained unnoticed, given the lower-key approach.

First, China has sharply increased the number of countries signing MOUs from the original 63 to 131. The key is to make the Belt and Road less targeted, so as to limit the West’s geopolitical concerns about this project.

Secondly, China is trying to use a more multilateral framework to push the BRI, and especially by involving the Asian Infrastructure Investment Bank. Such a multilateral framework retains Chinese characteristics, thereby allowing China to keep the ultimate control of key projects, but it also offers room for other developed countries to get involved, especially Europe and South Korea.

That said, China may be also willing to make some compromises in the way it shares the benefits of the BRI, but multilateralizing the strategy does not equate to a full retreat to the Western model. No matter how bitter it is to the existing order, the emergence of China with its unique system is reshaping the word, and the BRI is an important part of the process.

The increasingly negative world response should not be regarded as the end of the project, but rather as wake-up call for China and, thus, a push to reshape the strategy towards a more open and multilateral one. Still, China is bound to remain at the center and maintain the hub-and-spoke approach to the BRI but with more market-based international cooperation.

**Figure 2: International sentiment towards BRI during May 1, 2017 - April 25, 2018**

Source: Bruegel think tank
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Alicia holds a PhD in Economics from George Washington University and has published extensively in refereed journals and books (see her publications in ResearchGate or Google Scholar. Alicia is also very active in international media (Bloomberg and CNBC among others) as well as social media (Twitter, LinkedIn and Weibo). As recognition of her leadership thoughts, Alicia has recently been nominated TOP Voices in Economy and Finance by LinkedIn.