



drishti

## The Many Problems with China's Belt and Road Initiative

---

 [drishtias.com/printpdf/the-many-problems-with-china's-belt-and-road-initiative](https://drishtias.com/printpdf/the-many-problems-with-china's-belt-and-road-initiative)

This article appeared in Livemint on 6/8/2018. It analyses the issues and challenges associated with China's Belt and Road initiative.

### Introduction

---

Recently, the Belt and Road Initiative (BRI) of China has witnessed several challenges in its implementation which has in turn opened up new strands of debates around its economic and geopolitical implications on the participant countries.

Countries like Myanmar and Malaysia had scaled down some of the BRI projects in the wake of rising Chinese debt. While these increasing debts have raised concerns in Pakistan, in countries like Montenegro, the government had to cut down on some of the welfare expenditure and raise the tax burden on its citizens in order to repay the Chinese.

---

### Development Lending

---

- Advantage: The group of economists led by Jeffrey Sachs (American economist, have been associated with millenium development goals) considers external aid to be an important tool along with market economy and liberal democracy to pull countries out of poverty.

External capital push, they argue, can lead to higher levels of investment and greater productivity.

- Problems: The group of economists led by William Easterly (American economist, has criticised foreign aid in *The White Man's Burden*) considers poor leadership, poor governance and poor institution to be responsible for poverty in an economy. They have argued that foreign aid can discourage investment in better institutions as it contributes to corruption in a political economy.  
Eg: Political support resulted in the reservation of the Chinese projects for Hambantota port.  
Similarly BRI projects cleared by the government in Pakistan have led to high amounts of debt, ever growing current account deficit and low foreign exchange reserves while the host country still suffers from structural economic reforms.

## Development Funding vs Forced Economic Intrusion

---

- The increasing debt and incapability to pay back can lead to the financier country's control over strategic assets in the borrowing economy. This may create geopolitical overtures.  
The way in which Dictator of Zimbabwe, Robert Mugabe was politically overthrown in a coup hatched in China, when he contested their control in the economy is just one example of the above mentioned control.
- Even institutions like International Monetary Fund (IMF) impose their way of economic reforms on the countries receiving their aid, intruding in these countries' policy framing and decision making process which is largely skewed in the institution's favour.  
Development aid to India during the Cold War period was used as a bargaining tool by both US and Soviet Union.

## India's Stand on BRI

---

- India has raised concerns over the violation of territorial integrity and sovereignty because of the connectivity projects along with the unsustainable debt burden.
- While Asia-Africa Growth Corridor by India-Japan and other such plans by US-Japan-Australia have posited themselves as an alternative to BRI. However, it is very important to take into consideration the immense control the Chinese have over their large investment banks and companies which countries like India or Japan lack and therefore cannot fund large infrastructure projects the way the Chinese do.

## Way Forward

---

- Finally, the way in which a connectivity project could be beneficial to the local economy should be decided solely by the recipient/beneficiary country itself.
- 'Development financing' from China should be used in the favour of long-term interest only and not short-term profit as is the case now, and these beneficiary economies and their leadership should be held accountable by their citizens, for any decision-making on the BRI.