Forum: Economic and Social Council (ECOSOC)

Issue: The question of China’s Belt and Road Initiative [BRI] for a more equitable and profitable world

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Introduction

China has experienced an incredible socioeconomic rise in the last two decades. Having a modest GDP of 380 billion USD in 1990, China today stands as the second largest economy in the world, having a GDP of over 12 trillion USD. Some of the most important factors responsible for China’s growth are international trade, foreign investments and the creation of a mutually beneficial manufacturing industry.

The Belt and Road Initiative (BRI) is an attempt by China to use and spread these principles to fuel growth in ally nations, attempting to create a cooperative network of developed nations that work together for mutual benefit. This primarily works through infrastructure development and investment in over 130 countries and about 20 international organisations across 6 continents. The Initiative is named after belts, which are land routes for road and railway transportation; and road, which are sea routes for naval transportation.

With pending projects worth almost 210 billion USD, and the estimated cost of the initiative as a whole rising up to 1 trillion USD, the BRI is certain to bring modern infrastructure to several countries, improve connectivity and ensure that all involved economies flourish. The projects involved in the initiative also require execution and investments from individuals and corporations, a large number of which belong to China. This also allows these private chinese investors and businesses to make profits, bringing in more business and revenue to China in return for their investments, thus ensuring the benefits are enjoyed by all stakeholders of the initiative.

While the official position of the Chinese government is maintaining the fact that the BRI will be transparent, compliant and equitable, concerns have been raised questioning China’s real intentions behind this initiative. One of the primary concerns raised are about China’s FDIs being used to induce debt traps and greatly expanding China’s economic and political control around the world. This concern,
along with others, must be quelled before the BRI can truly be accepted as a revolutionary project for global development.

#1: A map of China's BRI Initiative, illustrating its massive coverage across the world and both the land and maritime projects it includes to reach faraway countries.

Definition of Key Terms

Asian Infrastructure Investment Bank (AIIB)

The AIIB, proposed and established by China, is an international development bank primarily used for infrastructure building projects operating similar to the Asian Development Bank and World Bank. As its work mainly targets developing countries part of the BRI, the AIIB has 70 members as well as 27 prospective members, though it can function in the interests of the Chinese government which controls half of the voting shares.

Belt and Road Initiative (BRI)

The BRI, also known as the One Belt One Road (OBOR), is a program developed by the Chinese government for its infrastructure developments and investments with 126 countries and 29 international organizations across the world. The “belt” refers to the New Silk Road over land, while the “road” refers to the Maritime Silk Road on the ocean.
#2: An infographic filled with statistics of the BRI, showing the massive population and money that it deals with through its development and investment projects.

**Debt Trap Diplomacy**

Debt trap diplomacy is where one country purposely lends huge amounts of money to another country, which usually happens between a large developed country and a small developing country. When the other country is unable to pay back its loans, often the intention of the original country, economic or political assets such as the infrastructure built can be taken away.

**Foreign Direct Investments (FDI)**

FDIs, a type of foreign portfolio investments, are investments made by companies or governments of one country in another country where it controls the business assets or operations under its ownership. Investments generally involve management or technology, can be part of decision-making, and are made in open economies for its future growth and workforce.

**Globalization**
Globalization is a process when the world gets better connected and closely-knit because improved communication and transportation allowed culture, goods, information, investment, and people to easily flow across borders, often with less regulations when compared to before.

**Free Trade**

Free trade is a governmental policy where trade barriers such as restrictions and taxes are removed between certain countries or for certain products, allowing exports and imports to flow freely between one country and another.

**Sovereignty**

Article 2 of the United Nations (UN) Charter states that the UN “is based on the principle of the sovereign equality of all its Members,” where sovereignty is the power an independent country has to control its own freedom and territory. Every country should be treated equally, and other countries should not be able to interfere with domestic affairs.

**Background Information**

**What is the BRI**

The Belt and Road Initiative is the successor of the historic Silk Route in spirit. The initiative plans to connect over 130 countries across 6 continents by ‘belts’, overland routes using roadways and railways, and ‘roads’, naval routes using cargo ships and merchant navies. Apart from the connectivity between the regions, the initiative also aims to build new infrastructure while improving the one present, coordinate policies of the region to create mutually beneficial governance and create access to unimpeded trade between the countries involved. These goals will be achieved by building railways, highways, ports, energy pipelines and border crossings across the BRI countries. This infrastructural development would also involve high value investments into ally nations and tenders given out to chinese corporations which will be responsible for the majority of the development.

**Positive Impacts of the BRI**

In the 5 years of its existence, the Belt and Road Initiative has already had a major impact on global economics, having accomplished 95% of the 279 items on the outcome list of the Belt and Road Forum for International Cooperation. The primary spheres influenced positively by the BRI include trade, logistics, financial investments, infrastructure and human resource development.

**Trade**
In the last 5 years, trade of goods between the BRI countries has exceeded 5.5 trillion USD. Additionally, the 6 major economic corridors also facilitate trade by employing lenient taxation for BRI projects. Furthermore, 82 overseas economic trade and cooperation zones have been set up in countries along the belt and road, bringing in investments of over 28.9 billion USD. As of May 2018, China has also signed 16 free trade agreements with 24 countries and region, a large number of which are involved with the BRI. These have further facilitated multilateral trade by lowering barriers and reducing import quotas and other tariffs and have overall benefited the economy of the BRI nations.

Logistics

The belts and roads involved in the BRI have successfully connected several regions which has not only simplified and optimised transportation for people, but also for imported and exported goods. For instance, over 6,000 cargo trains travelled from China to Europe in 2018 alone, an increase of 72% over the previous year, while almost 2,700 trains travelled the other way which was an increase of 111% over the previous year. This has allowed goods to be moved easily through more than 80 nations along the belts and roads across Asia, Africa, Australia and Europe. Aside from the increased magnitude of logistics between nations, the improved quality of existing ones is also evident across various studies. Logistics professionals from BRI countries have on average judged that the quality of logistics in their countries have improved between 2015 and 2017 as per a study by The World Bank.

Direct Investments
Chinese companies have had non financial direct investments in 56 BRI countries in 2018, totalling up to over 15.65 billion USD. China alone has invested over 200 billion USD into BRI affiliated projects, with total investments expected to peak at over 1.2 trillion USD by 2027. Other countries along the BRI have also made frequent smaller investments into projects such as the 68 billion USD project in the China-Pakistan Economic Corridor. The AIIB has also been an instrumental financial resource for the initiative with investments of over 8 billion USD approved for 45 projects in more than 70 member nations. Additionally, several Less Economically Developed Countries (LEDCs) along the belts and roads have also received loans and aid from More Economically Developed Countries (MEDCs) like China. For instance, China has loaned countries like Sri Lanka hundreds of millions of dollars to build ports, highways and other infrastructure, which can be used to bring Chinese goods into the Sri Lankan market, ensuring benefit for both countries.
Infrastructure

The creation and improvement of infrastructure such as railways, highways, ports, educational institutions, and energy pipelines are essential towards achieving the BRI’s main objectives. This infrastructure not only increases connectivity between regions and improves the citizen’s quality of life, but the large scale contracts to build this infrastructure also serve as highly profitable incentives for the Chinese government and Chinese contractors to participate. Construction contracts along BRI countries alone are worth over 57 billion USD while hundreds of millions are spent frequently building smaller infrastructure. The AIIB’s main goal is to provide financing for infrastructural development, a large part of which happens in LEDCs. The AIIB’s multilateral development banking system also aims to finance sustainable infrastructure to avoid dependence between nations and ensure every country shares profits fairly.

Human Resource Development

85 educational institutions and 35 cultural centres have already been set up as part of the initiative. Furthermore, China has invested 275 million USD for the creation of the Silk Road scholarships which would further help students from all backgrounds attain quality education. Approximately 244000 jobs have also been created as a result of the BRI, with many more expected to come as more infrastructural projects come into fruition. Finally the BRI also helps in the development of human resources by educating over 1600 participants from almost 150 countries and international organisations about the initiative itself and all the opportunities it can bring along, doing which promotes the initiative which further encourages more people to take part and develop. The development of human resources in the various BRI countries allows them to attain the same level of information and intellect in order to effectively communicate and work together, encouraging cooperation and further exemplifying the success of the BRI.

Concerns regarding the Belt and Road Initiative

Despite the many existing and potential benefits of the Belt and Road Initiative, a project so enormous in scale naturally invites concern regarding several aspects of the initiative. One of the main concerns expressed by most countries not affiliated with the BRI and some that are, is regarding China’s real intentions and economic and geopolitical implications of the initiative. The limited effectiveness of the projects and the way they are implemented have also been criticised. Additionally, the rapid rate of development also creates concern over the environmental impact of such a grand project. Finally, the hesitation shown by many powerful countries to support the initiative, combined with efforts to create a separate socioeconomic alliance under the leadership of the US have also been areas of concern for the BRI.
China’s Intentions and Possible Geopolitical Impact

Many nations have refused to become a part of the BRI believing it is a ploy by China to extend its influence. By providing billions of dollars in finances and infrastructure to a large number of countries including LEDCs, China is now owed an extremely large amount of debt from a number of nations. This debt is often a large percent of the LEDC’s GDP and is near impossible for them to pay back with interest, they then have to cede assets to China for example the Hambantota port which Sri Lanka had to lease to China for 99 years. Thus China is accused of employing debt trap diplomacy through its foreign direct investments in the BRI. This allows China to gain considerable equity and assets all over the world which opens up the possibility to move its armed forces and weapons with ease. This threatens the BRI nations’ sovereignty due to the constantly looming threat of debt and armed conflict. Additionally, a large number of resources used to construct the projects in the BRI also belong to China, as do the contractors and a large number of people involved in those projects. This allows China to make large profits and further provides job opportunities to thousands of Chinese citizens which further allows them to control all aspects of the project including the finances and quality of materials allowing them to effectively maximise their profits at the expense of the quality of infrastructure.

Limited Effectiveness and Poor Implementation

It has been frequently observed that BRI projects tend to favour people and infrastructure in urban cities as compared to rural areas as logistics allow easier access to urban cities using highways and roadways. This creates unequitable and unsustainable growth within countries, expands the wage gap and contributes to social and economic inequalities. Furthermore in LEDCs like Kazakhstan with limited internal and external mobility a wage difference of upto 5 times can be seen between urban and rural area. These limitations aside, the way BRI has been implemented in several places has also come under criticism. A report by the Asian Society says that the laissez faire style of non interfering management employed by the BRI officials in Southeast Asia has led to a drop of quality, along with excessive delays and wasteful spending for several projects. Developing countries like Malaysia and Laos are also made to overspend on railway projects which further increases their debt. Often no attempts to interact or negotiate with locals occur and villagers are driven away from their home without compensation in order to acquire land for development.

Environmental Concerns

The BRI focuses on rapid large scale development across several countries which often leads to an adverse impact on the environment. The World Wildlife Federation has listed 1,700 critical biodiversity spots and 265 threatened species that will be negatively impacted by the BRI. The Tapanuli Orangutan for instance is already being endangered by 1.6 billion USD hydroelectric power plant being built in Sumatra. The China backed dam being built on the Mekong River for example has affected...
aquatic life and caused changes in the flow of the river, disrupting the whole ecosystem. Similarly the BRI caused deforestation in countries like Malaysia, Indonesia and Brunei can also potentially cause landslides and floods.

Lack of support and contemporary alliance

Despite the massive support enjoyed by the BRI, several powerful countries along the belts and roads refuse to extend full support to the initiative, including India, Japan and Australia. These countries have their share of influence in the region and thus also prevent other countries from fully supporting the initiative. For example India has recently aided Asian LEDCs like Afghanistan in order to build infrastructure including the parliament and other government buildings. Recently, the US, threatened by China’s increasing dominance has proposed the Free and Open India Pacific (FOIP) alliance with these countries which would serve as an alternative to the BRI. Competition with the FOIP would reduce both the participants and the investments in the BRI and would weaken the initiative considerably.

Major Countries and Organizations Involved

Australia, India, and Japan

Though the three countries may seem completely unrelated to one another, they, along with the US, is part of the Indo-Pacific Vision aimed at targeting against China’s BRI. These countries have been traditional regional rivals with China due to historical conflicts, rival blocs, territorial disputes, or other reasons. They have previously created alliances, such as that with the Association of Southeast Asian Nations (ASEAN), conducted joint military exercises on the ocean where China is the imaginary target, and held trilateral talks boosting their relationships and future cooperation. Their common goal is to maintain free trade and security in the region, thus leading to positions where they feel like China’s actions are taken on purpose. Despite such opposition, however, the Indo-Pacific Strategy, which the US joined and renamed the Free and Open Indo-Pacific strategy (FOIP), still have little details and have not yet been carried out.

European Union (EU)

Even though the Union as a whole isn’t part of the BRI, two of its member states—Greece and Italy—signed a Memorandum of Understanding in August 2018 and joined in March 2019. The BRI also includes the Yiwu–London railway line shipping cargo from China to the United Kingdom (UK) and stops in EU member states. This has caused division among EU member states, like that between Eastern and Western Europe. Furthermore, it is important to note that the EU has strong economic ties with China over a variety of imports and exports, which at times can make it difficult to publicly denounce or
reject the BRI and other initiatives. It also has an already existing alternative, the Asia Investment Facility (AIF), which has different focuses though can come in conflict with the BRI that it overlaps.

People's Republic of China (PRC)

The BRI is developed and led by the Chinese government, making it the primary country responsible for financial investments and dealing with other countries that are members to the initiative, no matter if they are borrowers to the funds or recipients of the infrastructure. China's economy used to be highly focused on constructing domestic infrastructure and transportation projects and exporting cheap labor-heavy goods as “the factory of the world.” However, as a result of increasing foreign competition and rising wages, China needed an economic plan that would serve as a short-term boost and deal with resource surpluses. While some consider that China’s policies are purposely targeting LEDCs with the inability to pay back loans and expanding its diplomatic and military power worldwide, its initial intention was to use those countries as a market of goods and passageway for routes. Ultimately, the initiative was aimed at and has partially succeeded in giving China huge economic gains and potential diplomatic allies in the future.

Russian Federation

Being one of its closest allies on the international stage at times, Russia supports China in pursuing its BRI and has been publicly providing support for it. Russia has been willing to strengthen economic cooperation between the two countries, as well as extending its influence in the initiative by wanting to take a more important role in both Asia and Europe. It leads the Eurasian Economic Union (EAEU), with the Central Asian countries of Armenia, Belarus, Kazakhstan, and Kyrgyzstan, which was meant to be Russia-led for infrastructure, politics, and trade, but has only brought partial integration due to limited funding. For China and the BRI in general, the largest problem would be investments made in Russia’s neighbors that are mostly ex-Soviet Union states, since Russia considers these countries their region of influence and has continued to be the historical leader even after the fall of the USSR in 1991.

United States (US)

As a result of the Trump Administration and its American First Policy, the US has lessened its influence and presence around the world as compared to previous administrations. Key allies of the US in the Asia-Pacific region, such as Australia, India, and Japan as aforementioned, have been opposing the BRI for the negative consequences that it can bring to key values like democracy and sovereignty. Yet, even so, the US has an inconsistent policy: originally calling the initiative positive in benefitting the country but later considering it as a national threat – which the US responded to by backing up the opposition of other countries and founding the FOIP to focus on economics, governance, and security. With the collapse of the Trans-Pacific Partnership (TPP), a trade agreement that used to be able to
counter the BRI, the US has nothing in the region that can effectively act against the incentives and intentions of China.

**Timeline of Events**

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<tr>
<th>Date</th>
<th>Description of event</th>
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<tr>
<td>November 2013</td>
<td>Chinese President Xi Jinping put forth the idea for the Belt and Road Initiative in a speech in the Indonesian Parliament</td>
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<td>November 8(^{th}), 2014</td>
<td>China announces the investment of 40 billion USD to set up the Silk Road Fund to support BRI projects</td>
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<td>December 28(^{th}), 2015</td>
<td>The Asia Infrastructure Investment Bank, a new multilateral financial institution dealing with the BRI among other projects, is established</td>
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<tr>
<td>May 14(^{th}), 2017</td>
<td>The first Belt and Road Forum for International Cooperation is held in Beijing and is attended by more than 1600 representatives from 140 countries and 80 international organisations</td>
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<tr>
<td>October 24(^{th}), 2017</td>
<td>The goal to pursue the Belt and Road Initiative is added officially to the Constitution of China</td>
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**Relevant UN Treaties and Events**

While there has been no particular resolution focusing on the Belt and Road Initiative to date, the United Nations has formally extended support to the initiative through Secretary General António Guterres’ various speeches at Belt and Road Forums since the inception of the Initiative.

- Signed Memorandum of Understanding and Action Plan between the United Nations Development Programme (UNDP) and China, 19 September 2016
  The MOU, followed by an Action Plan in May 2017, includes collaboration in terms of engagement, finance, partnership, and research for both the BRI and the 2030 Agenda for Sustainable Development.
- 13th Five-Year Plan for Economic and Social Development, 7 December 2016
  Five-Year Plans are drafted by China as a guidance for development, containing objectives, tasks, and measures to uphold them. In relation to the BRI, this one focuses on innovation, opening up, and sharing from China to the international community.
- Building the Belt and Road: Concept, Practice and China’s Contribution, 10 May 2017
China published the explanation document in order for the international community, including possible future members, to better understand the BRI. In addition to the initiative’s achievements and information, the document outlines cooperation and dialogue and promotes mutual trust.

- List of Deliverables of the Belt and Road Forum for International Cooperation, 16 May 2017
  Formed when hosting the Second Belt and Road Forum for International Cooperation (BRF), the list contains 283 initiatives, investments, and bilateral/multilateral treaties between China, foreign governments, and companies.

- Asian Infrastructure Investment Bank Articles of Agreement, 15 November 2017
  The articles were signed by AAIIB’s fifty-seven founding member states to state the bank’s actions and structure they aim in order to achieve its purpose of economic development and regional cooperation.

- The situation in Afghanistan, 8 March 2018 (S/RES/2405)
  A reference to the initiative have also been added to this Security Council resolution, where clause 41 states “welcomes and urges further efforts to strengthen the process of regional economic cooperation … including through regional development initiatives such as the Belt and Road Initiative.”

Previous Attempts to solve the Issue

China has made multiple attempts to quell concerns regarding its real intentions with the Belt and Road Initiative through multiple official statements by several high ranking Chinese officials including President Xi Jinping. Furthermore, the Chinese government has also resolved to cooperate with organisations like the World Trade Organisation (WTO) to ensure that trade is conducted in a free and fair fashion and the policies drafted are beneficial for all participating nations. Coming under fire for the poor quality of infrastructure, China is also holding discussions to have more effective quality control at every level of all BRI projects and include audits into their workings in order to improve transparency. China has also acknowledged the problem with ever increasing debt and overreaching by LEDCs and is taking initiative to ensure that loans and aids are provided in a sustainable manner without leaving room for any sort of debt trap.

Attempts have also been made to quell environmental concerns across BRI projects. The first attempt to do so was made at the second Belt and Road Forum with the establishment of the Belt and Road Initiative International Green Development Coalition (BRIGC). This open voluntary organisation includes several environmental experts along with members from 134 partners including 26 Environmental Ministries of UN Member States. The main purpose of this organisation is to ensure long-term green and sustainable development to BRI countries. The organisation will also be involved in research, seminars and workshops to innovate and educate people about sustainable development in
coordination with BRI projects. BRIGC has also launched pilot projects to improve outreach and social development associated with the BRI. This organisation has been successful so far in achieving a level of sustainability associated with the BRI, however there is still room for improvement when it comes to environment friendly sustainable BRI policies.

Possible Solutions

Establishing Checks and Balances

In order to ensure that the BRI would provide an equitable and profitable world, possible solutions to address the issue at hand include establishing a system of checks and balances that would monitor the investments and progress made in developing countries. This can possibly include accessing the involvement of Chinese companies and the government, as well as evaluating whether the country has the ability to repay loans. Another solution could also be to establish a database between governments for BRI-related case studies, statistics, treaties, and other documents for countries to note when faced with incentives of the China’s economic lure. Although it is important to note that for both of them, it would be especially difficult to get China’s consent considering the lack of transparency in its government and unwillingness to disclose its true goals and intentions.

Offering Alternatives to China’s BRI

Offering alternatives to China’s BRI can also be another way to approach the issue, as it offers developing countries in need of infrastructures and investments multiple choices they could look at to decide on what is best for them. Many countries find it impossible to voice out opinion contrasting that of China as it wishes to keep economic ties and friendly trade relations. The other initiatives, no matter if it is offered by developed countries or international financial organizations, can differentiate themselves by providing a wider variety of interest rates and time periods, as well as focusing on crucial values such as democracy and freedom instead of potentially pursuing one-sided benefits or debt trap diplomacy.

Taking Actions from the UN

Lastly, in terms of the UN, more actions can be taken instead of remaining neutral yet slightly siding with China, with Secretary General Antonio Guterres calling for “inclusive, sustainable and durable development.” As China is a permanent member of the Security Council, not much can be done in terms of drafting resolutions and treaties, especially to be made legally-binding. However, with the work of its suborganizations, the UN can lead to potential change of the BRI on China’s side—by offering incentives for doing so and consequences or diplomatic pressure if not. This makes increasing the role of local businesses, construction contractors, suppliers and workers to replace those currently sent overseas by...
China for its own profits an approach, which can be done through coming up with more regulations for international investments or strengthening control for money transfer involving huge sums. All in all, with the involvement of the UN, more organizations, and other potential methods, the BRI can slowly transition towards being more equitable and profitable on all sides of the initiative.

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