Introduction

Numerous Asian countries have been provided with new various infrastructures, with credit to a project from one single country -- People’s Republic of China (PRC). Belt Road Initiative (BRI) is a project introduced by the PRC to reroute global trade. BRI helps improve infrastructure including oil refineries, industrial parks, power plants, mines, and fiber-optic networks. All of these previously mentioned projects are designed for the world to trade with China more easily. Over 60 countries have agreed to collaborate with this project, and China is promoting this project as a win-win solution for all the countries who are willing to participate.

China is offering over 30 billions of dollars, mostly in loans, to any country who has in favor for BRI; China is mostly offering billions of loans to many economically unstable countries, thus repayment is impossible to many countries. The debt trap diplomacy occurs through this; debt-trap diplomacy is diplomacy based on debt when a creditor country intentionally extending excessive credit to a debtor country to take control of political and economic concessions from the debtor country. This happens when the debtor country cannot payback. Applying the debt-trap diplomacy, PRC is still offering loans to many economically unstable and vulnerable countries to take over controls of key naval bases in the Indian ocean. China is trying to accomplish the String of Pearls which is to establish a string of naval bases in the Indian ocean that will allow China to station ships and guard shipping routes that move through the region. As a result, BRI has been the way for China to leverage the power and become the world-leading country.

Definition of Key Terms

Belt Road Initiative (BRI)

Belt Road Initiative (BRI) is an infrastructure project proposed in 2013 by the Chinese government, and it is led by President Xi Jinping. BRI is designed to cooperate on a transcontinental scale, and it is impacting over 60% of the population in 3 continents. BRI has great potential to reduce travel times along economic corridors, increase trade, increase income,
and lift people from extreme poverty. However, it also has a great risk of debt, governance, stranded infrastructure, environmental risks, and social risks.

Creditor

A creditor is an individual or institution who lends money to others under repayment agreement. A creditor makes money by charging interest on the loans. In this issue, the main creditor would be China who lends an immense amount of money to other undeveloped or developing countries for their infrastructure.

Debtor

A debtor is an individual or an institution who has borrowed money from others. A debtor must repay loans with interest. In this case, the major debtors in Asia are such as but not limited to Cambodia, Indonesia, Pakistan, Kazakhstan, Sri Lanka, Laos, Mongolia, Kyrgyzstan, and Tajikistan.

Debt Trap Diplomacy

Debt trap diplomacy is when a country has borrowed an enormous amount of money from another country, yet that debtor country cannot repay those loans. As a result of this, the creditor country extracts political or economic concessions from that debtor country since it is unable to honor its debt obligation.

Background Information

Ancient Silk Road is a major trade route from the 2nd century BCE to the 18th century. It connected China to various countries including East and West, and it was the center of all of the economic, cultural, political, and religious interactions. Through ancient Silk Road, the world was able to face globalization, which led to enormous developments and changes to the international community. In 2013, the president of the PRC, Xi Jinping, has stated “we should take an innovative approach and jointly build an economic belt along the Silk Road” in Kazakhstan. He has mentioned the importance of Silk Road and wanted to He had also stated that “the two countries should work together to build a maritime silk road for the 21st century” in Indonesia. Both of these major statements mentioned the ancient Silk Road and showed President Xi’s desire to recreate the modern version of the ancient Silk Road. With these being said, the Chinese government has started the multi-trillion dollars project Belt Road Initiative (BRI). The government is looking at this project as a long run project, which can be a win-win project for all countries who are willing to be apart. BRI has two major components to connect with the whole world- Economic Belt, and Maritime Silk Road.
Economic belt

The economic belt is mainly focused on Central Asian countries, and it is established to develop rapid economy while also achieving fast development in China. The economic belt can be viewed as the most mutually beneficial project for Asian countries. The economic belt includes 6 corridors which allow the import and export of new goods to China. One example can be the gas pipelines from the Caspian Sea to China which allows Turkmenistan and Uzbekistan to export gas to China. Another example can be the high-speed train network in Southeast Asia

Gas pipelines from the Caspian Sea to the PRC

With the gas pipelines from the Caspian Sea to China, Kazakhstan annual export to China has doubled in 2019. Kazakhstan signed “KazTransGas” and “PetroChina International” on October 12, 2018, through BRI. According to KazTransGas figures, the Central Asia-China pipeline has increased by 13% in 2018, which is 38.7 billion cubic meters. The chairman of KazTransGas even stated, “We are fully meeting the domestic demand for gas [in Kazakhstan's south] and are simultaneously able to increase gas exports to foreign markets”. With the gas pipelines from the Caspian Sea to China, Kazakhstan was able to have an active trade relationship with many other countries, especially with China. As a result, Kazakhstan was able to face huge economic growth.

The high-speed train network in Southeast Asia

The government of Beijing has constructed a high-speed rail line to northern Thailand. This project is one of the biggest symbols of China's rapidly growing influence on Asia's economy. China's high-speed rail plan doesn't only end in Thailand, as it is working toward other regions in Southeast Asia. This project plans to have a 3,000-km pan-Asian railway network. Chinese rail lines will extend toward the south, stretching through Malaysia and Singapore. When the debtor countries cannot repay their debt, China takes possession of this project and leads to debt diplomacy. Despite this debt diplomacy, high-speed train network in Southeast Asia is bringing large infrastructure growth, thus bringing positive influences to the global community as the potential for this project is unlimited.

21st century maritime Silk Road

21st-century maritime silk road is a part of BRI, and it is a sea route which coincides with the theory of China's string of pearls strategy. The key ports in maritime silk road are in Pakistan, Myanmar, Malaysia, Sri Lanka, and more. This project includes more than 65 countries and it proposes more direct linkage of Chinese ports with emerging countries and economic regions such as the Association of
Southeast Asian Nations (ASEAN), the Pacific islands, and China-Indochina Peninsula Economic (CIPE).

**String of Pearls**

The String of Pearls is a Chinese governmental project in the Indian Ocean region. The sea lines pass through various major maritime chokepoints such as the Strait of Mandeb, the Strait of Malacca, the Strait of Hormuz, as well as other strategic maritime centers in Sri Lanka, Bangladesh, and Pakistan. The String of Pearls is a network of Chinese military and commercial facilities developed by China in countries falling on the Indian Ocean. Additionally, China’s oil supply passes through the Strait of Malacca. Nevertheless, India doesn’t allow China to pass through its port, thus China is desperately trying to look for new trade routes which do not pass through India port.

**Major Countries and Organizations Involved**

**People’s Republic of China**

China is the major country of debt diplomacy in Asia as it is the creditor of most of the countries in Asia. They have offered an enormous amount of money to various countries under BRI with the purpose of infrastructure development. However, many of the debtor countries cannot repay the loans. As a result, China is taking over various political and economic concessions from the debtor countries. Through taking over these, China is progressively creating a new trade route for its country.

**Kingdom of Cambodia**

China is Cambodia’s strongest political backer and largest economic and military benefactor. Cambodia’s debt trap doesn’t seem to be a serious problem as its current Chinese debt is close to 5 billion dollars. However, the current progress seems to be worrying as well. Also, the Chinese aid and loans flow into Cambodia are often lack of transparency, accountability, good governance and the rule of law.
Democratic Socialist Republic of Sri Lanka

In December 2017, Sri Lanka had to give control of its Hambantota Port to the Chinese government for 99 years since it could not repay its huge loans from the Chinese government. Before Sri Lanka gave control of the Hambantota Port, it had multi-billions dollars loans.

Republic of Pakistan

There have been objectives behind China Pakistan Economic Corridor (CPEC) as Pakistan does not fully repay its loans. Pakistan will only need to pay 40 billion dollars to China, even though it has borrowed 26.5 billion dollars for CPEC investments. This amount does not include the 8.2 billion dollars which were offered for Pakistan to build Mainline-I project of railways. The Pakistani government often hides the total cost of the dollar wasting and anti-economy projects as well. A report stated the total cost of 22 ongoing and completed power projects cost 28.6 billion dollars, yet Pakistan had stated the figure to be only 19 billion dollars.

Lao People’s Democratic Republic

Laos is one of the countries where the future debt crisis is considered as “particular concern.” Laos has borrowed 6.7 billion US dollars from China for its high-speed railway project, however, repaying the debt seems impossible for Laos since Laos’s economy has been unstable. Additionally, the Laos government itself is hiding many of its financial elements for this project, such as the opaque terms on the remaining 6 billion dollars in the project.

Mongolian People’s Republic

Mongolia is known as one of the eight countries that have the highest possibility of not being able to repay to China, thus fall into China’s debt-trap policy. China has provided one billion US dollars for Mongolia to build a hydropower project and a highway project from the airport to the capital.

International Monetary Fund (IMF)

The International Monetary Fund is an organization which aims for international economic growth and financial stability. It also aims to encourage international trade and reduce poverty. It provides policy advice and financing for economically unstable countries, and it also helps them to establish macroeconomic stability. IMF can be involved in this issue and borrow loans to economically unstable countries instead of China. If the IMF offers loans instead of China, there will be no diplomatic or trade-related issues between countries about debt trap.
World Bank

The World Bank is an international organization that provides finance, advice, and research to developing nations to aid their economic advancement. It offers loans, grants and other financial support through the International Bank of Reconstruction and Development (IBRD) and the International Development Association. The main goal of offering loans is to achieve financial growth in middle and low-income countries. Similar to the IMF, the World Bank can offer loans to more economically unstable countries instead of China, thus the debt-trap diplomacy issue can be solved.

World Trade Organization (WTO)

World Trade Organization (WTO) is an intergovernmental organization with 164 members. Its goal is to help producers of goods and services, exporters, and importers conduct their business. It also helps many negotiations related to trading, and require governments to make their trade policies transparent by notifying the WTO about laws in force and measures adopted. WTO can play a key role in this issue since there is no clear regulation or law related to BRI or debt trap policy.

Timeline of Events

<table>
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<tr>
<th>Date</th>
<th>Description of event</th>
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<tr>
<td>September-October, 2013</td>
<td>President Xi puts forward the Belt Road Initiative.</td>
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<td>November 2013</td>
<td>A resolution adopted at the Third Plenary Session of the 18th Communist Party of China Central Committee calls for advancing the Belt and Road Initiative.</td>
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<tr>
<td>Feb 2014</td>
<td>President Xi and his Russian counterpart Vladimir Putin, reach consensus on jointly pursuing the Belt and Road Initiative and connecting with Russia’s trans-Eurasian railway.</td>
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November 2014  During the Beijing Asia-Pacific Economic Cooperation (APEC) meeting, President Xi announced China will contribute 40 billion US dollars to set up the Silk Road Fund, which will provide investment and financing support for infrastructure, resource, industrial, financial and other connectivity-related projects in countries involved in the Belt and Road Initiative.

March 2015  The National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce together issue the first master plan for the initiative, titled Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road.

December 2015  The Asian Infrastructure Investment Bank, a multilateral financial institution committed to financing infrastructure construction in Asia and project under the Belt and Road Initiative, is established.

March 2016  The Belt and Road Initiative is designated as a major objective in China’s 13th Five-Year plan (2016-2020).

September 2016  During the G20 Hangzhou Summit, President Xi pledges that the Belt and Road Initiative will share opportunities presented by China’s development with other countries along the routes to achieve common prosperity.

14-15 May 2017  The Belt and Road Forum for International Cooperation was held in Beijing.

August 2017  69 countries and international organizations have signed deals with China to make joint efforts to build the Belt and Road.
Relevant UN Treaties and Events


Previous Attempts to solve the Issue

How the United States of America (USA) avoids the debt trap

There hasn’t been any previous attempt to solve the debt trap issue in Asia. However, the USA government has previously taken action to avoid trap issue. USA government started to seek for long-term partners instead of debtors. Research in the USA reported that loan assistance does not improve economic growth, and countries can have a hard time paying off the loans. “The price being paid to reduce the China debt could prove more costly than the debt burden Sri Lanka seeks to reduce,” said N. Sathiya Moorthy of the Observer Research Foundation in an interview with the New York Times.

The U.S. is also working with countries to avoid the debt trap. India, for example, is trying a bold approach. A U.S.-backed initiative leverages private investor capital to improve health care for 600,000 new mothers and their babies in India. The project, which makes economic sense for the hospitals involved, is called the largest and most ambitious of its kind. “This is our first health-impact bond. I’m quite sure it won’t be our last,” United States Agency for International Development (USAID) Administrator Mark Green said at the World Economic Forum in Davos in 2018. “It is a step forward toward a more sustainable and increasingly country-led approach to maternal and child health.”

Possible Solutions

Stricter Standard of Loans

There isn’t any clear regulations or laws related to a debt trap, thus there have been objectives behind its diplomacy. Some countries pay back less than other countries just because they have good diplomatic relationships with their creditor countries. Debt trap transparency between China and Cambodia is especially unclear, and there is no way to judge if governments’ reports are true or not. Hence, transparency for debt-trap diplomacy is a necessary solution to make more fair and clear international relations. Additionally, regulations such as making a stricter deadline and interest rate are urgent to the international community since it can bring more fair diplomacy.
Having more Asian Conferences about Debt Traps

Debt trap diplomacy issue is an ongoing issue and it has been a major issue to the Asian community. However, communication between nations has done well, thus no solutions were made until now. With more conferences between Asian countries, nations will be able to make more fair negotiations which will lead to international developments. So far, the UN hasn't done any direct action on debt-trap diplomacy in Asia.

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Belt and Road Initiative" ["Belt and Road Initiative"]. *The World Bank*, 29 Mar. 2018,


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Appendices

Appendix I:

Belt and Road Initiative research report by the World Bank.


Appendix II:

Belt and Road Economics report by the World Bank Group.


Appendix III:

Relationship between Chinese new silk road and debt-trap diplomacy.

https://globalriskinsights.com/2019/05/china-debt-diplomacy/

Appendix IV:

UNGA resolution on the issue of ‘External debt sustainability and development’.