THE TIMES OF INDIA

# Chinese BRI in the post- Covid-19 period: Trapped in repayment and debt issues

June 24, 2020, 1:25 PM IST **SD Pradhan** in **Chanakya Code** | **World** | TOI

Coronavirus has created several problems for China that includes inter alia economic down turn, declining trade, increasing unemployment, unrest among the youth opposing the current leadership, pressure for investigation on China's role in suppressing Covid-19 related information and rise in anti-China feelings in the International Community. However, it has received a serious shock on its BRI project formerly known as One Belt, One Road project- touted as the Xi's ambitious dream to remake the world order.

The BRI was announced in 2013 by Xi that envisaged multitrillion-dollar infrastructure programme intended to link China with more than 100 countries through railroad, shipping and energy projects. The BRI is the centrepiece of Xi's foreign policy. In 2017 he gave it the political status by having it included into the Communist Party's constitution. Hence, praising it became a necessity and a routine by China's state-owned media. It was projected as a catalyst for global economic development.

This was a scheme to connect China with other regions for trade with infrastructure in other countries serving as hubs 'to promote the global flow of goods, capital and technology for economic growth'. Since 2013, China has given or promised hundreds of billions of dollars in loans and grants for power plants, ports, railways, roads and other infrastructure in Africa, Latin America, South-East Asia, Central Asia and Europe. The loans were given at an exorbitant rate and it was ensured that the contract for construction was given to the Chinese companies as 'the local ones could not provide the desired quality.

Soon the project started hitting rough patches even before the outbreak of pandemic. Nations began to point out that the lending rates were too high. Sri Lanka had to give Hambantota port on 99 years lease when it failed to make repayment. In 2018, Malaysia put on hold a major rail project and was revived after renegotiated agreement that included a reduction in the price tag by about a third, before finally dumping it. This was interpreted by some as the start of domino effect. Some other projects in Malaysia have been either cancelled or renegotiated. This problem was brought to the forefront at China's Second Belt and Road Forum. Several previous delegations refused to attend the second meet, protesting growing concerns that China both had unethical standards and leverages debts as a diplomatic bargaining chip in its BRI strategy. Turkey cited concerns for China's blatant oppression, through heavy policing and internment camps, of Uyghurs living along BRI pathways. Malaysia termed the agreements as unequal treaties and a new form of colonialism.

After the outbreak of pandemic, several countries came out of the project. In February this year, Egypt postponed indefinitely China-funded construction of what was to be the world's second-largest coal-fired power plant, at Hamrawein. In March, Bangladesh cancelled the project for a coal plant at Gazaria. In April Pakistan asked China for easier repayment terms on $30bn-worth of power projects. In April Tanzania's president, John Magufuli, said he would cancel a $10bn port project at Bagamoyo because it was signed with unsustainable conditions and that China would gain full control of the port with a 99-year lease. And in May, Nigerian legislators voted for a review of all of China's loans for the Chinese projects amid concerns that financing may have been agreed on unfavourable terms. African leaders have called for emergency debt-forgiveness from sovereign creditors including China, which is owed about $ 8bn this year in payments on about $145bn in loans to African countries, many involving BRI projects.

As a result of pandemic, the economic conditions of most nations became precarious. Work on some projects has come to a halt. A few have been scrapped. Several projects that seemed of dubious worth even before the pandemic now appear unsustainable. Many of the loans are on the brink of technical default, as debtor countries, bruised by pandemic are seeking to defer payments. China's BRI relies on projects financed by Chinese policy and commercial banks rather than FDI, which requires massive capital flow to partner countries in the form of Chinese loans. These massive lending projects have led to partner countries accruing extreme debt.

Currently, BRI is trapped in repayment, debt and contradictory issues. The Chinese own economic problems add to its difficulties. The nations are not willing to grant lease for important areas as was the case in Sri Lanka. China is in the process of offering concessions but partners are not showing interests as they suspect the over-all Chinese objective is to convert its economic power into political concessions.

In essence, the following aspects make the BRI unattractive. First, BRI is centrally designed and is not based on consultations with its partners. Second, the Chinese project is designed to serve its own interests and does not take into account the interests of partners. Third, the Chinese projects are aimed at ensuring contracts for the Chinese companies and has scant interest in generating employment for local population. Fourth, the BRI does not respect the sovereignty of nations from where it passes through. Fifth, the BRI is focussed on the connectivity to Eurasia, while the nations in the S E Asia and Africa desire connectivity in their region. Sixth, Chinese loans are given at unsustainable rates. Seventh, the BRI has an overall Chinese interest to acquire political concessions in the partner nations. Smaller countries see this project as based on predatory and exploitative colonial approach that is unsustainable.

While China is looking for ways to overcome the problems of repayments and debts rescheduling, they appear unsurmountable in the current economic downturn. With increasing anti-Chinese feelings in the International Community, it unlikely to get revived even after the economic conditions of China improve. The growing Chinese aggressiveness and its expansionist policies have marginalised China internationally. Most nations have realised that they can join BRI at a grave risk of losing their sovereignty and that China does not hesitate to break its agreements to alter the ground situation in its favour. Unhappy with its violation of international norms and law in the South China Sea, several disputants in the South China Sea have approached the UN for getting the PCA Ruling implemented by China.

Under these circumstances, the need for an alternative system for improving connectivity cannot be underestimated. In the interest of nations from South East Asia and Africa, a better connectivity in this region is needed for enhancing trade based on equality and not on exploitation. In 2017, the Indian PM Modi had announced the launch of Asia-Africa Growth Corridor (AAGC) with the aim of establishing strong partnership for common economic development. It was proposed that this would be based on consultation with all partners on the basis of equality, alignment of priorities of different regions and countries and to ensure sustainability through respect for sovereignty, territorial integrity and international law as well as boosting regional economic connectivity through the use of responsible and best international debt financing practices. This was expected to be part of free and open Indo-Pacific Vision in which ASEAN is expected to have a central role as announced by Sri S. Jaiahankar Indian Foreign Minister in January 2020 at the Joint Indian Ocean Dialogue and Delhi Dialogue. Somehow, the project lost its momentum mainly due to pandemic. It should now be actualised urgently in a time bound manner for economic development of the entire Indo-Pacific Region.

DISCLAIMER : Views expressed above are the author's own.

https://timesofindia.indiatimes.com/blogs/ChanakyaCode/chinese-bri-in-the-post-covid-19-period-trapped-in-repayment-and-debt-issues/