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Ten Years of Belt-and-Road

Chinese Takeover or Road to Nowhere?

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Introduction

Announced in 2013, the Belt and Road Initiative (BRI), initially known as One Belt One Road (OBOR), was announced as the foreign policy flagship project of Xi Jinping. Xi, who had assumed the role General Secretary of the Chinese Communist Party (CCP) in late 2012, had initially announced the BRI during official visits to Kazakhstan and Indonesia in 2013, framing his new initiative in the tradition of the ancient silk roads. The *"over 2,000-year history of exchanges [along the silk roads]"*, he argued, *"demonstrates that on the basis of solidarity, mutual trust, equality, inclusiveness, mutual learning and win-win cooperation, countries of different races, beliefs and cultural backgrounds are fully capable of sharing peace and development"* (Xi, 2013). Xi promised that the BRI, a series of maritime and continental corridors connecting China with the remainder of Eurasia, would have a similar connectivity effect. He suggested that,

> *"[t]o forge closer economic ties [between China and other Eurasian economies], deepen cooperation and expand development space in the Eurasian region, we should take an innovative approach and jointly build an 'economic belt along the Silk Road'. This will be a great undertaking benefitting the people of all countries along the route"* (Xi, 2013).

In domestic context, Xi situated the BRI as key for the 'rejuvenation' of the Chinese nation, partially also referred to as the 'China dream' (Economy, 2018). The BRI embodied China's willingness to play a more active, norm-shaping global role at a time when China had done remarkably well in its response to the global financial crisis while the Western world was constrained by austerity measures, growing polarization, and rifts in the transatlantic relationship.

From the start, the BRI was viewed critically by a range of actors suspicious of China's motivations. China-US relations had already been deteriorating prior to the BRI's announcement. The BRI, US officials of the Trump administration lamented, created an economic framework through which China could pursue its national security objectives, including via the use of *"predatory financing practices"* (Times of India, 2019). In South Asia, a key investment destination for the BRI, China's construction of infrastructure in areas contested between India and Pakistan heightened Indian opposition to the initiative. In 2015, the Indian Minister of Foreign Affairs decried the BRI as *"A national initiative [that] is devised with national interests, [and] it is not incumbent on others to buy it"* (quoted in Pant & Passi, 2017, p. 88). For parties historically suspicious of China, the BRI has come to epitomize increasingly hegemonic and economically expansionist Chinese ambitions.

This submission examines the prospects facing the BRI ten years after its launch. Following an elaboration on the BRI's policy objectives, it discusses the initiative's financing mechanisms and prevalent concerns regarding financial, social, and environmental sustainability. It then moves on to examine how Chinese financing practices have been rearticulated in reaction to the COVID-19 pandemic and an increased upscaling of the BRI's size. Today, the BRI finds itself at a crossroads, with financing models increasingly focusing on advanced economies and transparency and sustainability concerns prevailing.

The BRI: Policy objectives, financing mechanisms, and sustainability concerns

Under Xi, the BRI has been positioned as a key pillar of China's foreign policy. Over time, the Chinese government has formulated several aims it seeks to pursue via the BRI. These include the enhancement of connectivity via infrastructure investments, improved economic development of China and BRI recipients, the facilitation of greater regional coordination, the advancement of international trade, bolstered energy cooperation, and the cultivation of people-to-people exchanges.

China views the 'infrastructure gap' as one of the key factors limiting greater economic integration within Eurasia, making infrastructure investment a key policy priority for the BRI. BRI projects have been heavily concentrated in the construction of physical infrastructure, including roads, railways, ports, and airports to facilitate the flow of goods, services, capital, and people across borders, promoting regional economic integration and cooperation. As part of this, Beijing seeks to create new economic opportunities for Chinese firms, by opening up new markets and promoting cross-border trade and investment. Since 2013, Chinese foreign direct investment (FDI) in BRI recipient economies has jumped to 981.03 billion US$, compared to 464.12 billion US$ between 2005 and 2013 (American Enterprise Institute, n.d.). The BRI is part of a broader policy legacy in China that seeks to promote the global presence of Chinese firms, with the "Go Out" (1999) and "Go Global" (2006) strategies following similar objectives (Yu, 2012, Morrison, 2019). The contracts for infrastructure projects in the framework of the BRI have been mainly assigned to Chinese firms and suppliers, thus creating a market-finding effect for (State-owned) Chinese firms (Eder, 2019). The potential benefits created for both Chinese firms and recipients abroad initially created a narrative of the BRI as a win-win scenario (Lindsey, 2022), formalizing a portrayal of the BRI as an economic rather than political initiative that is shaped by Chinese benevolence.

China has further framed the BRI as a framework for global cooperation existing outside the transatlantic focus of the post-1945 global governance order. China has promoted the BRI as a project that includes a focus on development financing models challenging the more neoliberal policy prescriptions of Western financing institutions such as the International Monetary Fund (IMF) and the World Bank Group (WBG) (Stephen, 2017). The BRI has come to manifest a financing framework that operates parallel of the historically Western-dominated global governance architecture and exists alongside other relatively novel organizations in which China plays a key role, including the Shanghai Cooperation Organization (SCO). China's investment in parallel organizations such as the SCO and the AIIB, discussed further below, has been interpreted as an attempted exit from US hegemony via the promotion of "counter-ordering institutions" (Cooley & Nexon, 2021). By performing a more norm-shaping role, China can inform the functioning of organizations it plays a more crucial role in than in the ones created after World War II.

As part of this, China has used the BRI to advocate for the growing international usage of the Renminbi (RMB) as a global currency. The BRI aims to promote the use of local currencies in trade and investment transactions, reducing reliance on a single currency (the US$) as a de facto global reserve currency and promoting financial inclusiveness. This currency element situates the BRI in the broader attempt by Beijing to promote the internationalization of the RMB as an alternative to the US$, the status of which as a global reserve currency is perceived as allowing the US to run budget deficits that would have forced any other country to default on its debt (Tooze, 2019). Additional measures to push for increased currency internationalization included bilateral currency swap agreements with various countries, allowing for RMB clearing and settlement services, as well as the establishment of offshore RMB clearing banks in major global financial centers (Tran, 2022). Further, China has established various investment channels, such as the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) programs, which allow foreign investors to access China's capital markets and invest in RMB-denominated assets, including stocks, bonds, and other financial instruments. The China-developed Cross-Border Interbank Payment System (CIPS), which facilitates cross-border RMB transactions and provides a more efficient and convenient platform for international payments in RMB, forms another component alongside RMB-denominated debt that allows foreign governments, institutions, and companies to issue debt in RMB. This has helped to create a global market for RMB-denominated bonds and increased the use of RMB as an investment and financing currency. By encouraging BRI participants to trade in RMB, the BRI has become another tool in China's push for currency diversification.

China finances the BRI through a complex network of State-directed policy and commercial banks that provide funding for BRI-linked projects. The policy banks, including the China Development Bank (CDB) and the Export-Import Bank of China (Exim Bank), have played a significant role in providing long-term, low-interest loans for BRI projects, while commercial banks have provided short-term financing for trade and investment. The policy banks, particularly the CDB, have been the main source of funding for BRI projects (Chen et al., 2022). They provide loans to host countries for infrastructure projects, including transportation, energy, telecommunications, and industrial parks. These loans are typically long-term, low-interest loans with a repayment period of 20-30 years, which were initially portrayed as being designed to allow host countries to fund large-scale projects that may not be feasible through other means of financing. The State-directed nature of the policy banks place BRI financing in direct connection with the Chinese Status apparatus rather than allowing BRI financing to operate on a more privatized lending market.

In addition to loans from policy banks and commercial banks, China has also established bilateral and multilateral mechanisms to provide development financing for the BRI. Bilateral mechanisms include agreements between China and individual participating countries, where China provides concessional loans, grants, or other forms of aid for BRI projects. Further funding is channeled via the Silk Road Fund (SRF), a State-owned investment fund operated by the Chinese government and backed by China's foreign exchange reserves. The SRF was established in 2014 with an initial capital base of $40 billion to support BRI projects and provides another avenue through which Chinese ministries and stakeholders can direct investment into BRI projects (Stanzel, 2017). This evokes a networked structure in which a variety of domestic, State-linked actors must coordinate amongst one another in the provision of BRI-related financing.

The Asian Infrastructure Investment Bank (AIIB) provides another, more multilateral financing avenue. Founded by China in 2015, the AIIB is a multilateral development bank operating parallel to the WBG and the IMF and focusing specifically on promoting and funding infrastructure development in Asia. China is a founding member of the AIIB and has been actively involved in its operations, making the AIIB an important source of funding for BRI projects (Jordan & Deliwala, 2022). Around one-third of all loans provided by the AIIB are concentrated in BRI-linked projects, making the AIIB a key financing mechanism for the initiative. It is worth noting that China is not the sole decision-maker in the project and funding allocation provided by the AIIB: while providing most of the AIIB's capital base (30.71%) and correspondingly holding most of the internal voting shares (26.58%) (AIIB, n.d.), the AIIB has retained a formally multilateral character that is shaped but not fully dominated by Beijing. The AIIB has provided financing for BRI projects through various channels, including project loans, equity investments, and guarantees (Horta & Wang, 2021). The AIIB's financing has supported a wide range of BRI infrastructure projects, such as transportation, energy, telecommunications, and water supply.

Beijing has further sought to place the BRI in a broader context of global governance by establishing cooperative frameworks with more established international financial institutions. China has signed a Memorandum of Understanding (MoU) with the World Bank that promotes the provision of technical support from the World Bank for the BRI (World Bank, n.d). This MoU has been co-signed by other major multilateral development banks, including the Asian Development Bank (ADB), the AIIB, the European Bank for Reconstruction and Development, the European Investment Bank, and the New Development Bank, which is linked to the BRICS grouping. The MoU seeks to facilitate the coordination between China and these regional banks by promoting coordination in connectivity projects, exploring co-financing opportunities, strengthening capacity-building measures, and promoting development that is compatible with the sustainable development goals formulated by the United Nations (New Development Bank, 2018). China has notably emphasized the cooperation with extant organizations and financing bodies in an attempt to not frame the BRI in direct opposition to existing governance bodies.

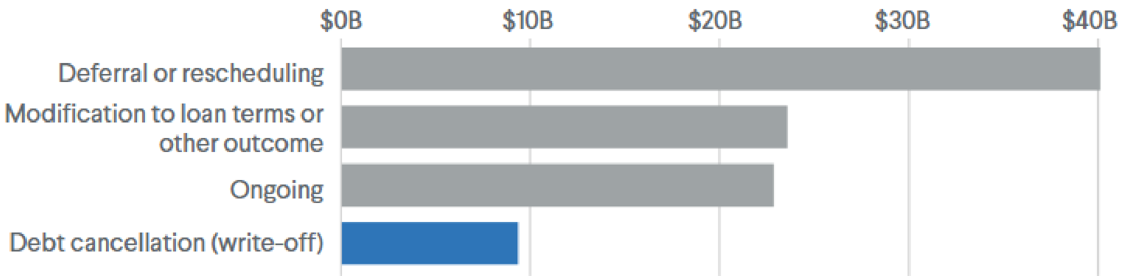
While the provision of infrastructure financing for developing economies provides development opportunities, Chinese lending practices have also evoked significant concerns, especially regarding debt sustainability. Some participating countries, most notably in Africa and South Asia, have accumulated significant debt burdens from BRI projects. Pre-pandemic debt distress has been worsened by the economic impact of COVID-19. Sri Lanka, for instance, was one of the first countries in South Asia to become a part of the BRI, with infrastructure financing frequently being provided via low-interest loans and structured based on long repayment periods. The availability of cheap development financing at favorable interest rates resulted in Sri Lanka accumulating a growing pile of Chinese debt over time. By late 2022, Sri Lanka owed Chinese creditors 7.4 billion US$, accounting for nearly 20% of Colombo’s total public external debt (CNBC, 2023). The investment money, frequently went into prestige-laden white elephant projects for the Rajapaksa family, resulting in low revenues and low utilization and therefore exacerbating Sri Lankan budget deficits (Clark, 2023). In 2017, Sri Lanka’s inability to service its Chinese debt led to a Chinese State-owned enterprise (SOE), CMPort, acquiring the China-funded port in Hambantota on a lease. When COVID hit the Sri Lankan economy, an already unsustainable debt burden grew further due a drop in tourism and rising energy expenditures, eventually leading to economic collapse and a bailout by the IMF in 2022/2023 (Ondaatjie, 2023). While Chinese loans were only a smaller part of the general Sri Lankan debt portfolio, the rapid accumulation of BRI-related debt had certainly aggravated debt distress and heightened scrutiny on the transparency issues frequently characterizing Chinese development financing (Whitehouse, 2022).

Especially in India, this unsustainability of Chinese financing has motivated concerns that China seeks to engage in ‘debt-trap’ diplomacy to extend its degree of regional influence. Critics argue that China's favorable financing terms, lack of transparency, and underlying strategic aims may result in countries becoming financially dependent on China and facing debt-related challenges, potentially leading to the passing on of infrastructure assets to Chinese SOEs that may seek to transform these assets into military infrastructure in the future (Ferchen & Perera, 2019). The takeover of Hambantota port has frequently been referred to as the primary example of China's alleged attempt to engulf smaller, developing economies in debt (Abeyagoonasekera, 2022).

It is worth noting that there is significant debate on China's ability and intent to pursue debt-trap diplomacy. The SOE that acquired the rights for Hambantota, CMPort, does not enjoy conclusive authority over the port given that the port is still located on sovereign Sri Lankan territory (Carrai, 2021). Jones and Hameiri (2020) further note that the feasibility and sustainability of projects is heavily shaped by recipient actors, with economic impact assessments frequently remaining incomplete and flawed. Further, elites may seek to construct BRI-linked assets as part of a broader effort to increase popularity at home, as was the case in Sri Lanka (Heaver, 2023). While this does not mitigate the debt distress that may be created due to BRI-incurred debt and highlights the broader issue of transparency, it does not fully mean that the takeover of assets is the sole objective to begin with.

Debtors being unable to service their debt invariably also creates complications for Chinese creditors. China's reaction to countries being unable to service their BRI-related debt has involved a variety of behaviors shaped by the specific context of the respective country. China has engaged in some debt renegotiations and debt rescheduling, with renegotiations focusing on the terms of the loans, including extending repayment periods, reducing interest rates, or providing debt relief. In some investments in Africa, for instance, China has had to increase its cancellation of debt to African countries following their inability to service their outstanding debt (Savage et al., 2022). China also offered alternative financing options. For instance, China has shifted from providing loans to grants, equity investments, or other types of financial instruments to support BRI projects in countries that are unable to take on additional debt. This approach allows countries to access funding without adding to their debt burdens and can help address their immediate financing needs. In some instances, China has also supported broader negotiations between recipient countries and the IMF. However, Chinese creditors have shown significant reluctance to write off debt (see Figure 1), exacerbating debt distress for recipients.

Figure 1: Renegotiated Chinese debt by outcome, January 2001 to November 2020



Source: McBride et al. (2023)

The issue surrounding debt sustainability, however, speaks to broader concerns regarding the BRI's transparency and China's strategic objectives. BRI projects, such as roads, railways, and ports, often require significant natural resource extraction and can have adverse environmental impacts, including deforestation, loss of biodiversity, air and water pollution, and climate change (Teese, 2018; Politi, 2021). In practice, BRI investments have frequently prioritized the usage of fossil energy, including through the construction of coal plants in recipient countries (Hillman & Tippett, 2021). The environmental standards for BRI projects do not always align with international best practices, leading to negative environmental consequences in participating countries. The implementation of BRI-linked projects on the ground is frequently in notable disconnect from the sustainability-focused discourse China has long framed the BRI in the context of, with low carbon-investments mostly being concentrated in high-income BRI economies (Harlan, 2021). There are also concerns about social and labor issues associated with Chinese development financing in the BRI as BRI projects have displayed inadequate labor standards, including poor working conditions, low wages, lack of protection for workers' rights, and use of forced labor (Nikkei Asia, 2022). Social issues such as land expropriation, displacement of local communities, and inadequate compensation for affected communities have also been reported in some BRI projects (Pramono et al., 2022). While the BRI creates potential development opportunities, there are thus significant doubts regarding its financial, social, and environmental sustainability.

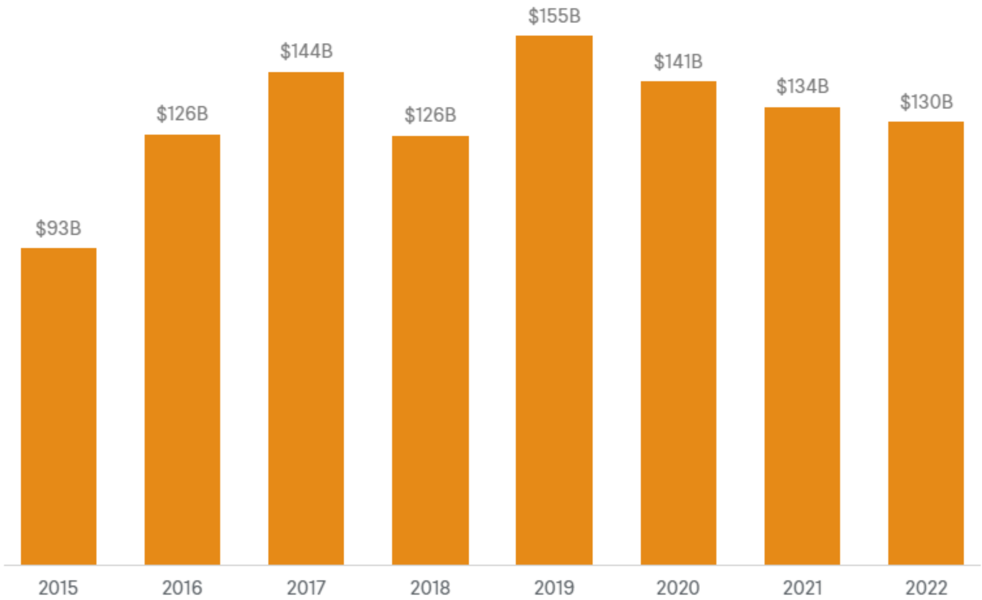
COVID-19 & financing issues

The market shocks associated with the COVID-19 pandemic had a severe impact on the Chinese economy. China was the country where the virus originated and its economy was hit hard by the resulting disruptions in both domestic and international markets. As the virus spread across China, strict and often uncoordinated lockdown measures were imposed throughout the country, leading to widespread factory shutdowns and disruptions in transportation and logistics, severely impacting the production and distribution of goods. Many businesses, especially small and medium-sized enterprises, struggled to resume operations due to labor shortages, transportation constraints, and reduced demand. Further, the imposition of lockdowns elsewhere and the contraction of the global economy as a whole led to a sharp decline in global demands for Chinese goods. This had a significant impact on China's export-oriented industries, such as manufacturing, electronics, and textiles, leading to decreased orders, cancellations of contracts, and reduced export revenues. Industries such as tourism, hospitality, retail, and entertainment experienced a sharp decline in demand as domestic and international travel restrictions were imposed, and consumer spending decreased due to lockdown measures and economic uncertainty. This had a ripple effect on related sectors, such as transportation, food services, and retail, leading to widespread job losses and business closures. While the Chinese economy continued to nominally grow throughout the pandemic (2.2% rise in GDP in 2020), the growth rates were lower than at any point since 1976 (Liang & Hoskins, 2023). The pandemic subsequently had a profound effect on the Chinese economy.

China implemented a stimulus program to balance the losses incurred by the pandemic. In a manner that mirrored the Chinese response to the global financial crisis in 2008, Beijing developed a series of fiscal and monetary policies aimed at supporting businesses and households. Fiscal policy measures included tax rebates, fee cuts, and special purpose bonds to promote domestic infrastructure investments (Huld, 2022). Monetary policies included transfers from the People’s Bank of China (PBOC), China’s central bank, to the government, reductions in banks’ reserve requirement ratios to stimulate business loans, lowering the loan prime rate to motivate borrowing, and the creation of relending programs and medium-term lending facilities (Li, 2022). This combination of fiscal and monetary measures was reminiscent of China’s aggressive policy reaction to the global financial crisis, where a large-scale fiscal stimulus helped in maintaining growth in China and made China a key driver of global economic recovery (Tooze, 2019). As was the case in 2008, however, fiscal stimulus inevitably shrinks the fiscal space available for other investment domains, including overseas development assistance.

Since the outbreak of COVID, China has thus significantly scaled down its investment in the BRI. By June 2020 already, the Chinese Ministry of Foreign Affairs had announced that at least 20% of BRI projects had been *“severely affected”* by the pandemic and its effects on labor markets and the availability of resources and services (Reuters, 2020). At home, a more contracted economy and a rapid increase in domestic spending requirements (vaccine development, health care, social services, and other pandemic-related services) further restricted the fiscal space for development assistance. Chinese lending to BRI recipient economies declined significantly following the outbreak, with especially low-income economies facing reduced access to Chinese investment (García-Herrero & Freymann, 2022). As time went on, China’s ‘zero COVID’ policy continued to restrict its wider economic and social engagement with the world at a time when other economies were opening up again, furthering the economic downturn within China. Financing more generally thus remained mostly limited to China, reducing the extent to which China invested in projects abroad (see Figure 2).

Figure 2: Value of new foreign contracted projects signed in BRI countries

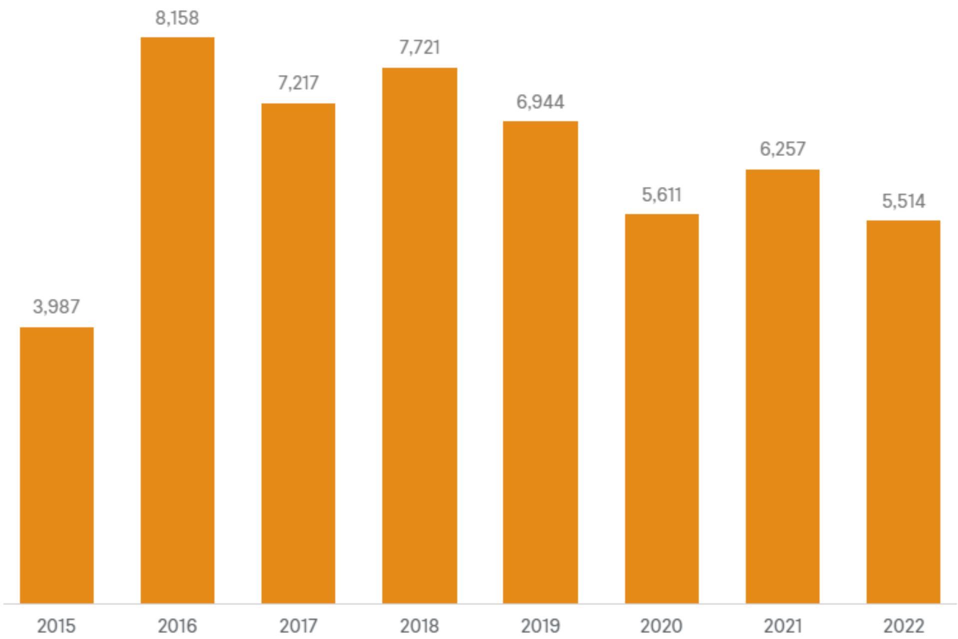


Source: Clark (2023).

As discussed above, the pandemic has also exacerbated the debt sustainability concerns in recipient countries. In Sri Lanka, pandemic-linked economic downturn has already led to a default, with Pakistan currently verging on the edge of a default. More generally, many recipient countries now face challenges in servicing their existing debts to China due to economic disruptions and reduced revenues. This has forced and will continue to force China to reassess the debt sustainability of its projects, likely enhancing the need for debt rescheduling, restructuring, or debt forgiveness to support recipient countries. Within China, this will invariably continue discussions on why debtors who were unlikely to ever repay their debt in the first place were funded initially. Further, restructuring and at least partial debt forgiveness may be the only solution for Chinese lenders if they wish to lend to the recipients in that country in the future.

These broader debt sustainability concerns have led to a rearticulation of the Chinese lending strategy for the BRI. Especially in the BRI's initial stages, the sheer size and scale of Chinese overseas lending led to loans being provided to countries that otherwise lacked access to overseas development financing, partially because their debt-servicing capacities was in serious doubt. While Chinese loans were not necessarily more malignantly structured than loans provided by the IMF, the World Bank, or Western creditors, Chinese banks simply provided loans to countries that other institutions and creditors did not provide loans to (The Economist, 2023). Since then, China's discourse on overseas lending has focused on 'sensible' and 'sustainable' investments. In reaction to the pandemic and its lending complications, China has essentially fostered a two-tier system in which loans are provided to (1) countries that are likely to service their debt either way, meaning high-income economies, and (2) projects/investments that have a broader strategic value. These projects include the China-Pakistan Economic Corridor (CPEC), which is viewed as key to ensure continued Pakistani alignment with Chinese interests, and investments into areas with significant natural reserves (for instance lithium reserves in South America) (The Economist, 2023). Overall, this new approach has led to a decrease in the number of projects approved under the guise of the BRI that mirrors the drop in funding (see Figure 3). Alongside the contraction of the fiscal base, the lending issues partially preceding the pandemic has led to a reconfiguration of the overseas lending practices of Chinese banks.

Figure 3: Number of new foreign contracted projects signed in BRI countries



Source: Clark (2023).

COVID-19 has ultimately had a profound impact on the BRI by reshaping priorities and challenges for both creditors and debtors. The effects of the pandemic in the dynamics between creditors and debtors is inherently interlinked, with financing issues for creditors being exacerbated by the pandemic, in turn aggravating the issues facing Chinese creditors. The pandemic has intensified debt distress and broadly worsened the fiscal position of recipient States, enhancing their debt vulnerability and debt exposure to China. As discussed, this will likely require careful debt restructuring and renegotiations and further increase the scrutiny vis-à-vis Chinese development financing going forward.

Given these shifts over time, it is useful to understand China as redefining the BRI's objectives and priorities dependent on internal and external market and political developments. In the initial stage of the initiative (2013-2015), China mainly focused on policy coordination and diplomatic efforts to build consensus and support among participating countries. There were limited financial commitments, and China primarily relied on policy banks, such as the CDB and the Exim Bank, to provide loans and credit lines to BRI projects. These loans were often provided on concessional terms, with lower interest rates, longer tenures, and more flexible repayment terms, making them attractive to debtors with low credit scores and fostering a concentration of investments in countries that were unlikely to repay their debt. China began to scale up the BRI between 2016 and 2018 as the initiative gained momentum, leading Beijing to significantly increase its financial commitment to the BRI and exacerbating the issues surrounding debt sustainability. In this phase, China specifically promoted the use of new financing platforms, including the AIIB and the SRF, to operate as additional sources of funding. These institutions provided loans, equity investments, and other types of financing to BRI projects, along with continued support from policy banks. China also encouraged Chinese commercial banks to participate in BRI financing, including providing project loans, trade finance, and other forms of support.

Between 2019 and 2020, China grew more conscious of the financial exposure generated by significant lending activities by commercial and policy banks. From 2019 onward, BRI policy started to emphasize risk management and sustainability in its financing approach. China issued guidelines on debt sustainability and risk management for BRI projects, emphasizing the need for prudent lending, project viability, and environmental and social safeguards. The evolution of BRI financing instruments highlights the growing awareness for the exposure created for China through the BRI. In addition to loans, China has been exploring mechanisms, such as equity investments, grants, concessional financing, and blended finance. Chinese policy has also been promoting local currency financing, which can reduce exchange rate risks and support economic development in participating countries. As discussed, this is part of a broader drive to internationalize the usage of the RMB.

The outbreak of the pandemic significantly reshaped China's ability to sustain the previous financing model for the BRI. Since 2020, China has sought to adapt the BRI to face contemporary economic and geopolitical challenges, mainly a result of the pandemic and the growing hostility between China and the US. China has been recalibrating its approach to prioritize post-pandemic recovery, debt sustainability, and digitalization. China has also been promoting public-private partnerships, strengthening cooperation with multilateral development banks, and exploring new financing mechanisms, such as green bonds and equity investments, to diversify funding sources and reduce risks. These measures mark the attempt to reduce the financial exposure of Chinese creditors.

Yet, significant doubts remain about the BRI's future scope and scale. China will likely face continued debt distress in recipient countries such as Pakistan, where BRI projects also remain exposed to attacks by militants. Beijing has also not successfully managed to assuage concerns vis-à-vis its geopolitical designs, which is likely to produce a decreased buy-in from countries suspicious of Chinese objectives. Project viability and sustainability remains a long-term concern that can only be meaningfully addressed through the implementation of more robust feasibility studies, financial assessments, and project management capacities, which may vary across participating countries. To some degree, the efficacy of the BRI also remains limited by cultural and regulatory differences: BRI projects are implemented in diverse cultural and regulatory contexts, which can pose challenges in terms of navigating different legal frameworks, business practices, and cultural norms. Understanding and accommodating these differences requires effective cross-cultural communication, negotiation skills, and flexibility in project implementation, all of which are issues Chinese firms have frequently struggled with. Even beyond financial sustainability, there are thus plenty of challenges the BRI continues to face ten years after its launch.

Conclusion

Ten years after its launch as Xi's flagship project for the dream of a 'rejuvenation of the Chinese nation', the BRI finds itself at a crossroads. From the start, the BRI has been characterized by a broader, multifaceted lack of transparency and sustainability. While this is most obvious in the case of debt sustainability, these concerns also extend to the social, political, and environmental ramifications of the initiative. It is notable that Chinese efforts to mitigate these concerns have been largely ineffective, meaning that much of the BRI continues to focus on countries that cannot access more established development financing mechanisms due to concerns about their ability to service their debt. While Chinese financing structures could be interpreted as indicating potentially malign Chinese designs, it also appears that mishaps in the BRI's implementation are the outcome of insufficient impact and financing assessments, both on the sides of the creditor and the debtor, and an oversized extension of financing in a short period of time. Within China, various ministries are involved in the shaping of BRI policy priorities while the bodies responsible for overseeing its financing are, as discussed, diverse and fragmented. While it is true that these entities within China remain linked to the CCP and the Chinese State more generally, governance within China often remains so 'fractured' (Jones & Hameiri, 2021) that an implementation of the BRI as a coherent geostrategic framework is limited by these inherently fractured and fragmented governance structures.

Further, the BRI has changed over time, with China's approach toward the initiative being significantly reshaped by the outbreak of the pandemic. By shrinking China's fiscal space, the COVID-19 pandemic has had a profound impact on the initiative, limiting the degree to which China prioritized the BRI as the government once again turned inwards. Looking ahead, the BRI now faces greater financing issues while suffering from reduced credibility. Thus far, China's ability to address key implementation challenges (including debt sustainability, greater geopolitical risks, environmental and social impacts, project viability and quality, governance and transparency, cultural and regulatory differences) have been limited. Addressing these issues more constructively will require robust risk management, effective governance and transparency mechanisms, strong project management capacities, and tailored approaches that consider the specific needs and capacities of participating countries. The demand for development financing will persist over the coming years and decades. Whether the BRI can play a role in this process hinges on China's capacity to draw the right lessons from the developments that have transpired over the last ten years.

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