

Lessons from China's Belt and Road Initiative: Strategic Pathways for the EU's Global Gateway



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Introduction

China's Belt and Road Initiative (BRI) has been written into the Chinese Communist Party's constitution,¹ it has branded over 800 billion dollars' worth of financial flows,² and it has been the subject of countless articles and academic papers. And yet, over a decade since the BRI's launch, persistent misconceptions about the initiative continue to colour its portrayal.

The BRI is often understood to be a cohesive network of economic corridors, strategically crafted to enhance China's global influence. Its actual structure is far more complex, reflecting ad-hoc decision-making by local governments, state-owned enterprises, and other actors. This decentralisation is both a strength and a weakness of the BRI, enabling flexibility while also resulting in uneven project quality and long-term sustainability.

Rather than a monolithic, centrally coordinated blueprint for global development, the BRI is, in reality, a loosely organised and disparate bundle of projects attached to a high-level policy concept.

This paper seeks to dispel some persistent myths about the BRI and establish what the initiative actually means for the world. Understanding the BRI is vital, not only because it is a defining Chinese foreign policy concept, but because it has catalysed significant responses from other actors, including the EU, which in September 2021, unveiled its Global Gateway strategy.³

This paper also investigates the BRI with a view to establishing what Global Gateway (GG) might learn from the Chinese initiative. GG is not explicitly framed as a response to the BRI and Brussels has rightly communicated that GG should be assessed on its own merits. However, the comparison with the BRI is inescapable.

GG is part of a wider EU course-correction, brought about by China's challenge to the status quo as a rising power. Although media reports often bill GG as an "alternative" to the BRI,⁴ it was the BRI that initially

1 "Full text of Xi Jinping's report at 19th CPC National Congress," *Xinhua News*, October 24, 2017, accessed July 31, 2024, http://www.xinhuanet.com/english/2017-10/24/c_136702025.htm.

2 "Belt and Road Reboot: Executive Summary," *AidData*, accessed July 31, 2024, <https://docs.aiddata.org/reports/belt-and-road-reboot/executive-summary.html>.

3 "State of the Union Address by President von der Leyen," European Commission, September 15, 2021, accessed September 10, 2024, https://state-of-the-union.ec.europa.eu/state-union-2021_en

4 "Global Gateway: The EU Alternative to China's BRI," *The Diplomat*, September 10, 2021, accessed September 10, 2024, <https://thediplomat.com/2021/09/global-gateway-the-eu-alternative-to-chinas-bri/>.

positioned itself as a Chinese alternative to the existing Western-dominated development landscape in which the EU has long been a leading player.

The GG responds to the BRI and is therefore predicated on an assumption that there is something in the Chinese approach worth responding to. This paper will interrogate that assumption, looking more closely at what exactly about the BRI merits a response.

Although the two initiatives reflect divergent political and economic contexts—China's state-driven model versus Europe's market-led and rules-based approach—they both represent competing visions for global development. While bearing in mind the significant differences between the EU and China as policy actors, this paper will explore the BRI's successes and failures to determine what GG should take away from China's BRI.

The paper is structured in four parts:

- Section one provides a discussion of what the BRI really means, focused on common misunderstandings about the initiative.
- Section two assesses the BRI's achievements and shortcomings.
- Section three considers GG and what lessons the EU might be able to draw from the preceding assessment of the BRI.
- Section four includes more specific policy recommendations for the GG.

Section one: The Belt and Road is...

1.1 – Everywhere and everything

On September 7, 2013, the newly anointed general secretary of the Chinese Communist Party (CCP), Xi Jinping, announced the “Silk Road Economic Belt” in Kazakhstan.⁵ A month later, he introduced the “21st Century Maritime Silk Road” to the Indonesian parliament.⁶

Together, these are the continental “belt” and maritime “road” of the “Belt and Road Initiative” (BRI). Attempting to define the BRI is a challenge. There is no official list of BRI projects, and it is rumoured that the Chinese government itself relies on the database from William & Mary's AidData lab, currently the most comprehensive and reliable public source for data on Chinese-financed projects.⁷

Beijing has never defined what constitutes a BRI project. Chinese embassies have occasionally pushed back on perceived abuses of the BRI brand,⁸ but anybody is generally free to apply BRI branding as they see fit. Researchers take different approaches to delineating the initiative, with the broadest interpretations including every Chinese investment made since the BRI's launch in September 2013.

Although the original Silk Road Economic Belt and Maritime Silk Road have a broad geographical direction, the wider BRI is not spatially limited. Official participation in the BRI requires only a non-binding cooperation agreement with China, and the BRI website lists 152 BRI countries.⁹ This means that by Beijing's count, roughly 80% of the world's countries are involved in building the BRI, including Austria, Luxembourg, and Portugal.

While the BRI does envisage six economic corridors, these wide corridors do not much limit the focus, and neither do they necessarily align with the locations of actual projects.¹⁰ The BRI website explicitly eschews the idea of mapping the BRI, stating that “the Chinese government has never limited the scope of the Belt and Road Initiative.”¹¹

5 “Xi proposes a new ‘Silk Road’ with Central Asia,” *China Daily*, September 8, 2013, accessed July 31, 2024, https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/08/content_16952228.htm

6 “Xi in call for building of new ‘maritime silk road’,” *China Daily*, October 4, 2013, accessed July 31, 2024, https://usa.chinadaily.com.cn/china/2013-10/04/content_17008940.htm

7 Axel Dreher, Andreas Fuchs, Bradley Parks, Austin M. Strange, and Michael J. Tierney, *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program* (Cambridge University Press, 2022).

8 “Branding the Belt and Road: Beijing Embarks on Damage Control in Central Asia,” *Eurasianet*, September 30, 2021, accessed September 10, 2024, <https://eurasianet.org/branding-the-belt-and-road-beijing-embarks-on-damage-control-in-central-asia>.

9 “已同中国签订共建‘一带一路’合作文件的国家一览,” *Belt and Road Portal*, accessed July 31, 2024, <https://web.archive.org/web/20230808151650/https://www.yidaiyilu.gov.cn/p/77298.html> for more information see “Countries of the Belt and Road Initiative (BRI),” *Green Finance & Development Center*, accessed July 31, 2024, <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>

10 Jonathan E. Hillman, “China's Belt and Road Is Full of Holes,” *Reconnecting Asia*, Center for Strategic and International Studies, September 5, 2018, accessed July 31, 2024, <https://reconasia.csis.org/chinas-belt-and-road-full-holes/>.

11 “关于‘一带一路’的15个认知误区,” *Belt and Road Portal*, accessed July 31, 2024, <https://www.yidaiyilu.gov.cn/p/86705.html>.

Neither is the BRI sectorally limited. The BRI has in practice been infrastructure focused, but infrastructure is explicitly outlined as just one of five “cooperation priorities” under the BRI, along with “policy,” “trade,” “financial,” and “people-to-people” cooperation. The policy document that lists these priorities provides examples of cooperation as diverse as “film festivals,” “nuclear power,” and “e-commerce services.”¹²

Within the BRI, there is a “Green Silk Road,” a “Health Silk Road,” and even a “Space Silk Road,” while Beijing is increasingly stressing the “people to people” dimensions of the BRI. In short, there is little that China does abroad that cannot be characterised as part of the BRI.

1.2 – A bundle of policy goals with a compelling narrative

The very essence of the BRI defies strict definition. It is a brand that encompasses everything China does in the world while connecting it to narratives about China's positive contributions to humanity.

Just as it is difficult to pinpoint what exactly the BRI is, it is a challenge to disentangle the policy goals behind the initiative. Depending upon which aspects of the BRI are under consideration, it might be understood as a means to: channel surplus capital and excess industrial capacity; to facilitate Chinese exports; to internationalise the Chinese renminbi; to win votes in the United Nations General Assembly; to secure critical raw materials; and much else besides.

Two policy strands are worth disentangling because they provide important insights into the BRI's origins.

Firstly, the BRI was in part conceived as a means to better connect China's impoverished interior with the West. The Chinese scholar Wang Jisi is important to the conceptualisation of this strategy. He first articulated the “March Westwards” as a response to US President Barack Obama's pivot to Asia.¹³ This was framed as the geopolitical counterpart to China's “Great Western Development Strategy,” (GWD) which was launched at the turn of the century to address imbalances between rich coastal areas and China's impoverished interior.¹⁴

The belief underlying the GWD and the BRI is that infrastructure-led

12 Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” *Belt and Road Office*, accessed July 31, 2024, <https://www.beltandroad.gov.hk/visionandactions.html>.

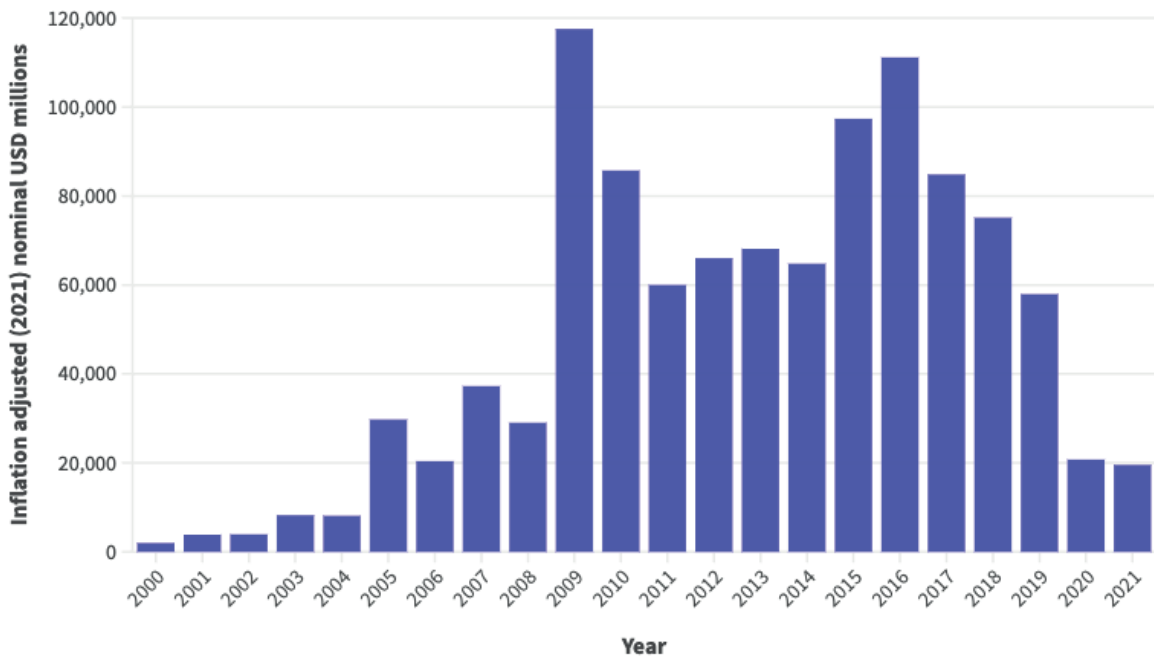
13 Wang, Jisi. “Marching Westwards: The Rebalancing of China's Geostrategy.” In *China's International Relations and Harmonious World: Time, Space and Multiplicity in World Politics*, edited by Zheng Yongnian, 85–103. Leiden: Brill, 2014. https://brill.com/display/book/edcoll/9789004273917/B9789004273917_008.xml (accessed September 10, 2024).

14 “Introduction to the Implementation of the Great Western Development Strategy in China,” Ministry of Ecology and Environment of the People's Republic of China, accessed July 31, 2024, https://english.mee.gov.cn/Events/Special_Topics/AGM_1/2000agm/leaderspeech2000/201605/t20160524_345016.shtml.

economic growth fosters social stability. In its restive territory of Xinjiang, Beijing has sought to counter what it calls “separatism,” not only through pervasive surveillance and “re-education” in mass internment camps, but also through infrastructure programmes.¹⁵ The BRI extends this latter offer to China’s periphery, seeking to prevent the spillover of security issues into Xinjiang.

Figure 1: Chinese Policy Bank Loans 2000-2021

Overseas loans made by China Development Bank or the Export-Import Bank of China



Source: AidData

Includes syndicated loans led by CDB or Eximbank

Secondly, the BRI sought to find better returns on Beijing’s massive foreign exchange reserves and to channel overcapacity without the inflationary risks of further domestic stimulus. Again, Beijing had already begun pursuing these twin policy goals with its «Going Out» strategy, launched at the turn of the century.

China Development Bank (CDB) and the Export-Import Bank of China (Chexim) were tasked with helping finance this international expansion of Chinese companies. “Going Out,” was an answer to three challenges: an oversupply of foreign exchange reserves; industrial overcapacity; and a thirst for resources. China’s substantial trade surplus had resulted in unproductive foreign exchange reserves, while a mismatch between domestic demand and industrial supply raised the spectre of mass layoffs. Simultaneously, China required natural resources like oil, gas,

¹⁵ Office of the High Commissioner for Human Rights (OHCHR), Assessment of Human Rights Concerns in the Xinjiang Uyghur Autonomous Region, People’s Republic of China (Geneva: OHCHR, 31 August 2022)

copper, and cobalt to sustain its growth.¹⁶

The Global Financial Crisis (GFC) in 2008 added impetus to Beijing's quest for better returns on foreign exchange reserves, resulting in their allocation to CDB for international lending. The launch of the BRI in 2013 led to a further expansion in lending before a sharp decline in 2019. (see Figure 1)

In both of these cases, it is notable that precedent policies were launched a decade prior. With the announcement of the BRI in 2013, Beijing's innovation lay in bringing everything under a single brand and articulating it as part of a new narrative.

The extension of the GWD into Central Asia was pitched as a continental revival. Evoking bygone glory days, the "Silk Road Spirit" promised peaceful, coordinated growth linked to Beijing's domestic "national rejuvenation."¹⁷ Likewise, the policy goal of channelling China's capital and capacity surplus was sold as a bid to revive globalisation in the aftermath of the GFC and amid a crisis of faith in Western economic leadership. The BRI was an offer to the world of Chinese-led growth, sold on the back of China's own economic success – an offer to "board China's express train of development."¹⁸

Beijing describes the BRI as a "global public good." In reality, the BRI is highly transactional and centred around Chinese interests, but it is pitched as an offer of Chinese-led development to the world. The BRI distinguishes itself from the Western development model in that it emphasises co-creation and equality rather than development assistance as charity. The transactional and pragmatic nature of the BRI, centred around Chinese interests, reinforces this narrative of mutual, win-win development.

This narrative holds appeal in what China refers to as the "Global South." The BRI is in large part, but not exclusively, an offer made from a self-styled developing country to other developing countries.

According to Chinese foreign minister Wang Yi, China is "naturally a member of the Global South and will always be a member of the big family of developing countries."¹⁹ Although China's developing country status is disputed and the term "Global South" is controversial, what Beijing calls "South-South cooperation," has become increasingly important as China competes with the United States and the West pursues "de-risking" from

16 Axel Dreher, Andreas Fuchs, Bradley Parks, Austin M. Strange, and Michael J. Tierney, *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program* (Cambridge University Press, 2022).

17 Shanghai Municipal People's Government. "Spirit of Silk Road Spurs Global Prosperity." Shanghai Municipal Government, October 14, 2022. <https://www.shanghai.gov.cn/nw48081/20221014/616bb991184d413d831069f73b44774f.html> (accessed September 10, 2024).

18 Xi Jinping, "Promote the Belt and Road Initiative, Extend Reform and Development," *The Governance of China II*, speech at the 31st group study session of the Political Bureau of the 18th CPC Central Committee, April 29, 2016

19 Ministry of Foreign Affairs of the People's Republic of China. "Wang Yi Puts Forward Four Proposals on Strengthening Cooperation Among Global South Countries." July 25, 2023. https://www.fmprc.gov.cn/eng/xw/zyxw/202405/t20240530_11332128.html (accessed September 10, 2024).

China.²⁰

The term “Global South” was coined to denote countries in historically subordinate positions.²¹ Beijing uses the term to evoke a sense of shared history, seeing itself as a victim of colonialism during the century of “humiliation.”²² It seeks to exacerbate post-colonial grievances and anti-Western sentiment in order to gain support for its goal of “democratising the international order.”²³

The BRI is also part of China's wider sales pitch for a post-Western international order. Over the past decade, the BRI has, in Xi Jinping's words, contributed “Chinese wisdom, Chinese solutions, and Chinese strength to building a community with a shared future for mankind.”²⁴

“Community with a shared future” is a central concept in Xi Jinping Thought on Diplomacy – the official name for China's foreign policy doctrine under Xi. The term describes a utopian vision for Chinese-led harmony and interconnectedness – a “global village” in which “all human beings are one big family.”²⁵ The concept is light on detail, but is defined in opposition to the status quo of unequal international relations presided over by the United States. The BRI is explicitly framed as the “platform” through which the CCP seeks to realise this vision.²⁶

1.3 – Decentralised and ad-hoc

The BRI's amorphous shape is also a key feature of its design. By maintaining an abstract and broad policy framework, the initiative can adapt to a wide range of interests from both China and its partner countries, even as these interests evolve.²⁷

By making the BRI politically sacrosanct and painting it in broad policy brushstrokes, Beijing enables and mobilises actors at various levels to

20 Upfly. “Trade: China's Bumpy Road to the Global South.” *Upfly Market Insights*, January 19, 2023. <https://market-insights.upfly.com/en/trade-chinas-bumpy-road-to-the-global-south> (accessed September 10, 2024).

21 Hogan, Erica, and Stewart Patrick. “A Closer Look at the Global South.” *Carnegie Endowment for International Peace*, May 20, 2024. <https://carnegieendowment.org/research/2024/05/global-south-colonialism-imperialism?lang=en¢er=china> (accessed September 10, 2024).

22 Arco Escriche, Inés, and Víctor Burguete, eds. *China and the Global South: Old Friends, New Dynamics*. Barcelona: CIDOB, November 2023. <https://www.cidob.org/en/publication/introduction-chinas-presence-global-south> (accessed September 10, 2024).

23 Bachulska, Alicja, Mark Leonard, and Janka Oertel. *The Idea of China: Chinese Thinkers on Power, Progress, and People*. London: European Council on Foreign Relations, July 2, 2024.

24 “坚定不移推进共建‘一带一路’高质量发展走深走实的愿景与行动——共建‘一带一路’未来十年发展展望,” 中国政府网, November 24, 2023, accessed July 31, 2024, https://www.gov.cn/yaowen/liebiao/202311/content_6916827.htm

25 The State Council Information Office of the People's Republic of China. *A Global Community of Shared Future: China's Proposals and Actions*. Beijing: The State Council Information Office, September 2023. <http://www.beltandroadforum.org/english/n101/2023/1010/c127-916.html> (accessed September 10, 2024).

26 “The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future,” *China's State Council Information Office*, October 10, 2023, accessed July 31, 2024, https://english.www.gov.cn/archive/whitepaper/202310/10/content_WS6524b55fc6d0868f4e8e014c.html

27 Nadège Rolland, *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (National Bureau of Asian Research, 2017), accessed July 31, 2024, <https://muse.jhu.edu/book/52595/pdf>.

interpret and implement the initiative.²⁸ This has sometimes led to almost comical outcomes, such as the creation of Belt and Road bodybuilding competitions and dating websites during the height of BRI enthusiasm.²⁹

Policy bank loans and even certain foreign direct investments must be approved by regulators in Beijing,³⁰ but there is considerable autonomy at the ground level. Chinese local governments, enterprises, and public and private sector actors in partner countries often play significant roles in selecting and implementing BRI projects. In Africa, for instance, Chinese provincial governments play an arguably larger role in the BRI than the central government, competing with one another to find opportunities for home enterprises.³¹ This decentralisation partly results from the sheer scale of the BRI, which exceeds the capacity of Beijing to manage comprehensively.

BRI projects are largely picked from partner-country wishlists, rather than put forward by Beijing.³² However, this does not mean that there are institutionalised mechanisms for BRI project selection and implementation. Although policy and trade coordination are among the BRI's listed cooperation priorities, the BRI should not be thought of as a grouping with an institutional reality. The BRI's institutional architecture is highly fragmented and although various international BRI-related fora exist, they carry no real weight.

On the ground, Chinese state-owned enterprises (SOEs) play a decisive role in selecting and lobbying policy banks for projects.³³ Besides SOEs, Chinese investors in emerging markets, such as Tajikistan, are often entrepreneurs whose risk tolerance has been shaped by China's overheated domestic market.³⁴ These investors are the main agents in identifying and seizing commercial opportunities abroad.

Although there is a BRI Leading Small Group (LSG), which brings together top-level officials, as well as a "BRI Office" established within the all-important National Development and Reform Commission (NDRC),³⁵ the work of coordinating BRI projects falls to a myriad number of general

28 Jinghan Zeng and Shaun Breslin, "Making Sense of China's Belt and Road Initiative: A Review Essay," *Asia Policy*, Number 24 (July 2017): 117-122, accessed July 31, 2024, <https://muse.jhu.edu/article/666562/1000>.

29 "Belt & Road Fitness: China at the Highest Level," *International Federation of Bodybuilding & Fitness*, accessed July 31, 2024, <https://ifbb.com/belt-road-fitness-china-at-the-highest-level/>.

30 Hale, T., Liu, C., & Urpelainen, J. (2020). *Belt and Road Decision-making in China and Recipient Countries: How and to What Extent Does Sustainability Matter?* ISEP, BSG, and ClimateWorks Foundation.

31 Lenz, Charlotte. China's Provinces as Global Actors: Evidence from China-Africa Relations. London: London School of Economics and Political Science, January 2023. <https://www2.lse.ac.uk/ideas/publications/old-updates/Chinas-provinces-as-global-actors> (accessed September 10, 2024).

32 Gamsø, Jonas, and Matthew H. Moffett. "Unraveling the Belt and Road Initiative: China's 'Building Out' Strategy." *East Asia* 40 (2023): 21-36. <https://doi.org/10.1007/s12140-022-09394-1> (accessed September 10, 2024).

33 Zhang, Xiaoming. "The Role of Chinese State-Owned Enterprises in Overseas Infrastructure Investment through the Belt and Road Initiative." *Journal of Infrastructure, Policy and Development* 8, no. 1 (2024). <https://www.worldscientific.com/doi/10.1142/S1793930524000035> (accessed September 10, 2024).

34 Interviews with Chinese entrepreneurs in Tajikistan conducted by author in 2019.

35 Rolland, Nadège. *A Concise Guide to the Belt and Road Initiative*. Seattle: The National Bureau of Asian Research, April 2019. <https://www.nbr.org/publication/a-concise-guide-to-the-belt-and-road-initiative/> (accessed September 10, 2024).

and BRI-specific government bodies, financial institutions, Chinese firms, coordination mechanisms, and advisory groups that are too numerous to name.³⁶

At the same time, a hallmark of Xi Jinping's leadership has been his centralization of political power and Beijing clearly retains the ability to intervene in BRI projects if necessary.³⁷ Additionally, discussions at a state-to-state level between China and host countries remain crucial in advancing the interests of Chinese companies and shaping the BRI.

Beijing is able to formulate and pursue strategy through the BRI using a whole of government approach. The point is not that the BRI's implementation is always fragmented, but that the ability of Chinese actors to make pragmatic, responsive decisions is underappreciated. More often than is assumed, the BRI is pragmatic and transactional rather than strategically planned.

1.4 – Historically infrastructure-focused, but definitely not aid

The BRI can be approached on two levels: on the one hand, it is an abstract, all-encompassing concept attached to a narrative of Chinese global leadership; on the other, there are the concrete projects to which the brand applies.

Although the initiative theoretically encompasses everything from policy coordination to cultural exchanges, infrastructure projects involving ports, railroads, and highways have required by far the highest capital expenditures and have most significantly shaped global perceptions of the initiative.

Because it is so ill-defined, putting a price tag on the BRI is highly subjective, but however it is counted, the BRI clearly involved colossal sums of Chinese finance.

For the years 2014-2021, AidData lists \$724 billion in official finance from China to BRI countries, of which \$693 billion consisted of loans and \$22 billion consisted of grants. The vast majority of development finance from China is not considered concessional. Aid Data labels \$78 billion of the \$724 billion "ODA-like," meaning that it meets the criteria for overseas development assistance (ODA) set by the Organisation for Economic Co-operation and Development (OECD).

Furthermore, the majority of BRI loans are tied to the procurement of

36 Hall, Todd, and Alanna Krolukowski. "Making Sense of China's Belt and Road Initiative: A Review Essay." *International Studies Review* 24, no. 3 (2022): 1-12. <https://academic.oup.com/isr/article/24/3/viac023/6654852> (September 10, 2024).

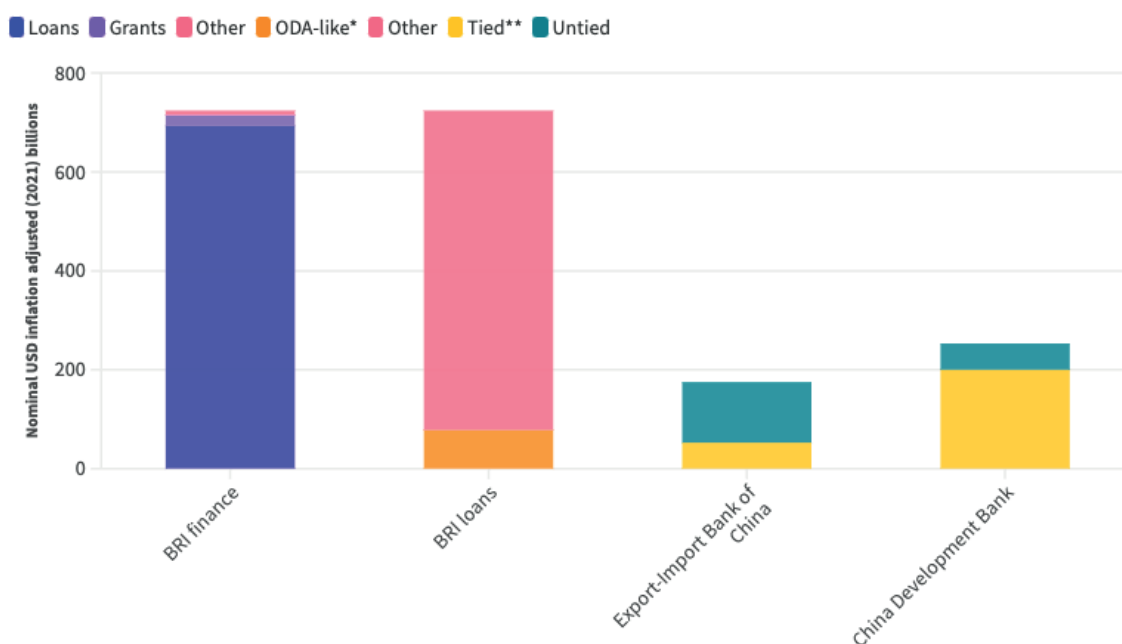
37 Lee, Sangkuk. "An Institutional Analysis of Xi Jinping's Centralization of Power." *Journal of Contemporary China* 26, no. 105 (2017): 325-36. <https://doi.org/10.1080/10670564.2016.1245505> (accessed September 10, 2024).

goods or services from China. Under this “tied-loan” model, a project will be financed by a Chinese bank, usually CDB Chexim, on the condition that a Chinese company implements the project.

Of the \$693 billion in BRI loans, two-thirds came from CDB or Chexim alone: \$175 billion from CDB and \$253 billion from Chexim. Roughly 30% of these CDB loans and 79% of the Chexim loans were for projects implemented by Chinese SOEs.

Belt and Road Initiative Finance

Official finance (USD billions) from China to BRI countries, 2014-2021



Source: AidData • * ODA-like refers to finance classified as meeting OECD criteria for overseas development assistance. ** Tied refers to dollar amount of finance linked to projects implemented by Chinese state-owned enterprises.

Sinosure, China’s state-owned risk insurer also plays a pivotal, yet underappreciated role in the BRI alongside CDB and Chexim. Beyond its main mandate of promoting Chinese exports, Sinosure provides risk mitigation finance and risk management at the project level. By 2022, Sinosure had insured over \$1.3 trillion of BRI projects, demonstrating its crucial role in enabling Chinese firms and policy banks to undertake risky infrastructure projects in emerging markets. Its role has been particularly critical in the energy sector, where at least a quarter of all lending from Chinese creditors has been insured by Sinosure.³⁸

China is not the first nor only country to use tied-loans, but the scale at which it has done so under the BRI is unprecedented and at odds with

38 Chen, Yunnan, and Zongyuan Zoe Liu. *Hedging Belts, De-risking Roads: Sinosure in China's Overseas Finance and the Evolving International Response*. London: ODI, December 14, 2023. <https://odi.org/en/publications/hedging-belts-de-risking-roads-sinosure-in-chinas-overseas-finance-and-the-evolving-international-response/> (accessed September 10, 2024).

certain norms established by status quo powers.³⁹

Although the BRI is described as a development programme, it is very far from OECD definitions of development assistance. China maintains a 9-to-1 ratio of other official financial flows to ODA, in stark contrast to the EU's 1:50 ratio.⁴⁰ It is pitched as a “global public good,” but it is significant that this phrase in Chinese might also be translated as “global public product.”

China does have an aid program that has become increasingly distinct from its broader development finance initiatives, particularly with the establishment of the China International Development Cooperation Agency (CIDCA) in 2018.⁴¹ By creating the CIDCA, Beijing sought to enhance its foreign aid regime and distinguish it from more mercantilist aspects of the BRI. However, the CIDCA was established at the vice-ministerial level with a limited budget and purview, so its impact on the wider BRI remains limited.

China's tied-loans are usually linked to big-ticket infrastructure projects, and it is this tied infrastructure lending — the marriage of Chinese financial heft with engineering muscle — that best characterises the BRI.

Big-ticket lending for infrastructure is also how China has distinguished its development offer from that of the West, which in the 1990s began to move away from infrastructure financing towards broader development priorities like poverty alleviation.⁴²

While this model has made available billions of dollars in finance for much needed infrastructure, it has also had significant negative consequences for borrowing countries and for Chinese lenders – these consequences will be explored further in section two.

1.5 – Focused on the expansion of Global China Inc.

The BRI is a geopolitical exercise in its own right and there can be no neat division between economic and political objectives, but the common denominator among BRI projects is that a Chinese firm somewhere benefits.

The BRI is fundamentally a mercantilist endeavour – If it can be said to

39 Chadwick, Vince. “Japan Leads Surge in Tied Aid.” Devex, February 14, 2020. <https://www.devex.com/news/japan-leads-surge-in-tied-aid-96535> (accessed October 23, 2024).

40 Malik, Ammar A., Bradley Parks, Brooke Russell, Joyce Jiahui Lin, Katherine Walsh, Kyra Solomon, Sheng Zhang, Thai-Binh Elston, and Seth Goodman. *Banking on the Belt and Road: Insights from a New Global Dataset of 13,427 Chinese Development Projects*. Williamsburg, VA: AidData, William & Mary, 2021.

41 Mardell, Jacob. “Foreign Aid with Chinese Characteristics.” *The Diplomat*, August 7, 2018. <https://thediplomat.com/2018/08/foreign-aid-with-chinese-characteristics/> (accessed September 10, 2024).

42 World Bank. *The Evolution of Bank Lending for Infrastructure*. Washington, D.C.: World Bank Group, 2014. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/747281468914390476/the-evolution-of-bank-lending-for-infrastructure> (accessed September 10, 2024).

have one overarching policy goal, it is the expansion of Global China Inc., i.e. the intertwined power and interests of the Chinese state and its firms.

BRI loans and investments are sometimes made in the service of broader geopolitical goals, but more often than not, they are intended to serve the interests of Chinese firms, which are the engines of the BRI. The tied-loan model is proof of this: the financial architecture of Chinese development finance is designed to bring Chinese companies, particularly SOEs, to new markets and increase their market penetration.

In Southeast Europe for example, China Road and Bridge Corporation (CRBC) was able to win a string of lucrative contracts on the back of Chinese policy bank loans, providing it with the portfolio and springboard to eventually secure an EU-financed contract for a bridge in Croatia.⁴³

How Beijing describes what is included in the BRI reflects this focus on companies rather than development finance. It regards “economic cooperation” an integral part of the BRI and counts contracts secured by Chinese firms, not just those that are Chinese-financed, as part of the BRI.

1.6 – Characterised by *laissez-faire* governance

The BRI suffers from an accountability deficit. The negative consequences of this will be further explored in section 2.4 – here we will outline the *laissez-faire* approach that is largely responsible.

As noted in the section on decentralisation, much of the BRI is implemented by Chinese institutions and firms with limited oversight from Beijing. This lack of oversight is partly the result of limited experience and capacity. For example, the office set up by the NDRC to supervise Chexim is reportedly staffed by just four people.⁴⁴

But a “hands-off” approach is also characteristic of the initiative. Through the BRI, Beijing claims to be helping partners tread a “development path” suited to their “national conditions.” This means that host countries should have agency in setting the agenda and that less conditions are set on cooperation by Beijing.⁴⁵

The principles of non-interference and non-conditionality, outlined in the Five Principles of Peaceful Coexistence (1954) and the Eight Principles for Economic Aid and Technical Assistance (1964), still form the foundation of China's approach with the BRI. These principles emphasise mutual

43 Mardell, Jacob. “A Bridge Bid Too Good to Be True.” Berlin Policy Journal, February 28, 2022. <https://berlinpolicyjournal.com/a-bridge-bid-too-good-to-be-true> (accessed September 10, 2024).

44 Hale, Thomas, Chuyu Liu, and Johannes Urpelainen. Belt and Road Decision-Making in China and Recipient Countries: How and To What Extent Does Sustainability Matter? Washington, DC: ISEP and Blavatnik School of Government, April 2020.

45 The State Council Information Office of the People's Republic of China. *China and the World in the New Era*. Beijing: The State Council Information Office, September 2019. http://english.scio.gov.cn/2019-09/28/content_75252746_3.htm (accessed September 10, 2024).

respect for sovereignty, equality, and providing aid without conditionality, distinguishing China's approach from Western conditional aid models.

These principles extend to its institutions, which abide by the "host country principle," meaning that they follow the standards of the host country rather than imposing their own.⁴⁶ Additionally, Chinese policy banks have historically adopted a risk-tolerant approach to lending, incentivised by the security of state support and a mandate that is not focused on immediate returns.⁴⁷

Of course, it is not entirely accurate to say that Chinese development cooperation is not conditional. A significant condition of BRI cooperation is that Chinese firms benefit. Additionally, China places political conditions on cooperation. These political conditions revolve around issues sensitive to the CCP, such as relations with Taiwan and human rights violations in Xinjiang, but they are never strictly defined, providing a general incentive to align with China.

Beijing employs both carrot and stick to encourage alignment with its policies. On the coercive side, it uses economic tools to exert pressure, as seen in the case of Lithuania after it allowed the opening of a Taiwanese representative office in Vilnius.⁴⁸ Conversely, Beijing rewards countries that back China in international forums and endorse its policy concepts. For example, Serbia and Hungary, which have taken strong pro-China stances, have benefited from substantial Chinese investment.⁴⁹

However, these conditions are entirely self-serving and do not set high barriers to access. Some countries may find it difficult to compromise their values in order to gain access to opportunities, but the decision to do so requires little capacity or institutional will.

1.7 – Not a fixed-target

AidData, the most comprehensive and reliable source for Chinese official financial flows, provides data up to the year 2021. However, public perceptions of the initiative lag even further behind these numbers, which show a marked decline in lending since a peak in 2016.

Among some commentators, a more up to date, yet still incomplete image of the BRI's irrelevance has taken hold. In late 2020 the Financial

46 Larsen, Mathias Lund, Tancrede Voituriez, and Christoph Nedopil. "Chinese Overseas Development Funds: An Assessment of Their Sustainability Approaches." *Journal of International Development* 36, no. 5 (2023): 1–15. <https://doi.org/10.1002/jid.3778> (accessed September 10, 2024).

47 Kaplan, Stephen B. "The Rise of Patient Capital: The Political Economy of Chinese Global Finance." 2018. <http://dx.doi.org> (accessed September 10, 2024).

48 Andrijauskas, Konstantinas. "An Analysis of China's Economic Coercion Against Lithuania." Council on Foreign Relations, March 28, 2022. <https://www.cfr.org/blog/analysis-chinas-economic-coercion-against-lithuania> (accessed September 10, 2024).

49 Boyse, Matthew. "China Increasing Its Bets on Hungary and Serbia." Hudson Institute, July 22, 2024. <https://www.hudson.org/trade/china-increasing-its-bets-hungary-serbia-matt-boyse> (accessed September 10, 2024).

Times published an article titled "China pulls back from the world."⁵⁰ The piece was backed by data that shows a sharp decline in the dollar amount of loans from CDB and Chexim.

Besides a fall in the absolute volume of policy bank lending, commentators have also observed that the BRI's value as a policy slogan has also declined, with Xi Jinping putting his weight behind newer policy initiatives like the "Global Development Initiative."

However, it would be a mistake to interpret these developments as a Chinese retreat from the world – as the Chinese economy falters and tensions with the West rise, good relations abroad have become more, not less important to Beijing. Likewise, while the BRI's star may have waned, it has been written into the Chinese Communist Party (CCP) and is still listed first in joint-statements with China. Instead of disappearing, new meanings will simply be affixed to the overall concept.⁵¹

The decline in policy bank loans was the result of several factors, including: a drop in China's foreign exchange reserves; greater caution on the part of borrowing countries; and a major reevaluation by Chinese banks of their risk tolerances. The latest data shows a modest recovery in loans from lows during the COVID-19 pandemic, but we are unlikely to ever see a return to the colossal sums borrowed during the BRI's peak.⁵²

If we think of the BRI in terms of trade statistics, greenfield investment, construction contracts, the proliferation of Chinese technological standards, or even if we focus on commercial rather than policy bank loans, we get a more positive impression of the BRI's longevity.⁵³

The post-2019 phase of the BRI emphasises «small and beautiful» projects, which are more limited in scale but supposedly still high impact.⁵⁴ There is also an increased focus on green and digital initiatives, improved risk management mechanisms, and a greater openness to new forms of financing.

Additionally, the BRI has expanded its emphasis on softer dimensions, such as people-to-people connectivity. For instance, the establishment of Chinese funded vocational training schools known as "Luban Workshops" has expanded dramatically in recent years.⁵⁵

50 "China Pulls Back from the World: Rethinking Xi's 'Project of the Century'," *Financial Times*, accessed July 31, 2024, <https://www.ft.com/content/d9bd8059-d05c-4e6f-968b-1672241ec1f6>.

51 "Is China's Belt and Road Initiative Slowing Down?", *The People's Map of Global China*, accessed July 31, 2024, <https://thepeoplesmap.net/2021/06/21/is-chinas-belt-and-road-initiative-slowing-down/>.

52 Boston University Global Development Policy Center. "Chinese Loans to Africa Database." Boston University, 2023. <https://www.bu.edu/gdp/chinese-loans-to-africa-database/> (accessed September 10, 2024).

53 "Belt and Road Initiative: Down and Out?", *Rhodium Group*, accessed July 31, 2024, <https://rhg.com/research/bri-down-out/>.

54 Li, Coco. "China's Belt and Road Initiative to Pursue 'Small but Beautiful' Projects as Strategy Turns 10." *South China Morning Post*, March 14, 2023. <https://www.scmp.com/economy/china-economy/article/3213479/chinas-belt-and-road-initiative-pursue-small-beautiful-projects-strategy-turns-10> (accessed September 10, 2024).

55 Dou, Eva, and Meaghan Tobin. "Winning Friends by Training Workers Is China's New Gambit." *The Washington Post*, October 25, 2023. <https://www.washingtonpost.com/world/interactive/2023/china-luban-workshops-global-influence/> (accessed September 10, 2024).

The decline in policy bank loans has also been accompanied by efforts to develop more sophisticated risk evaluation mechanisms under the BRI. Environmental Social Governance (ESG) standards have also come into focus, notably with Beijing's issuance of the «Green Development Guidelines for Overseas Investment and Cooperation» in 2021.⁵⁶ Chinese banks are increasingly incorporating ESG criteria into their decision-making processes, and there is data to suggest that Beijing has become more effective in managing ESG risks.⁵⁷

The BRI is not a fixed target. It is constantly evolving, and the EU risks responding to an outdated version of the initiative rather than addressing its current form and emerging challenges. To remain effective, the EU must focus on responding to the BRI as it exists today, not on past perceptions or earlier versions of the initiative.

⁵⁶ Ministry of Commerce and Ministry of Ecology and Environment of the People's Republic of China. Green Development Guidelines for Overseas Investment and Cooperation (English Translation). Translation hosted by ClientEarth, July 2021. <https://www.clientearth.org/latest/documents/green-development-guidelines-for-overseas-investment-and-cooperation-english-translation/> (accessed September 10, 2024).

⁵⁷ Parks, Bradley C., Ammar A. Malik, Brooke Escobar, Sheng Zhang, Rory Fedorochko, Kyra Solomon, Fei Wang, Lydia Vlasto, Katherine Walsh, and Seth Goodman. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary, November 2023. <https://www.aiddata.org/publications/belt-and-road-reboot> (accessed September 10, 2024).

Section Two: Over the Past Ten Years, the BRI has...

2.1 – Increased China's visibility, for better and for worse

Despite being poorly defined, China's Belt and Road Initiative has achieved a remarkable level of brand recognition since its launch. Policymakers across the world recognise the Belt and Road, even if they still struggle to define it.⁵⁸ For better and for worse, the BRI has provided China with greater visibility as a global investor and development actor.

In what China describes as the "Global South," especially Africa, the BRI narrative has been broadly well received.⁵⁹ High-profile BRI projects have provided tangible support to Beijing's claim that it is a leader of the "Global South," while the BRI has emerged as an important pillar of South-South diplomacy. Flagship projects like the Mombasa-Nairobi railway in Kenya are highly visible and are clearly associated with China in the public imagination.

But while the BRI's reception has been broadly positive in developing countries, the BRI's visibility has also invited scrutiny from the West and amongst OECD members like Japan and Korea.

Europe's initial reception to the BRI was cautiously warm, but as EU-China relations frayed, Brussels began sensing that the initiative was more challenge than opportunity.⁶⁰ Just as China's industrial strategy "Made in China 2025" alerted established industrial powers like Germany to the true scope of China's ambitions, the BRI eventually provided a focal point for concerns about China's increasingly assertive foreign policy.

2.2 – Created a sense of partnership and host country agency

Although public opinion is not a zero-sum competition between China and the West, the BRI is defined in contrast to Western development finance. Respondents in developing countries are not naïve about Beijing's intentions or power disparities with China, but they do contrast the BRI with a Western development approach they criticise as paternalistic and overly prescriptive.⁶¹

58 AidData. "The BRI at 10: A Report Card from the Global South." AidData, October 10, 2023. <https://www.aiddata.org/blog/the-bri-at-10-a-report-card-from-the-global-south> (accessed September 10, 2024).

59 AidData. "The BRI at 10: A Report Card from the Global South." AidData, October 10, 2023. <https://www.aiddata.org/blog/the-bri-at-10-a-report-card-from-the-global-south> (accessed September 10, 2024).

60 Mardell, Jacob. "Exit the Dragon: As Britain Sanctions Chinese Cyberattackers, Europe Starts to Break with Xi's Pet Funding Project." The New European, March 30, 2024. <https://www.theneweuropean.co.uk/xi-jinping-cyber-attack-british-politics-uk-westminster/> (accessed September 10, 2024).

61 Author's interviews with subject matter experts in Ghana, Kenya, South Africa, Nigeria, Malaysia, Morocco, and Chile.

The BRI does in fact come with strings attached, but these differ from Western conditions in that they are self-serving, rather than rooted in principles that are held to be universal. Even when Western conditionality involves practical considerations, like the economic feasibility of projects, it operates under the assumption that the lending institution's standards are universally valid.

In contrast, the conditions Beijing places on cooperation revolve around Chinese interests. The BRI is transactional and self-serving, but this is also part of its appeal. That Beijing seeks to benefit from BRI projects is a necessary condition of it being what Beijing calls "win-win" cooperation. To a large extent, the paradigm of partner-partner exchange is preferred to donor-recipient dynamics.

Beijing claims to help partners in treading a "development path" suited to their "national conditions," and it places a great deal of emphasis on aligning, or "docking" the BRI with national initiatives such as Nurly Zhol in Kazakhstan and the Build Build Build program in the Philippines.

Beginning from partner country wishlists, Chinese institutions then set a lower bar than Western development institutions for projects, with less rigorous environmental standards or requirements for economic viability. This contributes to a developed sense of host country agency within the BRI.

Of course, this approach also comes with significant downsides, which will be discussed in section 2.4.

2.3 – Provided fast, accessible infrastructure

Beyond the impact that fewer conditions and standards have on perceptions of the BRI, they also make Chinese finance more accessible to host countries.

Firstly, more risk-tolerant Chinese institutions have acted as creditors of last resort, stepping in to fund projects deemed too risky by other financial institutions. Secondly, China imposes less stringent due diligence procedures and does not enforce the «gold-plated» social and environmental safeguards that are standard among Western DFIs. This provides access to finance for countries with limited institutional capacity to jump through hurdles set by Western financial institutions.

This means that countless high priority infrastructure projects have been facilitated by the BRI that would have otherwise gone unbuilt. In the past, more risk-tolerant Chinese institutions have also acted as creditors of last resort, stepping in to fund projects deemed too risky by other financial institutions.

Due to their late internationalisation, intense domestic competition, and state support for outward investment, Chinese companies are also more inclined than Western counterparts to explore risky markets that other international firms typically avoid.

At other times China actually serves as a first option lender due to its ability to deliver projects quickly, making it an attractive partner for countries needing rapid infrastructure development.

China's speed of delivery is also partly a consequence of lower standards, which reduce the time required for proposal approvals and lessens the bureaucratic burden on the borrower. By encouraging and in most cases requiring a Chinese company to build the project, BRI also provides a package deal that eliminates the need for lengthy tendering processes. Once construction begins, Chinese companies are also noted for their fast work pace.

Of course, this model has downsides, such as potential environmental and lifecycle costs and increased risks of corruption. But despite these risks, the speed of delivery offered by Chinese companies is a compelling advantage, particularly appreciated in democratic countries where politicians seek to complete projects within election cycles.⁶²

2.4 – Suffered from an accountability deficit

An assessment of individual BRI projects provides a very mixed view of the initiative. In countries where governments borrow for economically viable projects and have sufficient regulations and the capability to enforce them, BRI projects have a largely positive impact. In countries where corruption is endemic and elites borrow for vanity projects, BRI capital is liable to make matters much worse.

Sri Lanka under President Mahinda Rajapaksa provides a prominent example. Loans were granted for Hambantota Port and Mattala Rajapaksa International Airport not because they were particularly bankable projects, but because Beijing chose to indulge the President's wishes to bring development projects to his home district.⁶³

The fundamental problem with BRI projects is a lack of accountability in countries that do not themselves provide sufficient oversight.

The BRI has faced significant criticism in the West, particularly from the U.S., for deliberately fostering dependencies through "debt-trap diplomacy" and for leading to environmental, social, and governance (ESG) issues.⁶⁴

62 Interviews conducted by author with respondents in Kenya and Nigeria.

63 Mashal, Mujib, and Skandha Gunasekara. "Lavish Projects and Meager Lives: The Two Faces of a Ruined Sri Lanka." *The New York Times*, May 29, 2022. <https://www.nytimes.com/2022/05/29/world/asia/sri-lanka-rajapaska-hambantota.html> (accessed October 23, 2024).

64 Hillman, Jonathan E. "The Rise and Fall of the Belt and Road Initiative." *Council on Foreign Relations*, September 15, 2021. <https://www.cfr.org/blog/rise-and-fall-bri> (accessed September 10, 2024).

But rather than malevolent, it would be more accurate to characterise the BRI as amoral. The “debt-trap diplomacy” argument, that China deliberately ensnares countries in debt so as to gain concessions, has been thoroughly debunked by numerous studies.^{65 66 67} While BRI loans have contributed towards precarious debt situations for some countries, evidence suggests this is more likely a result of unintended consequences than a deliberate strategy.

The most often cited evidence of Chinese debt trap diplomacy is the case of Hambantota Port in Sri Lanka, which involved a Chinese SOE securing a 99 year lease in return for debt relief. This case remains an extreme outlier and most debt renegotiations with China result in extensions of repayment periods or refinancing rather than asset seizures.⁶⁸ Even in the case of Hambantota, China’s gains from the lease were overshadowed by the significant reputational damage caused by accusations of debt-trap diplomacy.

ESG concerns about the BRI are legitimate, but also stem from negligence rather than intentional harm.

Since the BRI promotes a Chinese-led global order, Beijing has a clear incentive to ensure projects proceed smoothly to avoid reputational damage and bolster its influence. Beijing has responded to BRI criticism by emphasising the initiative’s “clean” and “green” credentials, stressing its alignment with sustainable development goals. It has also begun incorporating ESG considerations, evidenced by several policy documents and initiatives, such as the Green Investment Principles.⁶⁹ However, critics argue that while these steps indicate a promising direction of travel, they lack robust enforcement mechanisms.⁷⁰

The same *laissez-faire* governance approach that has added appeal to the BRI is also responsible for the debt burdens, corruption, delay, and environmental hazards associated with some BRI projects.

The infamous Chinese-built highway in Montenegro provides another

65 Himmer, M., and Z. Rod. “Chinese Debt Trap Diplomacy: Reality or Myth?” *Journal of the Indian Ocean Region* 18, no. 3 (2022): 250–272. <https://doi.org/10.1080/19480881.2023.2195280> (accessed September 10, 2024).

66 Jones, Lee, and Shahar Hameiri. “Debunking the Myth of ‘Debt-trap Diplomacy.’” Chatham House, August 2020. <https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy> (accessed October 23, 2024).

67 Brautigam, Deborah. “A Critical Look at Chinese ‘Debt-trap Diplomacy’: The Rise of a Meme.” *Area Development and Policy* 5, no. 1 (2019): 1–14. <https://doi.org/10.1080/23792949.2019.1689828> (accessed October 23, 2024).

68 Kratz, Agatha, Allen Feng, and Logan Wright. “New Data on the ‘Debt Trap’ Question.” Rhodium Group, April 29, 2019. <https://rhg.com/research/new-data-on-the-debt-trap-question/> (accessed October 23, 2024).

69 Sun, Yixian, and Bowen Yu. “Greening China’s Belt and Road Initiative: From Norm Localization to Norm Subsidiarity?” *Global Environmental Politics* 23, no. 1 (2023): 91–116. https://doi.org/10.1162/glep_a_00685 (accessed September 10, 2024).

70 World Economic Forum and PwC China. *Advancing the Green Development of the Belt and Road Initiative: Harnessing Finance and Technology to Scale Up Low-Carbon Infrastructure*. Geneva: World Economic Forum, January 2022. <https://www.weforum.org/publications/advancing-the-green-development-of-the-belt-and-road-initiative-harnessing-finance-and-technology-to-scale-up-low-carbon-infrastructure/> (accessed September 10, 2024).

good example. The \$1 billion dollar, 42km highway was a personal project of Milo Đukanović, former President and leading figure in Montenegrin politics since the country's independence. The project was turned down by other international financial institutions, including the European Bank for Reconstruction and Development (EBRD), which suggested building smaller fast-roads instead of the unnecessarily expensive highway.⁷¹

Đukanović was eventually able to secure a loan from Chexim on the condition that the billion dollar contract was given to a Chinese company. The highway was successfully built, but led to serious debt distress for the small country, which had a GDP in 2014 of roughly four times the value of the loan. The Montenegrin government also failed to hedge against currency fluctuations or include necessary works in the original contract, leading to unanticipated costs. Additionally, local NGOs have also alleged corruption in the handling of subcontracts and the Chinese contractor has been investigated for environmental damage caused to the UNESCO-protected Tara river basin.⁷²

The project is not the most egregious example of harm caused by the BRI, but it neatly demonstrates the BRI's accountability deficit. The negative impacts caused by the project could have been avoided with better decisions and governance in the host country, while the Chinese institutions involved simply prioritised their own interests.

Interestingly, public opinion in host countries is often quite forgiving of Beijing's role in BRI controversies, resorting instead to familiar disappointment with local governments.⁷³ However, this does not excuse Beijing from its responsibilities. While the Chinese response to concerns about the economic viability of BRI projects is that host countries should be allowed the agency to make decisions about their economy, Beijing clearly has a responsibility to ensure the success of projects branded as part of a "global public good."

China's lending boom has contributed to debt distress in multiple recipient countries.⁷⁴ BRI countries are now more careful about borrowing from China, while Chinese policy banks themselves are significantly more thoughtful in their understanding of risk. The days of profligate Chinese lending are over, largely due to course correction and a tacit admission of past failures.

The BRI is also plagued by an almost total lack of transparency that frustrates host country governments. China does not publish data on aid

71 Mardell, Jacob. "A Road that Divides as Much as It Connects." Berlin Policy Journal, June 27, 2019. <https://berlinpolicyjournal.com/a-road-that-divides-as-much-as-it-connects/> (accessed September 10, 2024).

72 Grgić, Mladen. "Chinese Infrastructural Investments in the Balkans: Political Implications of the Highway Project in Montenegro." Journal of Balkan and Near Eastern Studies 20, no. 1 (2018): 42–60. <https://doi.org/10.1080/21622671.2017.1359106> (accessed September 10, 2024).

73 Interviews with experts in host countries conducted by the author.

74 Green, Mark A. "Debt Distress on the Road to 'Belt and Road'." Wilson Center, January 16, 2024. <https://www.wilsoncenter.org/blog-post/debt-distress-road-belt-and-road> (accessed September 10, 2024).

or official financial flows, nor on BRI projects, making it difficult for even the governments of host countries to keep track of their own financial commitments from China and BRI projects.⁷⁵

Despite intense efforts by Beijing to counter criticisms of the BRI on a rhetorical level, it remains to be seen precisely how far Beijing is capable of plugging the accountability deficit along the BRI.

2.5 – Failed to deliver on grand promises

The BRI has also failed to deliver on its grand promises of regional economic revitalisation, policy cooperation, and the co-creation of grand economic corridors. Again, *laissez-faire* governance factors into this failure.

The BRI's ad-hoc flexibility and demand-driven delivery has led to the construction of many useful infrastructure projects, but these were selected and built largely in isolation from one another.

Many of these projects contribute to the general goal of greater connectivity, but unlike an initiative such as the EU's Trans-European Transport Network, they were not conceived of as part of a wider pipeline of projects. Neither were they selected through any type of regional mechanism – instead the BRI is either a bilateral state-state process or a negotiation between various smaller Chinese and local entities.

Despite policy cooperation featuring alongside infrastructure in the BRI's priorities, the key achievements that Beijing boasts of under this heading are the memoranda signed with China on “jointly building” the BRI, as well as the inclusion of “core concepts” in the outcome documents of international institutions like the United Nations.⁷⁶ This shallow understanding of policy cooperation reflects how the BRI functions at an abstract, conceptual level, rather than as a concrete mechanism for coordinating infrastructure projects.

Cross-continental connections such as the “Europe-China Railway Express” or the “China-Europe Land-Sea Express Line” from Chinese-owned Piraeus Port in Greece to Central Europe have made little progress.⁷⁷ Focusing instead on gathering political endorsements, the BRI has been unable to provide a platform for the “softer” institutional infrastructure necessary to facilitate cross-border connectivity.

Other sub-projects of the BRI, such as Industrial Capacity Cooperation

75 Crabtree, James. “China Needs to Make the Belt and Road Initiative More Transparent and Predictable.” Chatham House, April 2019. <https://www.chathamhouse.org/2019/04/china-needs-make-belt-and-road-initiative-more-transparent-and-predictable> (accessed September 10, 2024).

76 CCTV News. “习近平的足迹 | 心系西部情满凉山.” CCTV, August 21, 2018. <https://news.cctv.com/2018/08/21/ARTIrfNQPkA066uHQmgLdQ8o180821.shtml> (accessed September 10, 2024).

77 Hu, Yongqi. “Li Calls to Accelerate China-Europe Land-Sea Express Line.” China Daily, November 29, 2017. https://www.chinadaily.com.cn/china/2017-11/29/content_35118630.htm (accessed September 10, 2024).

(ICC) in Central Asia have stumbled, caught up in local bureaucracy and corruption. The China-Pakistan Economic Corridor (CPEC) has suffered a similar fate – conceived of as a grand, three stage economic project, progress has been hampered by security threats, but also by a myriad of local political and economic issues apparently unforeseen by Beijing.⁷⁸ Like much of the BRI, it was an optimistic – perhaps slightly naïve vision – that Beijing lacked the experience or institutional capacity to deliver.

2.6 – Proved a potent economic tool

The BRI has been much more successful as a means to achieve specific Chinese interests. Transactional, flexible, and backed by the might of Chinese capital and industry, it has proved an effective tool in encouraging alignment with Chinese policies.

As outlined in section one, the BRI is more transactional than necessarily strategic. Through the BRI, Beijing retains a great deal of flexibility to trade development finance for Chinese interests such as access to critical raw materials. The BRI's state-led, but decentralised governance also permits a high degree of ad-hoc flexibility – it can evolve and adapt without a fixed blueprint, allowing it to respond to changing circumstances.

The BRI has made at least some headway in achieving all of the various policy goals we might ascribe to the initiative, from securing strategic resources to promoting the internationalisation of the Chinese currency, but its clearest broad policy success has been in helping increase the global footprint of Chinese firms.

BRI financing has elevated certain state champions to market-dominant positions and provided growth opportunities for smaller enterprises that enter on these firms' coattails.⁷⁹ For instance, COSCO Shipping and China Merchants Group have significantly expanded their overseas terminal portfolios under the Maritime Silk Road initiative. COSCO has become the world's second-largest terminal operator and one of the largest container shipping companies globally.^{80,81}

In the construction sector, the state-owned giant China Communications Construction Company (CCCC) has climbed from the 10th to the 3rd position on ENR's list of top 250 international contractors between 2012 and 2022.⁸² Similarly, BYD, a private firm, has leveraged the BRI to

78 Quwa Team. "Why CPEC Went Wrong for Both Pakistan and China." Quwa, January 15, 2023. <https://quwa.org/quwa-premium-excerpt/why-cpec-went-wrong-for-both-pakistan-and-china-2/> (accessed September 10, 2024).

79 Gamso, Jonas, and Matthew H. Moffett. "Unraveling the Belt and Road Initiative: China's 'Building Out' Strategy." *East Asia* 40 (2023): 21–36. <https://doi.org/10.1007/s12140-022-09394-1> (accessed September 10, 2024).

80 "Top 10 Port Operators In the World," *Daily Logistics*, accessed July 31, 2024, <https://dailylogistic.com/port-operators-2022/>.

81 COSCO SHIPPING: The Most Popular Pioneer of Global Shipping," *Dfreight*, July 30, 2022, accessed July 31, 2024, <https://dfreight.org/cosco-shipping-the-most-popular-pioneer-of-global-shipping/>.

82 "ENR's 2022 Top 250 International Contractors," *Engineering News-Record*, accessed July 31, 2024, https://enr.ccccltd.cn/xwzx/ywfb/202209/t20220905_174858.html.

become the world's leading electric vehicle manufacturer, with a growing presence in emerging markets. ⁸³⁸⁴

83 Wenjia Cao, Ying Zhang, Bush Antony, "Belt and Road: A New Journey for Foreign Investment - A Case Study of the Internationalization Strategy of BYD," *Proceedings of the 3rd International Symposium on Asian B&R Conference on International Business Cooperation (ISBCD 2018)*, Atlantis Press, October 2018, accessed July 31, 2024, <https://www.atlantis-press.com/proceedings/isbcd-18/25900732>.

84 Jacob Mardell, "Leading the Charge: Chinese Electric Vehicles in the Global South," *Royal United Services Institute (RUSI)**, May 21, 2024, accessed July 31, 2024, <https://rusi.org/explore-our-research/publications/commentary/leading-charge-chinese-electric-vehicles-global-south>

Section Three:

How the EU Can Respond

3.1 – Paradigm shift towards a self-interested approach

China has emerged as the world's largest source of development finance offering loans with low concessionality, often tied to Chinese goods and services. Beijing has ruthlessly used the BRI to further its own interests and promote Chinese firms, all whilst selling the initiative as a “global public good,” increasing China's visibility and standing, particularly in the “Global South.”

Beijing's self-serving, transactional approach through the BRI has disrupted the «level playing field» established by status quo powers, necessitating a paradigm shift in how the EU approaches development finance and foreign economic cooperation. The EU does not take this decision alone – globally, development finance instruments are increasingly serving national interests, blurring the lines between trade and aid, while traditional rules and norms have given way to competitive manoeuvring.

The GG strategy is still a work in progress and many people, even in Brussels, struggle to articulate how exactly it is different to what came before. Combining pre-existing financial mechanisms, it is not concretely a stark departure from former policy. The GG is most significant in that it marks a shift in attitudes towards a more competitive, self-interested approach.⁸⁵

A key lesson that Brussels can take away from the BRI is that it pays off in multiple ways to be more transactional and upfront about European interests. Not only is a more transactional and assertive approach key to remaining competitive on an unlevelled playing field, but it is also a necessary condition of establishing more equal partnerships in what China calls the “Global South.”

The EU has already signalled a shift from a donor-recipient framework to a partnership model, as reflected in the renaming of Directorate-General for International Partnerships (DG INTPA). But for this shift to be more than rhetorical, the EU needs to recognise the role of self-interest in forming partnerships that are mutually beneficial. The EU must recognise itself as a partner, not a saviour, and seek economic opportunities, rather than fulfil moral obligations.

Self-interest does not mean abandoning EU values, but in an increasingly multipolar world – with China providing compelling, obligation-free alternatives – Europe must be realistic about the extent to which it is in a position to promote these values. It should continue to do so, but with an understanding that it is no longer in a position to dictate conditions. It

⁸⁵ Interviews by the author with Global Gateway stakeholders.

should also acknowledge that it carries a burden of proof to demonstrate the significance and utility of standards and values.

The idea of approaching partnerships with developing countries from a position of self-interest has prompted pushback from more traditional elements of the development community.⁸⁶ But looking beyond the debate whether the EU development policy has been primarily altruistic, in the first place, the shift to a more frank, self-interested approach is fundamental to finding Europe's new place in the world.

3.2 – Balancing agency and accessibility with accountability

Allowing self-interest to drive partnerships fills in one side of the “win-win” equation, but the EU should also allow partner countries a freer role in defining what their interests are.

A persistent characterization of development cooperation with China versus the EU is that Beijing is more receptive and the BRI more demand-driven. The EU's approach is perceived as less demand-driven because stringent standards and criteria filter out many requests. The EIB, for instance, will not proceed with projects that fail to meet its strict criteria on economic viability and ESG standards. The EU is also perceived to arrive at the table with more of its own ideas on how countries should develop, unlike China, which emphasises respect for each country's unique development path.

China's more laissez-faire approach allows partner countries to feel more in control. Lower Chinese standards and lack of oversight also provide much greater accessibility for partner countries.

Of course, the EU should not fully emulate China's laissez-faire approach. For the EIB, which has an AAA credit rating to protect, economic viability is understandably non-negotiable. China itself appears to be moving away from strict adherence to the host country principle in an attempt to plug the BRI's accountability deficit.

There is a difficult balance here to be struck between agency and accessibility on the one hand and accountability on the other. The GG does not suffer from an accountability deficit like the BRI, and it should not create one by rolling back standards and values.

Instead, the EU should make a greater effort to start from host country development priorities, rather than making its own assessment of host country needs. Like the BRI, GG should focus on “docking” with host country development plans, seeking to balance host country and European interests.

The EU should also focus on better balancing conditionality with impact,

⁸⁶ Interviews by the author with experts from European NGOs.

while lowering barriers to access for countries with limited capacity, while maintaining oversight and accountability mechanisms.

3.3 – The BRI narrative's advantages

The EU's Global Gateway has faced criticism for being merely a rebranding exercise, but the BRI itself is primarily a brand, and Brussels is right to think more carefully about marketing. For a long time, the EU has struggled with a lack of visibility on the global stage. Despite its significant contributions to global development, these efforts are often intangible and overshadowed by the more visible, Chinese-branded infrastructure projects under the BRI.

By consolidating various efforts under the Global Gateway brand and focusing on high-profile “flagship” infrastructure projects, Brussels aims to rectify the EU's “lack of visibility and recognition.”⁸⁷

However, Beijing does not deserve full credit for the BRI's narrative success and has benefited from circumstances that the EU might find difficult to replicate.

Firstly, the BRI is more than a brand – it is a central foreign policy concept, promulgated by the top leader in a Leninist party-state. The Chinese government actively lobbies for its inclusion in joint statements and international fora, and it is applied far more broadly than GG.

All Chinese stakeholders, whether national or local level, have a huge political incentive to brand their efforts under the BRI. A significant obstacle to the Global Gateway's visibility is fragmentation within the EU – for the initiative to succeed as a brand, it must be embraced at the member-state level. EU institutions include communication and visibility requirements in funding agreements, but there are insufficient incentives for EU member states and companies to brand their activities under Global Gateway.

Secondly, the BRI benefited significantly from its timing and China's position as a challenger to established global powers. The EU, by contrast, faces an incumbent disadvantage and, as the CCP might say, is perceived as being «on the wrong side of history.»⁸⁸

The BRI was washed in on the tide of the “East is rising, the West is declining” narrative, which gained traction as economic power shifted eastward—a narrative cultivated by Beijing.⁸⁹ For many countries, significant Chinese investment was a novel experience, and China's bold

87 Global Gateway: EU Unveils Plan to Rival China's Belt and Road. December 20, 2022. <https://www.politico.eu/article/global-gateway-european-union-launch-china-belt-and-road/>

88 Ministry of Foreign Affairs of the People's Republic of China. “Wang Yi: China and the United States Are Not in a Struggle for Power. The US Is Now on the Wrong Side of History.” August 31, 2020. https://www.mfa.gov.cn/eng/wjb/zjzg_663340/xos_664404/xwlb_664406/202406/t20240606_11404132.html (accessed September 10, 2024).

89 Buckley, Chris. “The East Is Rising: Xi Maps Out China's Post-Covid Ascent.” New York Times. March 3, 2021. <https://www.nytimes.com/2021/03/03/world/asia/xi-china-congress.html> (accessed September 10, 2024).

vision for growth was particularly appealing in the wake of the GFC.

Even in Africa, where China has a longer history of development cooperation, it was not a major economic player at the turn of the century and did not carry the historical baggage of European colonialism.

Rather than riding a rising tide, Global Gateway is being offered to the world at a time when the EU is facing war at its borders, high energy prices, steep demographic decline, political crises at home, a faltering economy, and a growing innovation gap.

The BRI's appeal owes much to China's position as a challenger to the status quo. Global Gateway is simply a renaming rather than a rebranding if it simply continues the same values-driven development narrative that has been used for decades. The EU doesn't need to abandon its values, but it must present them alongside a fresh, positive vision for development.

The EU also bears a significant burden of proof; it must overcome widespread anti-Western sentiment and the perception that European values are failing. Regardless of whether these perceptions are accurate, the EU must work harder than China to counter these views.

Thirdly, it is noteworthy that local politicians and media in partner countries have often done more to promote the BRI than China itself. In Serbia, for example, the BRI received widespread praise not due to Chinese propaganda, but because government media highlighted cooperation with China in order to increase the government's standing with domestic audiences.

China is sensitive to the interests of local politicians and part of the BRI's appeal is the offer of high-level face-time with leaders from small countries and significant, symbolic investments that politicians can showcase ahead of elections.

Beijing is not necessarily a better communicator than the EU – in fact, Chinese propaganda can often be very clumsy. However, Beijing is persistent and clear about the narrative it wants to propagate, while at the same time, host countries are incentivised to talk about the BRI and there has been organic interest in the narrative of China's rise.

3.4 – Flexible governance

The Chinese advantage that consistently emerges from observations of the BRI is the flexibility of Chinese actors—both government and companies are highly responsive and able to adapt to changing circumstances. Beijing's strength lies not just in its ability to enact long-term strategic plans, but in its capacity for ad-hoc deal making and flexibility.

To make Global Gateway an effective tool, aligning it with EU strategic thinking is insufficient. It must also be empowered to be more responsive

and adaptable. This will also enable the EU to be more transactional in its approach to GG.

Currently, projects identified and selected by the European Investment Bank (EIB) must align with the European Commission's Multiannual Financial Framework (MFF) and country-specific Multiannual Indicative Programmes (MIPs). While these frameworks provide opportunities for strategic planning, they lack the flexibility and pragmatic transactionality seen in the BRI. The MFF typically covers a seven-year period, and the MIPs usually span three to four years, with only limited opportunities for mid-term reviews and adjustments.

The EU should also consider decentralising aspects of the Global Gateway initiative. As explained below, this can be done by granting more decision-making power to EU delegations and businesses with local expertise.

3.5 – The EU's "Going Out"

The BRI is fundamentally a mercantilist endeavour, with Chinese central and provincial government officials actively identifying opportunities along the initiative's routes on behalf of Chinese enterprises. However, these enterprises, including private ones, are often proactive and invested in this process, sometimes acting independently of state support. Due to their late internationalisation and intense domestic competition, Chinese companies are more inclined to explore risky markets that Western firms typically avoid.

In Europe, the limited focus is on how the state can leverage private sector investment for development goals. The conversation should also address how European businesses can better understand and seize opportunities in emerging markets. Similar to how Brussels needs to rethink its global strategic opportunities, European companies must also be encouraged to «Go Out» and identify growth opportunities abroad. This involves educating and incentivizing companies to explore and invest in these markets.

De-risking is also an essential component of this strategy. Chinese companies benefit from a much higher tolerance of risk than Western firms. This difference is partly due to cultural and structural factors, but the massive support of Chexim and Sinosure clearly go a long way in mitigating risk.

The EU must also improve communication with enterprises and create more opportunities for them to influence the Global Gateway initiative. While European businesses are keen to participate, they often lack clear guidance on how to engage, and even industry federations struggle to articulate the specific opportunities Global Gateway offers. Smaller businesses, in particular, are left in the dark. GG has a Business Advisory

Group, but its role is limited to providing general advice.

A large part of the BRI's flexibility is afforded by the agency of Chinese enterprises. To mirror this flexibility and maximise the potential of Global Gateway, European businesses must be more involved and given a greater voice in shaping the initiative. The EU should leverage the expertise and on-the-ground insights of European companies, providing them with a platform to actively contribute to and shape GG's direction.

3.6 – Delivering policy cooperation

The EU should play to its strengths as an actor with a huge amount of institutional experience in cross-border connectivity. The EU can improve upon the BRI's accountability deficit and it can also do better than Beijing in delivering a platform for policy and trade cooperation. Where Beijing failed to deliver coordinated economic corridors and build institutions, the EU has the necessary expertise to succeed.

3.7 – The EU cannot rest on its laurels

The BRI is evolving. Beijing is placing a new emphasis on «small and beautiful» projects that often include a strong people-to-people dimension, such as its Luban Workshops. At the same time, it is increasingly emphasising technical assistance and training in its development cooperation. China has also become a leading destination for Africans seeking education abroad. In short, China is successfully gaining influence in the softer areas of connectivity traditionally thought of as the EU's domain.

The EU cannot hope to replicate the impact in infrastructure that China had in 2013-2017, but neither should it take for granted its current competitive advantages.

Europe remains strong in the digital and health sectors and has significant expertise in renewable energy. It excels in capacity building, regulatory frameworks, and sustainability, offering valuable contributions in these areas. However, China is rapidly catching up and refining its offerings. The perception that BRI projects provide a quick infrastructure fix at the cost of long-term sustainability has become outdated as the BRI navigates increasingly sophisticated ESG standards. This shift parallels the evolution of «Made-in-China» products, which no longer necessarily imply lower quality or cheaper prices.

Section Four: Lessons Along the BRI

4.1 – The paradigm shift

4.1.1 – Align the GG with domestic initiatives

In order that the GG continue to embody the paradigm shift to a more transactional, self-interested European approach, GG should be consciously aligned with domestic initiatives like the European Green Deal, the Digital Decade strategy, the New Industrial Strategy for Europe, and the EU's de-risking agenda.

4.1.2 – Remain open to moving GG coordination from DG INTPA to EEAS

Housing GG within DG INTPA aligns the initiative with traditional development thinking, but the future direction of GG's coordination may require further reflection. As external factors evolve, there may be value in considering whether shifting aspects of GG to the European External Action Service (EEAS) could better integrate it with the EU's broader foreign policy and strategic objectives. 4.2 – Balancing agency and accessibility with accountability.

4.2 – Balancing agency and accessibility with accountability

4.2.1 – Begin from host country development priorities

The EU should take host country development priorities as a starting point and seek to officially dock GG with national and local initiatives. Demand-driven cooperation should be emphasised internally as well as communicated in rhetoric around GG.

4.2.2 – Fast-track strategic projects

The EU should provide for a fast-track approval process for projects that meet urgent needs or have significant strategic importance. This approach has precedence, such as in the EU Critical Raw Materials Act, which caps permitting timelines for “strategic projects” and further expedites strategic projects with «overriding public interest.» This approach could apply to Global Gateway “flagship” projects, giving the designation real meaning.

4.2.3 – Reduce barriers by boosting capacity

Maintaining high standards is crucial, but a balance must be struck between stringent standards and timely delivery. Greater efforts should be made to streamline bureaucratic processes, while offering greater support to partner governments with limited capacity to navigate the complexities of stringent EU requirements.

4.3 – Lessons in marketing

4.3.1 – *Formulate a new narrative*

Rather than restate familiar values, the EU needs to articulate a fresh narrative alongside GG. This narrative should promote the image of a new, resurgent Europe capable of leading global progress. It should be a bold, forward-looking vision promising local job creation, industrialisation, and better integration with the European single market. At a time when China is doubling down on industrialisation, creating friction with partners in the “Global South,” the EU should emphasise compatibility in trade and investment between Europe and emerging markets.

4.3.2 – *Underlining that the GG and the BRI are not mutually exclusive*

Many countries deeply resent being cast as pawns in a competition between China and the West. Cooperating in the framework of the GG and the BRI should not be portrayed as mutually exclusive. The EU should pre-empt Beijing's claims of Western hostility by emphasising that the goal of the GG is neither to replace nor to compete with the BRI.

4.3.3 – *Better understand the interests of host country governments.*

While the EU should not follow China in funding vanity projects for the sake of winning over local elites, it should be more sensitive to the role local political interests play in promoting the GG by providing politicians with high-level facetime and publicity opportunities associated with the GG.

4.3.4 – *A delineated core initiative with a broad message*

The Chinese system is suited to vaguely defined political campaigns like the BRI, but such an approach is unlikely to be successful in the EU. Instead, the GG should be more narrowly focused and clearly delineated. The EU's currently expansive list of flagship projects should be limited to key, strategic priority projects that are given genuine priority.

This concrete core of the GG, can be accompanied by a “Global Gateway Approach,” similar to the “Silk Road Spirit,” and following from the “Team Europe Approach.” This Global Gateway Approach should guide the initiative and express the new, positive narrative suggested above.

4.4 – A more flexible GG

4.4.1 – *Perform more frequent reviews*

EU institutions require more flexibility in decision-making processes. More frequent review and adjustment periods should be introduced within the MFF and MIPs, allowing for quicker responses to changing global and regional conditions.

4.4.2 – Decentralise to EU delegations

The EU should emulate the BRI's flexibility by decentralising aspects of the GG and empowering EU delegations with local expertise to nominate projects to “flagship” status and tap into pools of funding. Flagship projects are already selected in coordination with delegations, but with a more streamlined, yet significant list of flagships, delegations should remain central to the selection process and be given even more weight in the selection process.

The GG can remain clearly structured and delineated, as per point 4.3.4., while also decentralising the selection process. Beyond the core flagship projects, GG can leave even greater flexibility for delegations to tailor their GG approach.

4.5 – Empowering European companies

4.5.1 – Set up a “one-stop” digital platform for businesses

The EU should provide an integrated digital platform where businesses can access information on funding opportunities, connect with relevant institutions, and propose project ideas. This service might build on the work of Germany Trade and Invest (GTAI), which currently provides the most sophisticated online service to (German) businesses interested in GG.

4.5.2 – Establish European credit agency and insurer

Discussions about establishing a European Credit Agency and a European insurer similar to Sinosure need to progress in order to provide much-needed support to handicapped European companies.

4.5.3 – An expanded Business Advisory Group

To support the vision of a European “Going Out,” the role of the Business Advisory Group (BAG) could be expanded, providing members greater access to decision-making processes and enabling them to propose concrete projects. Membership of this group should also be extended on a rotating basis to a greater number of smaller enterprises, with participation facilitated by the EU.

4.5.3 – Create a business partnership program for GG

The EU should also set up a business partnership programme dedicated to supporting private sector GG projects in emerging markets. This organisation might model itself on Finnpartnership, which is financed by the Ministry of Foreign Affairs of Finland.

4.6 – Delivering beyond the BRI

4.6.1 – *Establish showcase economic corridors*

Included within a more limited list of flagship projects, the EU should identify and showcase economic corridors that answer to European interests and partner country development priorities. These corridors should go beyond hard infrastructure, coordinating on trade and policy, with an institutional reality the current BRI lacks.

4.6.2 – *Invest in transparency*

Leveraging the transparency that the BRI lacks, the EU should focus on providing a digital window onto the GG, collecting far more detailed, concrete information than currently hosted on the GG web page.

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