# Chapter 11
# Reflections on the Belt and Road Initiative at Its 10th Anniversary

The Belt and Road Initiative (BRI) reaches the 10th anniversary of implementation in 2023. In 2013, Xi Jinping, China's President, announced the land-based "Silk Road Economic Belt" and the sea-based "Maritime Silk Road of the 21st Century" during his state visits to Kazakhstan and Indonesia, respectively. The land-based and sea-based initiatives were subsequently combined to form the Belt and Road Initiative, or BRI in short.

The BRI, which comprises various routes by land and by sea, is China's global outreach strategy for connecting China with the world (Yu 2019). A total of 150 countries (38 from Asia, 27 from Europe, 52 from Africa, 11 from Oceania and 22 from the Americas) and 32 international organisations had already signed up for China's BRI by December 2022. Although this documentation is not legally binding, such a positive global response lends credibility to the BRI. The BRI countries combinedly account for about 60% of global population and 40% of global GDP.

The world has seen the unfolding of a successive wave of competing regional and global initiatives, all of which aim to accelerate interregional connectivity through infrastructure investment and development. Examples include the Russia-led Eurasian Economic Union (EAEU), ASEAN-Korea Infrastructure Fund, Japan's Partnership for Quality Infrastructure, the European Union's Global Gateway plan and the G7 Partnership for Global Infrastructure and Investment (PGII). However, many of these competing connectivity initiatives are still at the vision stage, without concrete achievements. None of these initiatives so far have been able to compete with China's BRI from the perspective of the sheer scale, geographical coverage and geoeconomic influence (Yu 2022a).

China's BRI is perhaps one of the most prominent and ambitious infrastructure development initiatives in the history of the world (if not the most prominent). According to the "China Global Investment Tracker" statistics, worldwide Chinese investments and contracts under the BRI framework amounted to US$369.12 billion



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between 2013 and 2022 (American Enterprise Institute 2023). To promote the initiative to the world, the Chinese authorities have proactively mobilised various political, economic and diplomatic resources over the past decade. Other countries cannot match the huge infrastructure promises of China's aspirational BRI or the relentless pursuit of its execution.

The BRI is China's ambitious outreach to the world, which aims to forge better interregional connectivity through developing infrastructure projects and redefine China's relations with the BRI countries (Ebel 2023). The China-Laos Railway and the Mombasa-Nairobi Railway in Kenya, upgradation of Piraeus Port in Greece and the Lahore Rail Transit Line in Pakistan represent just a few among the hundreds of infrastructure projects completed and now operational under the BRI framework, which gives a glimpse of the initiative's current impact across the world in geopolitical and geoeconomic terms.

There are five components to the BRI, namely policy coordination, connectivity, trade, financial integration and people-to-people exchanges. The BRI is centred on physical infrastructure connectivity. The aim is to forge an extensive regional network of infrastructure, ranging from roads, railroads, airports, seaports to energy plants and digital communication facilities. Given the scope and scale of the Chinese-funded infrastructure projects along the Silk Road countries, BRI implementation is transforming the geoeconomic landscape in Asia and beyond.

China is a global champion for infrastructure financing and construction through leveraging its highly competitive manufacturing and construction industries. For example, in the field of technological capacity and infrastructure construction, fourteen Chinese construction firms are listed among the top 20 largest infrastructure contractors in the world. Chinese firms are not merely the leading players; in fact, China structurally dominates the global infrastructure construction industry.

BRI implementation so far has been executed mainly through the Chinese state-owned enterprises and banks. China's push for the BRI is driven by both domestic economic and global geostrategic factors. From the domestic perspective, the initiative is important for stimulating Chinese industrial and economic growth at home, to secure market access for the Chinese firms in the BRI countries. From the global geostrategic perspective, to accompany its economic rise, China is keen to play a key role in reshaping the international system and rules in China's favour. The BRI serves as an important platform for China to push for its ambitious agenda on regional and global governance reforms.

Against the backdrop of the changing global geostrategic landscape, centred on the strategic competition between the United States (US) and China, and the rippling effects of the global COVID-19 pandemic, China's aim is to use the BRI to mitigate the external shock and uncertainty by promoting close regional trade and economic integration via improving interregional connectivity.

The BRI is a modern version of the century-old Silk Road linking the vast Eurasian continent to East Asia. The BRI's historical association with the Silk Road would increase the appeal of participation among regional countries and beyond, encouraging China to utilise the BRI brand to boost its soft power abroad.

**Table 11.1** Estimated infrastructure needs by region, 2016–2030 (US$ billion in 2015 prices)

| Region | Projected annual GDP growth | 2030 UN population projection (US billion) | 2030 projected GDP per capita (2015 US$) | Climate-adjusted estimates | | |
|---|---|---|---|---|---|---|
| | | | | Investment needs | Annual average | Investment needs as % of GDP |
| Central Asia | 3.1 | 0.096 | 6202 | 565 | 38 | 7.8 |
| East Asia | 5.1 | 1.503 | 18,602 | 16,062 | 1071 | 5.2 |
| South Asia | 6.5 | 2.059 | 3446 | 6347 | 423 | 8.8 |
| Southeast Asia | 5.1 | 0.723 | 7040 | 3147 | 210 | 5.7 |
| The Pacific | 3.1 | 0.014 | 2889 | 46 | 3.1 | 9.1 |
| Asia and the Pacific | 5.3 | 4.396 | 9277 | 26,166 | 1744 | 5.9 |

*Source* Asian Development Bank (2017)

The initiative is President Xi Jinping's signature project, and it is directly associated with his legacy. The Belt and Road concept fits well into Xi's world view of "building a global community for a shared future". To borrow from Xi's own words: "China is willing to work with all sides to build a community with a shared future for mankind through the high-quality development of the Belt and Road cooperation". Followed the 20th National Congress of the CCP which was held in mid-October 2022, Xi's leadership and grip on the Party State have been further cemented by his gaining an unprecedented third term as the CCP general secretary.

Connectivity based on infrastructure development is the central pillar to China's BRI. It is the key selling point in encouraging the regional countries' participation. Many of the developing countries lack both technological know-how and the capacity to raise the significant amounts of capital to fund the required infrastructure projects. The developing nations desperately need foreign investments, production capacity and technological know-how in these industries as they hasten the pace of industrialisation and infrastructure upgrading.

As estimated by the Asian Development Bank, Asia and the Pacific countries will require over US$26.1 trillion for climate-adjusted infrastructure development up to 2030 (Table 11.1). No plan proposed by a single country or grouping could come close to filling the developing nations' infrastructure investment gap. Vast capital is required for infrastructure upgrading in developing nations, and the risks are high.

China had previously undergone spectacular economic growth since the reform and opening up policy in the early 1980s. Nevertheless, the Chinese economy has been continuing to slow down substantially since 2010. At home, the weakening of economic comparative advantages such as supplies of cheap skilled labour and land costs, population ageing and regional development disparity means that

China's economy is now facing significant headwinds from these challenging and long-standing structural issues.

Although the Chinese economy showed promising growth recovery in early 2022, with year-on-year quarterly growth of 4.8%, the local outbreaks of COVID-19 variants in several cities (e.g. Shanghai and Chengdu) still had an economic toll in that year and contributed further to curbing industrial output and domestic demand, putting severe downward pressure on economic growth. In July 2022, the World Bank downgraded its assessment of China's real economic growth rate to merely 3 per cent for 2022, primarily due to the pandemic outbreak and its Zero-COVID-19 policy. This is the lowest growth rate in over 40 years, excluding the growth rate of 2.2% recorded in 2020 during the initial pandemic outbreak in Wuhan.

China's economic slowdown has adversely affected the BRI, putting further strains on the initiative and forcing the Chinese authorities to recalibrate the scope and form of its implementation (Yu 2022b). The economic slowdown at home could make it hard for China to sustain its once rapid growth of lending associated with the BRI projects into the future. Although the grants and loans provided by the Chinese banks are essential in financing BRI-related infrastructure projects abroad, the need to prioritise domestic economic stability will force Chinese banking institutions to lend more domestically, rather than spending billions of dollars overseas as before. Furthermore, China's economic slowdown could generate negative spillovers for many countries' exports to China due to weakening domestic industrial production and decreasing consumption demands in China.

Meanwhile, many BRI countries have suffered as a result of the challenging global geostrategic environment and the domestic economic crises in the wake of the global coronavirus pandemic. Slowdown in BRI implementation is likely as some infrastructure projects currently under construction or at the planning stage may have to be scaled back or suspended indefinitely. These countries encounter difficulty in debt repayment for the Chinese-funded BRI infrastructure projects, which undermines their ability to host further BRI projects or even to contemplate massive capital expenditure on infrastructure construction.

For example, Sir Lanka, an important BRI country in South Asia, is facing its worst economic, political and social crisis in decades. It is struggling with repaying external loans and the interest associated with borrowing for infrastructure construction, partially deriving from BRI projects financed by Chinese firms and banks. In 2017, after failing to pay back its debt to China, Sri Lanka had no choice but relinquish control over its Hambantota Port to the Chinese firms and agreed to cede a fairly large chunk of nearly coastal land (approximately 15,000 acres) to the Chinese on a 99-year lease. The case of Hambantota Port has been widely reported by the international media and serves as a real-life lesson for other BRI countries seeking to avoid any similar situation when encountering domestic economic crises.

China is a major creditor of many BRI countries, such as Sir Lanka, Pakistan, Laos, Zambia, Angola, Kenya, Ethiopia and Myanmar. These countries' economies have been hit hard by the COVID-19 pandemic, which have further escalated their domestic economic and fiscal crises. According to the recent debt sustainability analysis by both the World Bank and International Monetary Fund, one-third of low-income developing countries participating in the initiative face a high risk of debt distress. Nearly two-thirds of emerging market economies that have embraced the initiative face rising debt vulnerabilities, which calls for critical scrutiny of countries whose debt exceeds the indicative threshold of 50% of GDP or whose total financing needs exceed 15% of GDP.

If more foreign governments follow the examples of Zambia and Sri Lanka and demand debt restructuring or ask for debt forgiveness, this could present a dilemma for China on making concessions to keep BRI projects alive or accept their termination in the recipient countries struggling with debt repayment.

BRI projects can significantly improve connectivity, boost trade, investment, economic growth and improve the living conditions of the recipient countries on a sustainable basis, but only if China is willing to collaborate with the BRI countries by allowing the participating economies to fully account for the potential costs of debt-financed infrastructure.

Reliable information on the financing terms and conditions for BRI infrastructure projects is currently scarce. In order to effectively address the issue of debt sustainability in relation to BRI infrastructure projects, China should address the issues of transparency and lending management. The lack of transparency surrounding the terms and scale of financing for the BRI poses serious risks to borrowing and creditor countries, and to the eventual success of the Initiative. Debt transparency is essential for borrowers and creditors to make informed decisions, ensure the efficient use of available financing and safeguard debt sustainability, as well as citizens' ability to hold governments accountable.

To promote sustainable BRI development, China should adhere to the guidance of the Belt and Road Debt Sustainability Analysis Framework (hereinafter referred to as the Analytical Framework) on overseas lending. The debt situation in borrowing countries and their prospects of repaying the debt incurred through BRI projects should be examined in detail, and transparency and debt sustainability analysis should be applied in relation to the BRI debt. The Analytical Framework, which was adopted after the second BRI summit in 2019, is based on the Debt Sustainability Framework (DSF) of the International Monetary Fund and the World Bank, taking into account the national conditions and development practices of the BRI countries.

China and 26 other countries have also jointly formulated the Guiding Principles for Financing the Belt and Road Projects, which clearly define the need to build a transparent, friendly, non-discriminatory and predictable financing environment, emphasise sustainable economic and social development and take into account debt sustainability when mobilising funds. In addition, private sector participation in the BRI financing through public–private partnerships can promote high-quality infrastructure development and enhance project financing transparency.

BRI implementation is likely to face more headwinds and challenges in the post-pandemic era, in view of the unfavourable global geostrategic environment and the Chinese economic slowdown. As the BRI approaches its 10th anniversary, it is at a crossroads.

Internally, China's self-imposed Zero-COVID-19 strategy (or the Dynamic Clearing policy) was another major challenge impeding Beijing's push for BRI implementation worldwide. In the face of surging COVID-19 cases and highly infectious virus variants, the Chinese central and local authorities had imposed draconian Zero-COVID policies to curb the virus's spread, including frequent city-lockdowns and sealing off the country physically from the world for almost three years. These strict lockdown and control measures had made it extremely difficult for Chinese officials, business executives and engineers to travel abroad to conduct in-person promotion and management of BRI projects, as well as causing disruption in supplies of critical raw materials and equipment for infrastructure construction projects.

The pandemic has also pushed up construction and labour costs of BRI infrastructure projects due to supply chain disruption, soaring energy prices and manpower shortages. For example, a budget overrun of the Chinese-funded Jakarta-Bandung high-speed rail project has been reported. The estimated construction cost for the 142-km-long high-speed railway has increased by 20% to US$7.9 billion.

From the external perspective, first, several countries in the region and beyond are pushing back against this initiative on the grounds that the BRI-affiliated infrastructure projects, funded by investments from China, are costly and impractical, with issues of corruption in internal transactions. In the perception of these recipient countries, the terms of their infrastructure deals favour China, leaving these countries to bear the financial burdens and risks.

BRI implementation also has been weak in terms of compliance with internationally recognised standards on such as transparency and open bidding, and social, labour and environmental protection. In addition, some BRI infrastructure projects have been scaled back or suspended amidst concerns over rising debts.

Second, excessive borrowing could pose a threat to financial sustainability and lead to a dependency trap. According to a paper published by the National Bureau of Economic Research, low-income countries that have encountered huge debt burdens associated with China's BRI investment include Laos, Pakistan, Mongolia, Kyrgyzstan and Djibouti (Horn et al. 2019).

Having said that, it is important to bear in mind that it is not a sin for developing countries to engage in growth-oriented infrastructure borrowing. A distinction must be made between use of debt as investment to remove growth bottlenecks or to support spending and consumption. Many low-income developing countries lack infrastructure development funds and can only borrow externally.

Since the BRI investments focus on infrastructure construction, the increase in debt of borrowing countries in the short and medium terms is conducive to their sustainable development in the long run through boosting trade and economic growth. After the infrastructure is built, the economy will develop faster, creating jobs, raising income levels and earning foreign exchange through exports. A virtuous circle could be embedded (Yu 2023).

Looking back on the Chinese development experience over the past four decades, the biggest bottleneck China has faced in its development which is infrastructure underdevelopment. Without infrastructure, there is no way to promote trade or develop an agricultural, manufacturing or service economy. From China's own experience, in order to develop, countries must first overcome infrastructure bottlenecks, which a Chinese saying encapsulates as "to get rich, build roads first".

As a World Bank report (2019) shows, the BRI transport corridor will help in two important ways: shortening transport times and increasing trade and investment. It is estimated that travel times could be reduced by up to 12% in countries along the transport corridor routes and by an average of 3% in the rest of the world, indicating that non-BRI countries and regions will also benefit.

External development financing is required for cash-strapped countries with underdeveloped infrastructure. It is perfectly normal for developing countries to seek to accelerate infrastructure construction using financing tools, given their huge investment needs and domestic financial restraints. The salient question is how to balance infrastructure development needs and domestic financial sustainability.

Third, Russia's war in Ukraine could also potentially cause collateral damage to the BRI, as China's land-based connectivity with the European Union via the China–Europe express may be jeopardised. The China–Europe Express is crucial for overland-based connectivity between China, Eurasian countries and the European Union. China has tried hard to support, promote and make it profitable since 2016. The value of goods transported by the freight trains was US$74.9 billion in 2021, with two-way trips reaching 14,000. Almost half of the routes and lines (78 lines reaching 180 cities in 23 European countries by 2021) pass through Russia. Due to the massive sanctions imposed on Russia, European firms may choose not to ship goods via Russia in the future. It is difficult for the freight rail service to operate along the Eurasian continent when there is a major war going on in Europe.

The strategic competition between China and the United States has prompted China to view Russia as one of its indispensable allies; preserving this strategic partnership has thus become crucial. From the long-term perspective, China's alignment with Russia through its refusal to condemn Russia's aggression in the Ukraine war has deepened the strategic distrust between China and Europe, making Beijing's BRI push in the European countries more challenging.

Nevertheless, neither the shift of the global geostrategic environment nor domestic economic slowdown will stop Beijing's will to push for BRI implementation. First, the developing BRI countries known as the Global South, from Asia to Africa, from the Pacific Islands to Latin America, are still facing bottlenecks for boosting trade within or across their borders due to chronic infrastructure shortage and underdeveloped interregional connectivity. Thus, the economic growth potential of the developing countries remains largely untapped, since infrastructure readiness lays the foundation for industrial take-off and economic prosperity. These countries are welcoming foreign investment, including the Chinese investment, in their infrastructure construction sector. The majority of the countries in the Global South have participated in the BRI and aligned with China's development agenda.

Despite the impact of the COVID-19 pandemic and the challenging global geostrategic environment, China's investment in the BRI countries has remained robust, and Chinese firms are still pumping money into the infrastructure projects abroad. According to official data from the Ministry of Commerce of China, Chinese direct investment to the BRI countries had increased from US$12.6 billion in 2013 to US$20.9 billion in 2022, accounting for 17.9% of China's total outbound direct investment.

Chinese construction companies have built new roads, rail lines, airports, seaports, power plants and 5G telecommunication facilities across the BRI countries since 2013. The annual growth of the contract values of new construction projects undertaken in the BRI countries was 10.2% between 2013 and 2020 (Ministry of Commerce of the People's Republic of China 2022). A case in point is the Port of Piraeus in Greece. Since a Chinese firm took over the operation and management of the port's terminals in 2016, this firm has invested in upgrading the port and related facilities. The port of Piraeus has now been transformed into one of the busiest commercial ports in the Mediterranean Sea and has become a poster child for the BRI.

Second, in response to the criticisms from the BRI countries and the shortcomings exposed by infrastructure project financing and construction, the Chinese authorities have adopted readjustment measures for its implementation over the past few years. For example, in response to pressure from the governments and local communities in the BRI countries, the Chinese firms have been more willing to employ local workers and provided skills training by setting up in various countries Luban Workshops, the Chinese version of vocational training colleges, named after a legendary Chinese craftsman.

China has been making efforts to modify the original initiative in the form of the BRI 2.0. The BRI 2.0 is intended to expand the Belt and Road cooperation to new areas such as the digital and health fronts in the BRI countries in the post-COVID-19 era, departing from the initial infrastructure-centred outreach approach. The BRI 2.0 also seeks to make Chinese-funded projects more commercially viable and financially sustainable for the recipient countries, as well as to promote greening and localisation of BRI projects. Moreover, China is encouraging the BRI countries to align their own development strategies with the initiative.

To reduce the domestic financial burden, China is shifting from a bilateral approach to a more multilateral approach to project financing through collaborating with multilateral development banks and private investors. To achieve sustainability of the BRI as a whole, China must focus more on sustainability of financing for developing nations along the BRI routes and lower the long-term financial impacts of loans for infrastructure projects. China is seeking to cooperate with participating countries and multilateral financial institutions to jointly enhance debt management capacity of the borrowing countries. It is therefore adopting "third-party market cooperation" as a flexible approach in its pursuit of cooperation with other countries under the BRI umbrella. However, making a break from the past unilateralism of the BRI is easier said than done.

Third, China has also made efforts to gradually institutionalise the initiative over the past several years. The Green Investment Principles (GIPs) for the Belt and Road, which were co-initiated between China and the United Kingdom, are a case in point. The GIP is a set of principles for promoting green investment in the BRI countries, and it includes seven principles at three levels, namely strategy, operations and innovation. The GIP has expanded its membership to 40 global institutions (including the big four state-owned commercial banks and two state policy banks in China) and 11 supporters from 15 countries[1] (although a few countries so far have not signed up for the BRI).

BRI projects are vulnerable to both geopolitical and geoeconomic risks, due to their lengthy gestation periods and high costs. BRI project implementation is affected by developments in bilateral relations, domestic situations in the host countries and external shocks such as the pandemic and the Ukraine war. It would be desirable for China and the BRI countries to jointly institutionalise the BRI-related collaboration mechanisms and framework in order to uphold policy continuity.

Fourth, the determination of the Chinese leadership and government to push for the BRI remains constant as the initiative enters its second decade of implementation. This determination appears primarily through its push for closer cooperation with the BRI countries and with the countries of Global South more generally. Xi Jinping calls for expansion of China's circle of friends, with the BRI central to this mission.

As the U.S.-China rivalry intensifies and China's relations with several traditional major trading partners, such as Japan and Canada, turn sour, the Belt and Road Initiative has apparently become even more important for China. China's trade, investment and economic ties with the BRI countries are the foundations of its global outreach.

Following the almost three-year-long imposition of the Zero-COVID-19 policy, in late 2022, the Chinese authorities suddenly shifted to a "live with COVID-19" strategy by lifting all restrictions and started to reopen the domestic economy and China's borders with the outside world. This policy shift will facilitate China's push for the BRI abroad and the Chinese companies' engagement in business overseas.

While the BRI has been a centrepiece of China's foreign policy initiative since 2013, it is not China's only outreach strategy. To advance its national economic interests and its geostrategic ambition, China has also become a key player in many regional cooperation institutions, such as BRICS, SCO and RCEP. China's endeavour to play a more influential role in both regional and global affairs is multipronged and extends beyond the BRI.

China will need to modify its model of BRI implementation in response to both internal and external challenges. China's engagement with opposition political parties, civil society, non-governmental organisations, media and business leaders of the BRI countries, which are beyond the orbit of government and ruling parties' control, has been limited. To succeed, it would do well to focus more on the economic benefits of overseas investment projects, the voices of the local communities and environmental sustainability. A balance will be required to secure win–win situations.

BRI infrastructure projects are built to benefit the interests of the many rather than the elite few. Therefore, thorough feasibility study of the BRI projects is needed, including the economic viability of the projects, their environmental and social impacts, as well as the debt sustainability of the recipient countries. BRI project design, planning and construction should integrate consultation with relevant local

[1] These fifteen countries include China, United Arab Emirates, Kazakhstan, Thailand, Morocco, France, Germany, Singapore, Pakistan, the United States, Mongolia, Japan, Luxembourg, the United Kingdom and Switzerland.

stakeholders and closer observation of BRI project implementation from the perspectives of the BRI countries should be encouraged. BRI countries have a vital role to play in shaping successful outcomes of BRI cooperation and implementation.

The BRI is an evolving strategy, and it has demonstrated to be incredibly adaptable and flexible in practice. To reassure the BRI countries of an equal partnership under the BRI framework and to promote the BRI's image of collective ownership of the international community, China is making efforts to erase the China-centric image associated with the initiative.

## 11.1 BRI Remains Central to China's Foreign Policy Agenda

The third Belt and Road Forum for International Cooperation (or the BRF in short) convened in Beijing from 17 to 18 October. This event was China's biggest diplomatic charm offensive in 2023. The message that Beijing wanted to send to the world is clear: don't bet on the BRI fading away. This initiative will continue to move forward as planned. On the part of the BRI countries attending the BRF event, it enables them to get a sense of how Beijing will promote the BRI and its provision of funding for the prioritised sectors when the BRI enters the second decade.

The BRI has been transformed from a regional infrastructure plan, designed to connect China with the Eurasian countries, to a global initiative aiming to support infrastructure project financing and construction in almost every corner of the world, and underdeveloped and developing countries in particular. The BRI has already in many ways reshaped the regional landscape of infrastructure financing and development for many BRI countries. China has used its rich capital reserves and infrastructure development expertise to tie together the BRI countries across the regions.

To that end, the BRI has been a success. In total, 152 countries had already signed up to the initiative by June 2023, the majority being Global South countries.[2] China regards the collective Global South countries which are crucial for its economic and diplomatic agenda. The improved infrastructure connectivity, ranging from railways, seaports, highways, airports to power plants, has thus helped to facilitate the bilateral trade between China and the BRI countries. China's influence in the region and the world has rapidly increased to accompany its push for BRI implementation.

International reactions to the BRI have been largely divided along geopolitical lines between the West and the Global South countries. Although many in the West criticise the initiative's shortcomings and suspect Beijing's geopolitical motivation behind its implementation, the Global South countries in general overwhelmingly support China's BRI and praise its achievements in improving infrastructure connectivity in the developing countries.

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[2] The term Global South countries broadly refer to developing and underdeveloped countries in Asia, the Pacific, Africa and Latin America.

Many have raised questions about the initiative's long-term sustainability amid the economic slowdown in China, the growing scepticism towards China's geopolitical ambitions, as well as the possible impact of the fast-changing global geopolitical environment. Nevertheless, the BRI remains central to China's foreign policy and its global outreach. It is the Chinese leader's belief that the BRI will not only bring benefits to the world but also to China's own development. President Xi explained this as follows: "as the saying goes, the one who gives roses to others will have the fragrance lingering on their hands", during his keynote speech to the 3rd BRF.

During the 3rd BRI, President Xi unveiled an eight-point action plan for the BRI implementation in the next decade, which covers the following major areas: first, China has committed to providing another RMB780 billion (or roughly US$107 billion) to fund the BRI for the next five years, including RMB700 billion financing windows from both the Export–Import Bank of China and the State Development Bank, which are two Chinese policy banks, and injecting RMB80 billion-yuan capital into the Silk Road Fund, which is a state-owned investment vehicle. All three are major Chinese financial institutions engaged in financing BRI-affiliated infrastructure projects.

Compared to the previous announcement made by President Xi during the first BRF in 2017, there is to be no scaling back of Beijing's ambitions for financing infrastructure projects for the developing countries under the BRI umbrella despite concerns over China's domestic economic slowdown and its various daunting external and internal challenges. It is unlikely that the West in general and the United States in particular can even attempt to match the size of Chinese investment to the developing countries under the BRI. Nevertheless, as many low-income and developing BRI countries are facing serious domestic economic and fiscal crises after the global COVID-19 pandemic, they now have much less capacity to host new BRI projects or take on additional Chinese lending affiliated with the BRI projects.

Second, China will be emphasising the construction of so-called "small but beautiful" projects in the developing countries as the BRI enters the second decade, in contrast to its focus on building mega infrastructure projects in the first decade. The "small but beautiful" projects, which are more financially and environmentally sustainable, will be able to bring more direct benefits to the locals in the recipient countries, in the forms of raising their income and improving their livelihood and local environment. To China, financing "small but beautiful" projects is a high-yield, low-investment and less risky option.

It signals that China might shift away from funding big-ticket infrastructure projects. The Chinese financial institutions have already learned the hard lesson that infrastructure financing and development in the developing countries are indeed difficult and risky. China's banks will in the future be more selective regarding their funding of infrastructure projects overseas. The new BRI-affiliated projects are expected to be more targeted, smaller in scale, cost-effective and lower risk. It is expected that China will focus on quality rather than quantity of BRI projects in its decisions on outbound investment and lending.

The BRI in the second ten years may focus on promoting standard-setting and strengthening skill training for the locals. It will prioritise funding for green and digital infrastructure projects by advocating for the green and Digital Silk Road.

Third, China will promote green development under the BRI framework. Leveraged on its strengths as the world's largest manufacturer for renewable energy equipment, such as solar panels and wind turbines, and its strong production capacity, China anticipates further promoting green infrastructure projects in order to facilitate exports of Chinese-made renewable energy products to the BRI countries. China has already recently announced removal of all restrictions in the manufacturing sector for foreign investment access.

Fourth, China will advance the DSR and promote the digital economy among the BRI countries. Chinese companies such as Huawei (the world's leading 5G telecommunication equipment manufacturer), Alibaba (the leading firm in e-commerce), ByteDance (the owner of social media TikTok) and Tensent (the maker of WeChat) are strongly competitive in digital industries such as 5G communications, e-commerce, big data and quantum computing. These Chinese high-tech firms need to unlock foreign market access to keep their revenue flowing and further enhance their international competitiveness. Beijing intends to use the DSR to cement its position as a leading international technology power through increasing digital access among the urban and rural population of developing countries (Sim 2023).

Many BRI countries are increasingly seeing the value that digital industries could bring to their economic and industrial growth. For example, in Southeast Asia, the leaders of both Malaysia and Indonesia have already said that their countries would like to work with China to expand cooperation in the digital economy. With the state's push for the DSR, Chinese firms are likely to receive more preferential state policy support and favourable lending from the Chinese state-owned banks in their bid to expand their business operations overseas.

The Chinese authorities have expressed their confidence to compete with the West-backed infrastructure development plans for the developing countries, in the fight for influence over the Global South. During the BRI press conference (Ministry of Foreign Affairs of China October 2023c), in response to a question from a Chinese journalist, Wang Yi remarked:

> We may as well compete internationally who can build more roads, railways and bridges for developing countries, and who can build more schools, hospitals and gymnasiums for the people in low-income countries. We are confident.

China will closely tie in its own development and expansion of its trade and investment with the Global South countries. The BRI in its second decade could be more consequential for the BRI countries and the world. On 18 October 2023, China's Ministry of Foreign Affairs concurrently published a list of 89 various multilateral cooperation documents and another list of 369 practical cooperation deliverables after the conclusion of the BRF event (Ministry of Foreign Affairs of China 2023a, b). Nevertheless, few of these documents or deliverables contain concrete, practical and substantial proposals.

Xi Jinping and other Chinese leaders view the Initiative as a valuable tool for projecting Chinese power and influence abroad amidst the intensifying power competition between China and the United States. With the advancement of the BRI, China's leader envisions promoting an alternative world order in China's favour to replace the rule-based liberal global order championed by the United States. As Xi (2023) clearly stated in his speech:

> The BRI promotes connectivity, mutual benefit, common development, cooperation and win-win outcomes. Ideological confrontation, geopolitical rivalry and bloc politics are not a choice for us. What we stand against are unilateral sanctions, economic coercion and decoupling and supply chain disruption.

Against the backdrop of the China-U.S. power rivalry and the deteriorating relations between China and the Western countries, to sustain Chinese economic growth and to ensure its economic security, Beijing is attempting to pursue a diversification strategy that will secure access to the BRI countries' markets for Chinese-made goods and Chinese capital while gradually reducing its dependence on the traditional markets in the West. For the Global South countries, China's offer of infrastructure financing and development is apparently more attractive than anything the United States and other Western countries can currently offer.

Although it will take a long time for the BRI countries to fully replace the markets in the Western countries, China's overall trade volume with the BRI countries has already substantially increased over the past decade. In 2013, China's exports and imports to the BRI countries amounted to US$569.19 billion and US$471.36 billion, respectively. By 2020, China's exports and imports to the BRI countries had risen to a record high of US$783.86 billion and US$569.91 billion, respectively. According to the data released by China's Ministry of Commerce (2021), in 2021, the BRI countries combinedly accounted for nearly 30% of China's total foreign trade.

The BRI is an evolving and adaptive concept and policy. The initiative will, in the second decade, not look the same as in its first decade. China's aim is for the BRI to be as flexible and inclusive as possible in order to meet the needs of participating countries in different regions. In the face of an evolving and adaptive BRI, the West will have to think hard on how to compete with China's BRI, economically as well as geopolitically, rather than just opposing it and hoping that it will diminish over time.

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