DEVELOPMENT FINANCING IN THE CONTEXT OF THE BELT AND ROAD INITIATIVE

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Executive Summary

1. Strengthening the financial collaboration of both governments and commercial/private capital is important to form an efficient Belt and Road Initiative (BRI) investment and financing system. Most BRI projects are funded by China’s banks, including policy banks such as China Development Bank and Export-Import Bank of China.

2. According to the World Bank, private sector participation can help to sustain the BRI in the long term. Increasing private sector participation requires BRI countries to improve the investment climate and reduce the risks facing potential investors.

3. The BRI has the potential to accelerate the economic integration and development of a large number of economies. However, the large cost of infrastructure projects raises concerns about the debt sustainability of some participating countries. These concerns are exacerbated by the limited transparency and weak economic fundamentals of these economies.

4. To ease concerns over the debt risks associated with the BRI, China committed to adopting a framework to ensure the debt sustainability of low-income BRI countries and to better manage debt risks at the April 2019 Belt and Road Forum.

5. The BRI aims to be an inclusive initiative promoting economic openness and global cooperation. To improve the sustainability of infrastructure investments, transparency in project planning, fiscal costs and budgeting, as well as in procurement, is important.

6. More transparency would increase the credibility of Chinese institutions and firms investing in BRI countries. It would help demonstrate that China can align its strategy more closely with the development goals and interests of BRI economies, as well as show that the initiative can bring growth and development opportunities in the long term.
7. The current US-China trade dispute increases the relevance of the BRI for China. Through the BRI, China could gain more allies and reduce its dependency on exports to the United States as trade tensions could persist long enough to reshape the global supply chain.

8. Since the BRI was launched, total trade between China and BRI economies had exceeded US$5 trillion from 2013 to 2018, with China becoming the largest trading partner of 25 countries along the Belt and Road.