Interpreting the official BRF Advisory council report for a more sustainable and green Belt and Road Initiative (BRI)

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Introduction

Leading up to the 2nd Belt and Road Forum from April 24-26, 2019 in Beijing, various working groups, think tanks and government agencies published accounts of the past achievements and challenges of the Belt and Road Initiative (BRI).

This article analyzes the suggestions of the Advisory Council of the Belt and Road Forum for International Cooperation (the BRF Advisory Council), which focused on improvement areas in their report "Belt and Road Cooperation: For a Better World". Particularly, this article elaborates on the report's suggestions and explains some possible backgrounds of the suggestions. This should help to improve the understanding of challenges and thus the successful acceleration of the Belt and Road Initiative. This article also adds three suggestions based on analyses of international reactions, news, opinions and research papers of the BRI that we believe would further strengthen the cooperation and outcomes of the BRI.

Background and Overview of BRI improvement suggestions by the BRF Advisory Council

Since the announcement of the Belt and Road Initiative in 2013, more than 100 countries have signed instruments of cooperation with China to promote the Belt and Road initiative. Today, the "total value of projects in the scheme stands at $3.67 trillion, spanning countries in Asia, Europe, Africa, Oceania and South America"[1]. While Chinese investments abroad and Chinese integration in the world economy has a 40 years history, it has particularly accelerated since the early 2000s. In 2013, much of Chinese overseas investments and political ambitions were summarized into "Belt and Road Initiative". China's ambitions within the Belt and Road Initiative include many countries, many industries and envisage a new global governance involving social, environmental, economic, and political agendas. The

[1] Brenda Goh and Cate Cadell, "China's Xi Says Belt and Road Must Be Green, Sustainable," *Reuters*, April 25, 2019, sec. Sustainable Business, https://www.reuters.com/article/us-china-silkroad/chinas-xi-says-belt-and-road-must-be-green-sustainable-idUSKCN1S104I.

BRI has increased hopes in many countries to accelerate infrastructure development, while other countries have intensified scrutiny on China's international ambitions and the Belt and Road Initiative in particular.

The Belt and Road Forum in April 2019 was thus used as opportunity to take stock of achievements and challenges that the 6-year-young initiative faces. The BRF Advisory Council was established during the 1st Belt and Road Forum for International Cooperation in May 2017 to give intellectual support to the Belt and Road Forum (BRF). As a non-profit, international policy advisory body, it consists of 11 members from international organizations (e.g. United Nations), research (e.g. National University of Singapore) and politics (e.g. former Foreign Minister of Russia). The members come from 10 countries in Asia, Europe and Africa, while China contributed two members. It was led by Shamshar Akhtar, former Executive Secretary of the Economic and Social Commission for Asia and the Pacific of the United Nations and Justin Yifu Lin, former Senior Vice President of the World Bank and Honorary Dean of national School of Development, Peking University.

The report recognized the contributions of the BRI to provide new sources of economic growth, to contribute to the 2030 Agenda for Sustainable Development and to remove infrastructure bottlenecks that impede growth. Looking at the next steps, the report highlighted seven priority areas for improving the Belt and Road Initiative, aiming to address some of the perceived challenges of the Belt and Road Initiative:

- Enhancing the multilateral dimension of the Belt and Road cooperation
- Reinforcing the open world economy by promoting trade and investment liberalization and facilitation
- Improving soft connectivity alongside hard infrastructure
- Promoting project-based cooperation for more concrete results to build
    - sustainable infrastructure, and
    - infrastructure "which is financially viable and broadly beneficial"
- Strengthening industrial cooperation and promotion industrialization in Africa
- Expanding and leveraging diversified sources of financial support for projects
- Better branding the Belt and Road cooperation

The BRF Advisory Council further encouraged to build a "clean silk road" with "zero tolerance for corruption".

These issues will be elaborated on in the following sections.

Analysis of BRI Improvement Suggestions

Multilateralism versus bilateral BRI engagements

The BRF Advisory Council highlighted that "the principle of extensive consultation, joint efforts and shared benefits calls intrinsically for a multilateral approach". It continued that by becoming more multilateral, the BRI "could broaden the supporter base (…) and enhance the sense of ownership of all partners".

By emphasizing that "greater synergy needs to be tapped between the BRI and various national, regional and global development strategies", the council might have alluded to the bilateral nature of the BRI to this point. Chinese institutions have signed BRI related MoUs with multiple international and multilateral organizations, such as the United Nations, the World Bank, the Asian Development Bank and many of the government-to-government BRI

MoUs refer to multilateral agreements (such as Paris Climate Accord or the Sustainable Development Goals).

However, by highlighting that "all interested countries should be welcome to join in the cooperation on a bilateral, trilateral or multilateral basis", the BRF Advisory Council possibly also alludes to the de-facto two-party agreement structure that necessitates one party to be Chinese.

Adding a multilateral layer is a delicate issue from many sides. Currently, all BRI-related decisions have to pass Chinese approval, which is allowing China to keep the control of the BRI. By allowing the BRI to be more multilateral, it would increase the attractiveness for more stakeholders from finance, governments, enterprises, NGOs etc., but would also change the current power structure of the BRI. At the same time, adding another multilateral structure that aims to encompass the entire globe, current multilateral structures (e.g. WTO, World Bank, IMF, United Nations) would also need to re-define their roles and possibly add one layer of power and complexity to global governance.

Open world economy versus market access restrictions

The BRF Advisory Council stresses the relevance of "supporting globalization and regional economic integration in an open world economy" with free trade arrangements, reduced trade costs and improved business environments.

Emphasizing this measure is possibly a reaction to older and current tendencies to protect domestic markets from international competition. The US-Chinese "trade war", the US's pulling out of the Trans-Pacific Partnership, and China's reluctance to fully open its market for investment or full business ownership in specific industries (e.g. negative list published by NDRC[2]) could be the background of the Advisory's emphasis on this topic.

The BRI aims to improve trade. However, although the BRI aims to provide connectivity in multiple regions, current deals are mostly bilateral/bi-party (see point above). This set-up is often seen to facilitate investment and trade for China, but not necessarily with China on a level playing field. In March 2019, when Chinese premier Li Keqiang visited Europe by European Commission President Jean-Claude Juncker emphasized that point by demanding that "European business should have the same degree of access to the Chinese market as Chinese business have in Europe" [3], asking for reciprocity in market access.[4] This is an ongoing debate, as already in 2016, the European Chamber of Commerce in China noted – in reacting to high-level investments of Chinese companies in Europe (e.g. Fosun International's acquisition of the German private bank Hauck & Aufhauser, ChemChina's purchase of Italian tyre group Pirelli and Midea's acquisition of German robotics maker Kuka) that "it is almost impossible to imagine in the current climate that a European

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[2] "China Issues Nationwide 'negative' Investment List," *Reuters*, December 25, 2018, https://www.reuters.com/article/us-china-economy-investment-idUSKCN1OO0CU.
[3] "Juncker Reinforces Call for Trade Reciprocity after Meeting China's Xi," *Reuters*, March 26, 2019, https://www.reuters.com/article/us-france-china-juncker-idUSKCN1R7162.
[4] "EU Accelerates Moves to Block China's Market Access," South China Morning Post, March 19, 2019, https://www.scmp.com/news/china/diplomacy/article/3002285/eu-accelerates-moves-block-chinas-market-access.

company would be permitted to make a significant investment in an equally prominent Chinese company with advanced technological capabilities”[5].

The trend of closing doors to international trade and investments is also visible in the European Union, which plans to install a system to coordinated scrutiny on foreign investments and protect strategic technologies and infrastructure.[6]

Focusing on an open world economy within the BRI should thus help alleviate and reverse some of these tendencies.

Improving soft connectivity

The BRF Advisory Council calls to improve soft connectivity - that is “norms, standards, regulations and custom procedures among countries”. This includes, for example, travel facilitation to ease cross-border flows of persons, Belt and Road Special Lanes for fast-track entry and exit at airports, technical assistance and technology to build capacity for developing countries and better customs cooperation to reduce time, cost and uncertainty of cross-border trade.

This suggestions has two backgrounds: first, it would help increase attractiveness of the BRI should BRI countries get preferential treatment in terms of people and goods transport at border crossings. Second, it should help accelerate trade, which is impeded by border crossings, customs, different standards, taxes etc. Currently “many countries [of the BRI] are part of several overlapping [trade] agreements. However, none of the trade agreements in force encompass all Asian countries involved in the BRI” [7] (see Figure 1). Removing these barriers and creating more “soft connectivity” should facilitate a more seamless integration of the BRI markets – and thus make the BRI an initiative with easier trade governance for its member countries.

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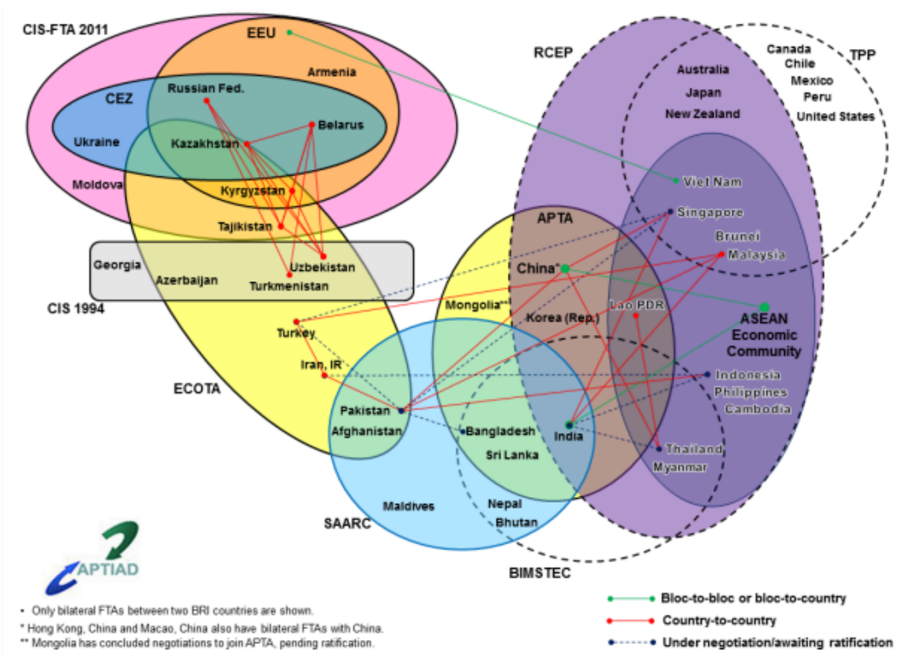
[5] Tom Mitchell and Christian Shepherd, “Europe Lobby Warns on China Market Barriers,” *Financial Times*, September 1, 2016, sec. Chinese trade, https://www.ft.com/content/757f5246-6fde-11e6-a0c9-1365ce54b926.

[6] “With Eyes on China, EU Lawmakers Back Investment Screening,” *Reuters*, February 14, 2019, https://www.reuters.com/article/us-eu-china-investment-idUSKCN1Q31JU.

[7] Bala Ramasamy et al., “Trade and Trade Facilitation along the Belt and Road Initaitive Coridors,” ARTNeT Working Paper Series (Bangkok: ESCAP, November 2017), https://www.econstor.eu/bitstream/10419/172051/1/1006745505.pdf.

Figure 1: Regional trade agreements between Asian BRI economies[8]



Source: APTIAD, ESCAP

Project based cooperation

The BRF Advisory Council emphasizes the need to increase tripartite or third-market cooperation to enhance the "role of different participating countries".

The background is that with large investments in the BRI come large contracts, which are currently mostly financed and executed by Chinese banks and companies. The Financial Times pointed out in January 2018 that non-Chinese contractors only received 11% of Chinese funded projects in Europe and Asia (7.6% went to local contractors, 3.4% to foreign contractors). A full 89% of Chinese funded projects in Europe and Asia went to Chinese contractors. This is in comparison to multilateral bank projects in the region, where 29% went to Chinese, 40.8% to local and 30.2% to foreign contractors.[9] Jonathan Hillman of the Center for Strategic & International Studies sees one reason in the lack of international participation in BRI projects that "China's largest lenders are opaque. Projects are publicized after [Chinese] contractors are picked"[10], making an open and fair bidding to contracts difficult. The Nikkei Asian Review consequently titled that "China must play fair over BRI contracts"[11]. A case in point was the renegotiation of the ECLR rail link in Malaysia in April

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[8] Ramasamy et al.

[9] James Kynge, "Chinese Contractors Grab Lion's Share of Silk Road Projects," *Financial Times*, January 25, 2018, sec. Chinese business and finance, https://www.ft.com/content/76b1be0c-0113-11e8-9650-9c0ad2d7c5b5.

[10] Jonathan E. Hillman, "Corruption Flows Along China's Belt and Road," Center for Strategic & International Studies (CSIS), January 18, 2019, https://www.csis.org/analysis/corruption-flows-along-chinas-belt-and-road.

[11] Jonathan E. Hillman, "China Must Play Fair over BRI Contracts," Nikkei Asian Review, February 6, 2018, https://asia.nikkei.com/Politics/China-must-play-fair-over-BRI-contracts.

2019: To counter the pre-dominance of Chinese contractors, the Malaysian government was able to increase local content to 40%, compared to the original 30%.[12]

The Advisory Council further emphasized in project-based cooperation to build "high quality, reliable, resilient and sustainable, including environmentally sustainable infrastructure, and ensure that such infrastructure is affordable, accessible, inclusive and broadly beneficial".

The following two sections will elaborate on the environmental sustainability and the affordability, particularly for governments.

Environmental sustainability

The BRF Advisory Group stressed that the BRI should build "improved infrastructure connectivity (…) with a focus (…) on sustainability", analyzed how the Belt and Road Cooperation should support the 2030 Agenda for Sustainable Development and encourages to "build a green silk road towards ecological sustainability (…), supported by efforts to implement the Paris Agreement as well as improved green finance including issuance of green bonds".

The background is that the Belt and Road Initiative is being criticized for contributing to both global warming through continued investment in CO2-intensive coal-fired/gas-fired power plants and environmental degradation due to lack of environmental standards.

Chinese BRI investments, particularly in the energy sector, are said to increase greenhouse gas emissions. From 2014 to 2017, of the 25.7 billion USD of loans provided by CDB, China Eximbank, ABC, BOC, CCB and ICBC in BRI countries, 13.9 billion USD went to fossil fuels and 9.1 billion USD to renewables, according to the World Resources Institute.[13] Chinese companies are currently involved in "at least 240 coal projects in 25 of the Belt and Road countries" and are "financing about half of proposed new coal capacity in Egypt, Tanzania, and Zambia"[14]. As of 2019, US$14.6 billion have been proposed in funding from China for over 71GW of coal-fired power plant projects across 23 countries (see Figure 2). In Pakistan, for example, BRI investments in coal-fired power plants grow energy capacity "from 190 to 15,300 megawatts (…). It may also lead to Pakistan's greenhouse gas emissions quadrupling between 2015 and 2030".[15] Even when considering "clean coal" as a bridging technology for energy, only 38% of the total capacity under development by China in these 25 BRI countries would be considered clean coal using ultra-supercritical technology.

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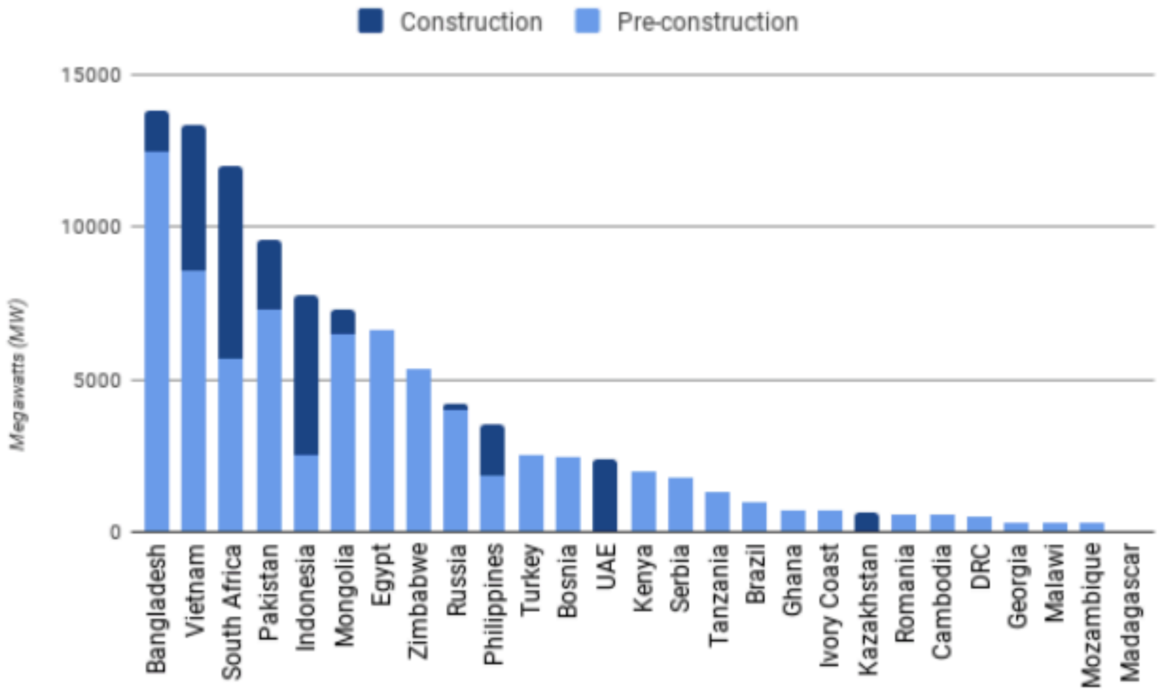
[12] Alice Woodhouse and Tom Mitchell, "Malaysia Renegotiated China-Backed Rail Project to Avoid $5bn Fee," Financial Times, April 15, 2019, https://www.ft.com/content/660ce336-5f38-11e9-b285-3acd5d43599e.
[13] Lihuan Zhou et al., "Moving the Green Belt and Road Initiative: From Words to Actions," *World Resources Institute*, October 2018, 44.
[14] Isabel Hilton, "How China's Big Overseas Initiative Threatens Global Climate Progress," YaleEnvironment360, January 3, 2019, https://e360.yale.edu/features/how-chinas-big-overseas-initiative-threatens-climate-progress.
[15] Jackson Ewing, "China's Foreign Energy Investments Can Swing Coal and Climate Future | TheHill," The Hill, April 5, 2019, https://thehill.com/opinion/energy-environment/437564-chinas-foreign-energy-investments-can-swing-coal-and-climate.

Figure 2: Coal-fired capacity under development with Chinese Finance in 2019[16]



In addition, some critics see environmental problems in terms of lack of environmental standards threatening biodiversity (such as the almost certain threat of extinction of the rarest species of great ape through a Chinese built and financed 1.6 billion USD hydropower project in North Sumatra/Indonesia)[17], deforestation[18] (such as being the biggest sponsors for pulp and paper producers in Indonesia[19]), and river pollution. The World Wide Fund for Nature (WWF) has created a risk assessment map of BRI investments in the Eurasia corridor. It shows that particularly South-East Asia, the Himalaya regions, the Northern part of china and the corridor through Kazakhstan are at high risk of environmental degradation (see Figure 3).

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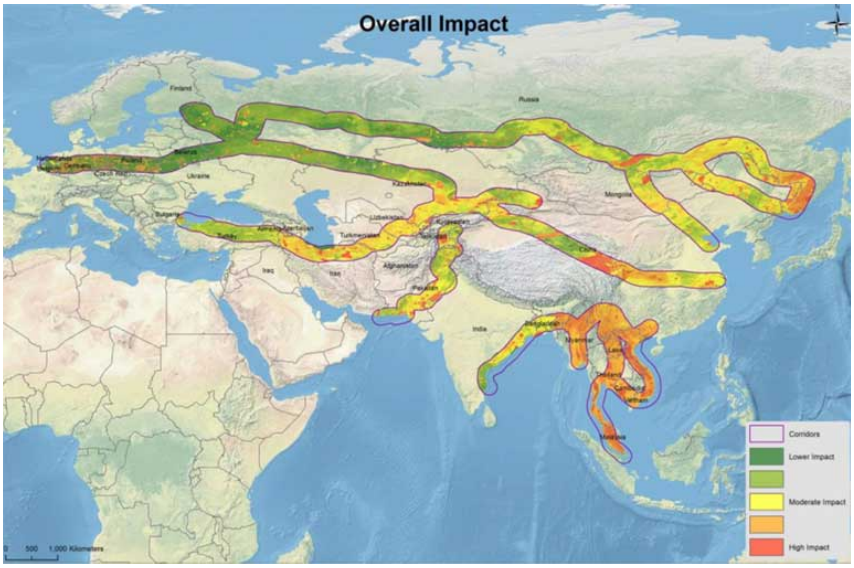
[16] Christine Shearer, Melissa Brown, and Tim Buckley, "China at a Crossroads: Continued Support for Coal Power Erodes Country's Clean Energy Leadership" (Hong Kong: Institute for Energy Economics and Financial Analysis (IEEFA), January 2019), http://ieefa.org/wp-content/uploads/2019/01/China-at-a-Crossroads_January-2019.pdf.
[17] Hans Nicholas Jong, "Scientists Urge Indonesian President to Nix Dam in Orangutan Habitat," Mongabay Environmental News, July 13, 2018, https://news.mongabay.com/2018/07/scientists-urge-indonesian-president-to-nix-dam-in-orangutan-habitat/. Agustinus Beo Da Costa, "Indonesia NGO Appeals Ruling on China-Funded Dam in Endangered Orangutan Habitat," *Reuters*, March 13, 2019, sec. Sustainable Business, https://www.reuters.com/article/us-indonesia-orangutan-idUSKBN1QU16S.
[18] Elizabeth Losos Olander Alexander Pfaff, and Lydia, "The Deforestation Risks of China's Belt and Road Initiative," *Brookings* (blog), January 28, 2019, https://www.brookings.edu/blog/future-development/2019/01/28/the-deforestation-risks-of-chinas-belt-and-road-initiative/.
[19] Merel van der Mark, "Banktrack Blog," Banktrack, February 17, 2015, http://blog.banktrack.org/?p=522.

Figure 3: Environmental Impact map of BRI investments[20]



The problem of environmental protection is a particular challenge in the current set-up of the BRI: China adheres to host country rules, meaning that China aims to not impose its rules to other countries (“no strings attached”).

However, a change has taken place already in BRI communication with a greater emphasis in using “green”, “sustainable” and “environmentally friendly” as words. Also, multiple agreements signed by BRI stakeholders during the 2019 BRF emphasized the need and willingness to green the BRI (e.g. Joint Communique emphasizing amongst others green finance, the Green Investment Principles) and with an international consensus on “green” evolving and emerging (e.g. Paris Agreement, SDGs), a window of opportunity seems to open to better evaluate, apply and enforce green norms by BRI stakeholders.

Financial sustainability

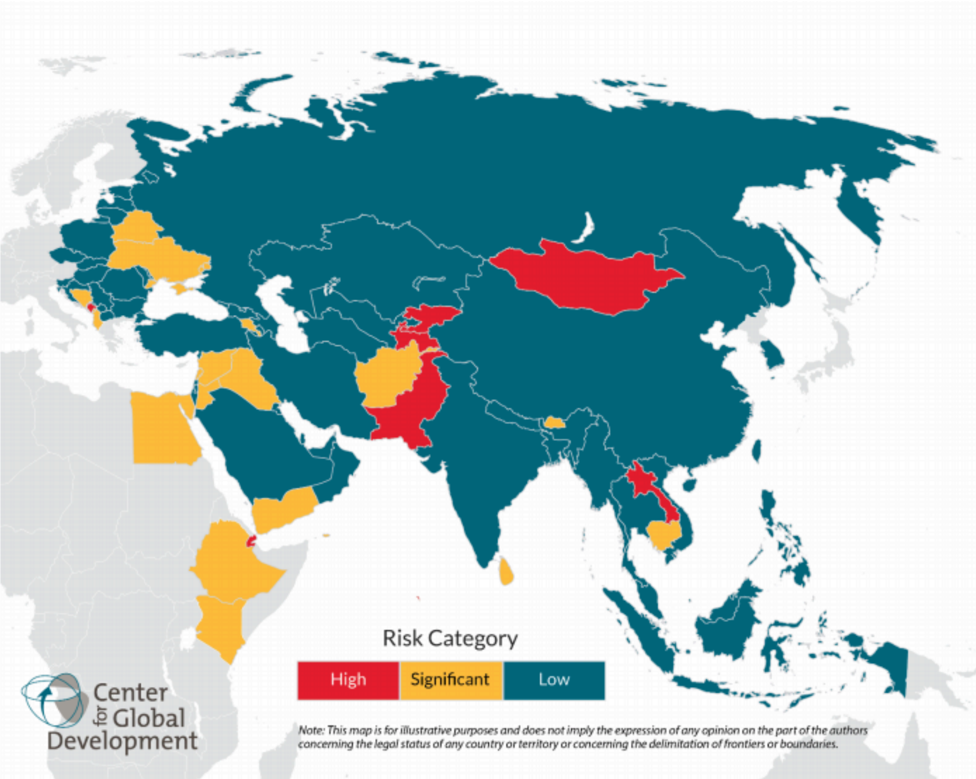
The BRF Advisory Group calls for projects to be “affordable” and “financially viable”.

One possible background for this recommendation is the perception that loans by Chinese parties to some BRI governments have been causing a “debt trap”. Debt traps happen when debtor countries can’t repay their debt to the creditor and are forced to hand over collaterals to the creditor. This happened, for example, after Chinese creditors gave more than $8 billion to the government of Sri Lanka, after which Sri Lanka was unable to repay some of it. In December 2017, the government of Sri Lanka handed the port of Hambantota to China on a 99-year lease.[21] Fears of debt traps are also spreading in countries like Kenya to hand over the port of Mombasa[22], in Zambia[23] and in Djibouti[24]. In its research, the Center

[20] Giovanni Ortolani, “China’s Belt and Road Poised to Transform the Earth, but at What Cost?,” Mongabay Environmental News, April 24, 2018, https://news.mongabay.com/2018/04/chinas-belt-and-road-poised-to-transform-the-earth-but-at-what-cost/.
[21] Kai Schultz, “Sri Lanka, Struggling With Debt, Hands a Major Port to China,” *The New York Times*, August 7, 2018, sec. World, https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html.
[22] Kristin Huang, “Will China Seize Prized Port If Kenya Can’t Repay Belt and Road Loans?,” South China Morning Post, December 30, 2018, https://www.scmp.com/economy/china-economy/article/2180026/will-china-seize-prized-port-if-kenya-cant-pay-back-its-belt.

for Global Development analyzed the impacts of Chinese lending to African governments and found 8 countries at high risk, and 13 countries at significant risk of defaulting on their debt payments.[25]

Figure 4: BRI country default risk including BRI pipeline projects[26]



This analysis is based on the increase of debt due to BRI pipeline projects. As can be seen in Figure 5, countries like Djibouti have seen a 10% increase of PPG Debt/GDP paired with a 10% Debt to China/external PPG Debt (%) growth due to BRI projects and required credits, making it one of the countries at risk of debt trap.

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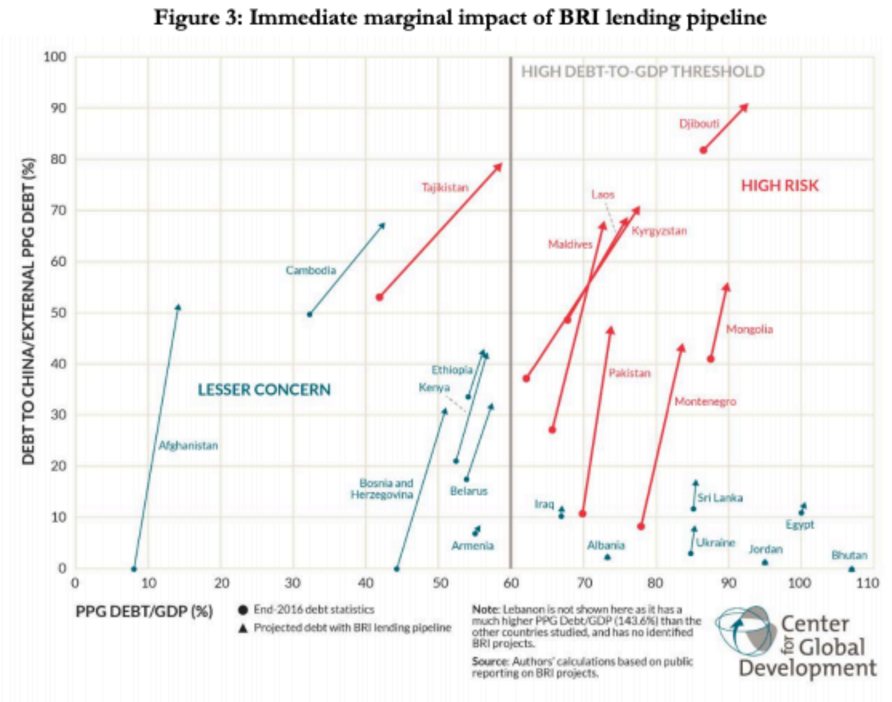
[23] APO, "How Djibouti like Zambia Is about to Loose Its Port to China," *CNBC Africa* (blog), September 13, 2018, https://www.cnbcafrica.com/apo/2018/09/13/how-djibouti-like-zambia-is-about-to-loose-its-port-to-china/.
[24] Bloomberg, "Djibouti's Rising Debts to Expansionist China Worry US, France," *The Economic Times*, April 7, 2019, sec. World News, https://economictimes.indiatimes.com/news/international/world-news/djiboutis-rising-debts-to-expansionist-china-worry-us-france/articleshow/68757684.cms.
[25] John Hurley, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," *CGD Policy Paper* 121, no. March 2018 (March 2018): 39.
[26] Hurley.

Figure 5: Immediate marginal impact of BRI lending pipeline[27]



By focusing on financially viable and affordable projects, investors should be careful not to further indebt countries with an already high debt to GDP ratio, while debtor countries themselves are responsible to evaluate risks of their debt. This process could be helped by third-party auditing and second-party opinions.

To further improve financial sustainability, the Chinese Ministry of Finance published the "Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative" at the BRF on April 25, 2019. Based on the IMF/World Bank Debt Sustainability Framework for Low Income Countries (LIC-DSF), the Belt and Road Initiative Debt Sustainability Framework (BRI-DSF) aims to promote "sustainable economic and social development of BRI countries while ensuring debt sustainability". [28]

Strengthening industrial cooperation

The BRF Advisory Group calls to "translate the catalytic effect of infrastructure connectivity on industrialization and economic growth into concrete outcomes". This includes strengthening of global industrial chains, value chains and supply chains as "to promote sustainable industrialization in African countries" that specifically includes "opportunities from (…) the emerging digital economy".

One possible background is that China has over the past years become a leading provider and innovator in digital economy and aims to support BRI countries, particularly in Africa, to become more digitalized. Building on China's experience in supporting many African countries to build mobile communication technology using Huawei and ZTE technology in

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[27] Hurley.

[28] Ministry of Finance of People's Republic of China, "Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative" (2019), http://m.mof.gov.cn/czxw/201904/P020190425513990982189.pdf.

the 2000s, a similar cooperation could help African economies to become even more digitalized.

Expanding financial resources

The Advisory Council acknowledges the necessity for public funding in financing BRI projects, but emphasizes the need to "crowd in investment from multilateral development banks, international and local financial institutions, and the private sector through co-finance, public-private partnerships…" to support sustainable infrastructure development. In this regard, the Advisory Council stresses to

1. ensure the economic, social, fiscal, financial and environmental sustainability of projects within national institutions and drawing upon universally accepted international norms and standards
2. use finance to build a green silk road towards ecological sustainability and support to implement the Paris Agreement

The Advisory Council further emphasizes the use of green finance including the issuance of green bonds to support this path.

The background is twofold. Firstly, currently all BRI projects are financed through Chinese financial institutions. In order to achieve the goals mentioned above (e.g. multilateralism, soft connectivity, project-based cooperation with more local participation, environmental and financial sustainability) cooperation with international/multilateral financing institutions should be improved, as these institutions have more experience in applying globally agreed standards, safeguards and best practices. In fact, most international banks and multilateral development banks as signatory to the Equator Principles have agreed to adhere to sustainability and safeguard standards.

Accordingly, many of the multilateral banks (e.g. AIIB, ADB, the World Bank) have signed MoUs to support the BRI.

Secondly, using green finance to achieve sustainable development has been a hallmark of Chinese financial markets development since the G20 Summit in Hangzhou in 2016, where China pushed the concept of Green Finance onto the agenda. Within 3 years, China has become the second largest issuer of green bonds worth 30 billion USD in 2018 (after the US with 34 billion USD), according to the Climate Bonds Initiative[29]. Looking at the overall bond market (the US bond market in 2018, for example, traded about 500 billion USD every day in a 41 trillion USD market[30]), green finance currently still is in its infancy. This indicates on the one hand a long way for green finance, but at the same time a huge growth potential, should regulators continue to increase their support for a green economy.

Branding as a remedy against criticism of transparency

The Advisory Council recognizes that "there is still some misunderstanding and misperception of the Belt and Road cooperation" and suggests to promote and share information on "a series model projects". This should include "some quick-wins that allow

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[29] Climate Bonds Initiative, "2018 Green Bond Market Summary" (Climate Bonds Initiative, January 2019), https://www.climatebonds.net/files/reports/2018_green_bond_market_highlights.pdf.

[30] Kevin McPartland, "Understanding The $41 Trillion U.S. Bond Market," Forbes, October 11, 2018, https://www.forbes.com/sites/kevinmcpartland/2018/10/11/understanding-us-bond-market/#371539a01caf.

people to feel the real benefits of the Belt and Road cooperation in the short run”. The suggestion to establish a data portal of projects under the Belt and Road Cooperation and a managing office of the database was only endorsed “by some members”.

Several reasons could lead to this recommendation. One reason could be the confusion about the name “Belt and Road Initiative”:

- in English, the official translation has changed from “One Belt One Road” in 2016
- The Chinese name remains 一带一路 (yi dai yi lu), meaning „One Belt One Road“
- It is often also referred to as “Silk Road” or “New Silk Road”

In addition, for many it seems unclear what count as Belt and Road projects, and which ones don’t. Consequently, the NDRC is said to be working on a list of legitimate BRI projects that the Chinese government officially acknowledges and which aims to stop companies from misusing the label “Belt and Road Initiative” to avoid reputation damages.[31]

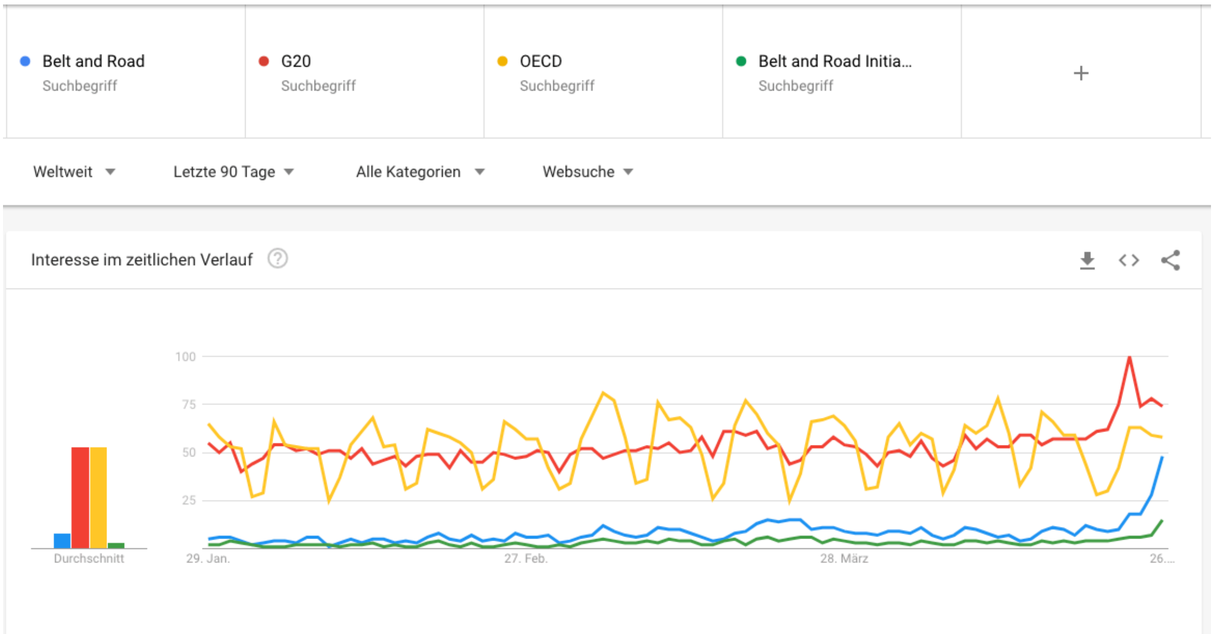
Furthermore, the scope and aims of the BRI are insufficiently described. The English newspaper The Guardian titled in 2017: “The $900bn question: what is the Belt and Road Initiative?”[32]. Defining the BRI has led not only to many opportunities for think tanks to share their best guesses, but also to adverse reactions of international governments to endorse the BRI due to lack of understanding about its desired and concrete outcomes, methods, contents etc.

In addition to a lack of understanding of the name and the content of the BRI, the necessity to strengthen branding possibly also stems from a weak understanding and name recognition and interest among the broader public. When comparing, for example, other economic “clubs” like “G20” and “OECD” to the “Belt and Road Initiative” on Google trends – a tool to understand trends in internet searches on Google (which is after all outside China the most used internet search engine), the search term Belt and Road is not often sought after (see Figure 6).

[31] “China Moves to Define ‘Belt and Road’ Projects for First Time,” *Bloomberg News*, April 3, 2019, https://www.bloomberg.com/news/articles/2019-04-03/china-moves-to-define-belt-and-road-projects-for-first-time.

[32] Tom Phillips, “The $900bn Question: What Is the Belt and Road Initiative?,” *The Guardian*, May 12, 2017, sec. World news, https://www.theguardian.com/world/2017/may/12/the-900bn-question-what-is-the-belt-and-road-initiative.

Figure 6: Google Trends comparing search terms "Belt and Road", "Belt and Road Initiative", "G20" and "OECD"[33]



To counter this lack of understanding, highlighting specific examples and cases could help to increase recognition and understanding. However, this communication would not necessarily mollify the critics that look for better transparency and comparability of BRI investments.[34] Only a transparent and accessible database, as "some members" of the Advisory Council have recommended, would be able to solve this issue. It would have to include information regarding investments size, instruments, involved parties, assets, emissions, contracts particularly for public projects in line with, for example, multilateral or Western bilateral development banks.

Corruption

The Advisory Council calls to "build a clean silk road with zero tolerance, zero loophole, and zero obstacle for cooperation to root out corruption". In his opening speech at the Belt and Road Forum, also Xi Jinping emphasized that "we should have zero tolerance for corruption".

The background is that on several occasions, Chinese companies have been caught red-handed in corruption activities: In 2018, for example, the China Communications Construction Co (CCCC) "was publicly accused by the Bangladeshi government ministers of offering a bribe to a Bangladeshi official in connection with a construction project"[35]. One reason for increasing corruption, according to the analysis, is that many of the BRI countries are more corrupt than the average, while the credit ratings of these countries are "junk". This, so the author of the study, allows Chinese companies to inflate costs and allow "Beijing to funnel money to its friends in high places", such as to Sri Lanka's former president

[33] Source: www.trends.google.com, accessed April 29, 2019
[34] Ninon Bulckaert, "Europe Raises Transparency Issues with China's Belt and Road Initiative," *Euractiv.Com* (blog), May 25, 2018, https://www.euractiv.com/section/china/news/eu-raises-transparency-issue-in-chinas-belt-and-road-initiative/.
[35] Hillman, "Corruption Flows Along China's Belt and Road."

Mahinda Rajapaksa for his re-election[36]. Also, in Malaysia, Chinese investors are accused of supporting 1MDB and former president Najib by inflating costs of the railway project (which have since been slashed by 30%).

While proving corruption is rarely easy, already the perception of corruption has the potential to taint the reputation of the BRI and of its sponsors. Thus, fighting corruption should not only profit local communities as they are paying a lower price for the goods they receive, but also improve the public perception of the BRI.

Additional recommendations to strengthen the BRI

Improving Governance of the BRI

While the Advisors Committee stresses the lack of a centralized coordinating mechanism and underpinning work streams to support the implementation of its meeting outcomes of the BRF and elaborates on different strategies to overcome it, a similar approach could be necessary for the BRI overall. Currently, many private, public and government institutions set rules and guidelines for the BRI or contribute to decision making, including:

- Chinese regulators, such as the State Council that oversees all ministries and special commissions in China and establishes the overall blueprint for overseas investments (OFDI) from China, or the China Banking and Insurance Regulatory Commission (CBIRC) that approves OFDI projects by Chinese banks and oversees China's insurance industry.,
- Chinese ministries, such as the Ministry of Commerce (MOFCOM), which approves certain OFDI projects; the National Development and Reform Commission (NDRC), which develops OFDI goals and policies; the Ministry of Foreign Affairs (MFA) that administers China's diplomatic relations and policies; the Ministry of Ecology and Environment (MEE) that co-issues environmental guidelines.
- Chinese financial institutions, such as Silk Road Fund, China Development Bank (CDB), China Exim Bank,
- Multilateral financial institutions, such as the Asian Infrastructure and Investment Bank (AIIB) and the New Development Bank (NDB),
- Chinese commercial banks, such as the Industrial and Commercial Bank of China (ICBC), China Construction Bank, or the Agricultural Bank fo China,
- Chinese Central Bank – the People's Bank of China (PBoC), which establishes monetary policy and manages foreign exchange reserves,

Also, several institutions, including the BRF Advisory Council, Green Finance Committee, think tanks, are providing thoughts, guidance, ideas, standards, or norms on the BRI. While the plurality of institutions might bring many ideas, a coordinating mechanisms – ideally involving international participants, could help to further strengthen mutual understanding, avoid misconceptions and further the interests of all involved countries and stakeholders. As former American Secretary of State Henry Kissinger supposedly never said: "Who do I call, when I want to talk to Europe", it is today also not clear, who to call, when I want to talk to

[36] Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *The New York Times*, October 8, 2018, sec. World, https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html.

the BRI. This could also mean that reducing layers of complexity for clearer governance could be a way forward.

Improving stakeholder engagement

While the report stressed the project-based cooperation, little was said about stakeholder engagement and community engagement. In order to minimize risks and increase acceptance of BRI projects, local communities that are affected by projects should be included during all project phases – from project evaluation and design to implementation and management. By doing so, risks arising from changes in government (e.g. after elections) could be minimized, as support for the project will not reside solely with the local government, but also with the local communities. This could also minimize protests in relation to BRI projects, such as of fishermen in the Gwadar port in Pakistan, when a port built and supported by China displaced local fishermen. The Chinese media portrayed this development as the next Shenzhen[37], but in the minds of many locals seen with mixed feelings or hostile[38],[39], could be minimized when dealing with relevant stakeholders.

Addressing stranded asset risks

BRI countries have seen a flurry of investments in exploration of carbo-hydro energy sources, energy generation through coal, oil and gas and other emission intensive industries (see above, for example in the section on environmental sustainability). Should the BRI truly intend to become sustainable, much of these assets would need to be phased out prematurely, future planned generation assets would need to be cancelled along with long-term contracts for primary energy supply. In other words, these contracts and assets are at risk of becoming "stranded assets" – losing some or all their economic value.

Addressing these stranded asset risks for involved stakeholders, particularly investors/owners, concerned employees, and customers would be a requirement to be able to phase out emission intensive industries. This would require a commitment on when to move out, how to compensate for losses (e.g. faster depreciation periods), and how to ensure a socially feasible transition for concerned employees.

Summary – Making a(n even) better Belt and Road Initiative

While the BRI continues to grow in size and ambition, it also needs to continue to improve on multiple dimensions. While much has been published about the achievements of the BRI, the BRF Advisory Committee (and other stakeholders) have provided ideas and recommendations how to improve the BRI. The main topics are:

- ensure fair access to BRI projects
- ensure economic and financial viability of BRI projects
- ensure environmental standards based on scientific and international standards

[37] "China-Pakistan Cooperation Helps Former Pakistani Fishing Village Prosper-Belt and Road Portal," Belt and Road Portal, April 9, 2019, https://eng.yidaiyilu.gov.cn/qwyw/rdxw/85173.htm.

[38] Zofeen T. Ebrahim, "Gwadar Fisherfolk Worry about One Belt One Road," DAWN.COM, May 19, 2017, https://www.dawn.com/news/1334121.

[39] Jon Boone and Kiyya Baloch, "A New Shenzhen? Poor Pakistan Fishing Town's Horror at Chinese Plans," *The Guardian*, February 4, 2016, sec. World news, https://www.theguardian.com/world/2016/feb/04/pakistan-new-shenzhen-poor-gwadar-fishing-town-china-plans.

- improve soft connectivity
- strengthen industrial cooperation
- expand financial resources
- improve transparency
- reduce corruption
- establish a BRI governance
- improve stakeholder engagement
- improve stranded asset risk management

Overall, the Advisory Group stressed the potential contribution the BRI could make for green and sustainable development, amongst others through green finance instruments. This seems to be an important theme, which was picked up and accelerated during the Belt and Road Forum. The challenge will, however, be, to let the words be followed by actions and tangible results. The world and its leaders have talked about green and sustainable development in all kinds of initiatives, while the "economic necessities" have driven up both emissions and loss of biodiversity to an unprecedented high in 2018. It would be a truly successful BRI, if it would be able to combine economic, social and ecological goals to be sustainably successful.

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