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"China's Belt and Road Initiative (BRI): Geoeconomic Tool or Global Debt Trap?"

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China's Belt and Road Initiative (BRI): Geoeconomic Tool or Global Debt Trap?

Abstract:

China's Belt and Road Initiative (BRI) represents one of the most ambitious global development strategies of the 21st century, blending infrastructure investment with geopolitical objectives. This issue brief critically examines whether the BRI functions as a geoeconomic tool to enhance China's international standing or operates as a form of debt trap diplomacy. Through case studies of Sri Lanka, Pakistan, Maldives, and Myanmar, it explores how Chinese financing impacts recipient states, highlighting issues of debt distress, lack of transparency, and strategic asset control. While some projects promise economic development, many exacerbate fiscal vulnerabilities, enabling China to expand its influence. The research argues that rather than being purely developmental or predatory, the BRI embodies a coercive economic model that leverages financial dependence for geopolitical advantage. The issue brief also assesses implications for India, emphasizing the need for strategic responses to counterbalance China's expanding influence in South Asia and preserve regional security.

Introduction

The Belt and Road Initiative (BRI) is a global multi-nation development strategy which aims to reconstruct the Chinese Silk Road in order to connect China to the rest of the world. It does this by investing strategically in roadways, energy pipelines and highways (McBride, 2023) which would help boost economies of countries that are a part of the project as well as China's international standing. The plan has dual medium through which it aims to achieve this, which are: The Overland Silk Road Economic Belt and the Maritime Silk Road (McBride, 2023). The economic repercussions would pay huge dividends to China for the following reasons:

a. It would expand the usage of the Renminbi (McBride, 2023) which could be a match to the dollar as being the reserve currency.

b. By investing in SEZ's it would help embrace Chinese tech companies such as Huawei which would power 5G (McBride, 2023) giving it better leverage over the host countries.

We can see how powerful the BRI is because of its reach and control China can use to sway international opinion on certain issues. But in recent times the plan has come under fire for what it stands for, whether it is a geoeconomic tool or a global debt trap.

What is a Geoeconomic tool and debt trap diplomacy?

Geoeconomics refers to the "use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results." (Roberts et al., 2023). What makes geoeconomic tools attractive is how it helps in institution building in order to promote national interest (Roberts et al, 2023). Geoeconomics policies have gone through some changes where it initially separated economics and security and values interdependence (Roberts et al., 2023b). But as the international sphere started to get volatile and unsecure then security and economic interests started to converge which is now the norm. An example is the idea of near/friendshoring which America is following to protect its security and economic interests (Roberts et al., 2023b). From the renewed definition we can see how the BRI is a geoeconomic tool to secure Chinese interest and build its standing on the international stage.

Debt Trap Diplomacy is a new method of international dealings which is associated with how China deals with the countries it is working with (Himmer & Rod, 2022). Debt trap diplomacy refers to when China intentionally lends copious amounts of money to small countries. When they are unable to pay back the money, they have borrowed the country relinquishes its strategic assets to lessen its burden. (Himmer & Rod, 2022)

From these instances we can see that the BRI falls under both paradigms and raises the question of what the Chinese objective is. Does it aim to integrate peacefully and bring up the other South Asian countries where its interests are secure or does it aim to dominate and gain complete control over world trade dictating rules as it sees fit. By understanding this we can see the medium to long term implications of the BRI.

Structure of BRI

The BRI has two ways in which it aims to achieve its goals which are the Overland Silk Road Economic Belt and the other called the Maritime Silk Road (McBride, 2023). The Overland Silk Road Economic Belt develops land infrastructure such as roads, railways and bridges which travels across multiple countries connecting China with the rest of the world. The key corridors are the China - Mongolia - Russia Corridor, China Central Asia and West Asia corridor, China Pakistan and the China Bangladesh, Myanmar economic corridor. The Maritime Silk Road runs across the South China sea down to Singapore and across the Indian ocean through to the Arabian Sea, the Persian Gulf, and the Red Sea before finishing at the Mediterranean Sea.

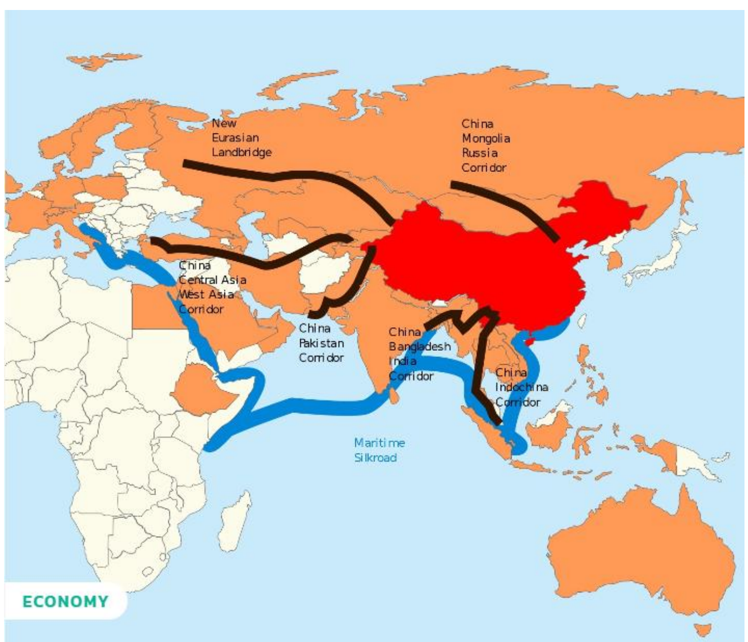

Figure 1: Structure of BRI (Ajnoti, 2022)

The reason for initiating the project are as follows:

a. Sustaining the Chinese economic boom and this is done by building transit hubs around the central and east Asian territories which would help build new markets overseas (Hallgren & Ghiasy, 2017).
b. By connecting China through multiple means in an event of conflict with the USA by keeping other trade channels open it can help reduce the energy shock.
c. It also aims at restructuring the world economy by making the renminbi the currency for global trade (Hallgren & Ghiasy, 2017) It can do this only if the Chinese economy is seen as a dominant and stable market which is what the BRI project does.
d. It also wants to build a deeper connection between its east asian neighbours through closer economic cooperation and interdependence (Hallgren & Ghiasy, 2017).
e. It also wants to balance its economic growth by having stable neighbours and its extended neighbours to mitigate the losses in times of conflict (Hallgren & Ghiasy, 2017).

From this we can see that the BRI shows a geoeconomic feature which aims to use money, trade and infrastructure as a means to safeguard Chinese international interests. Chinese interests are the ones that are at the core of all the strategic objectives and the rest of the countries are built around it. The geoeconomic strategy which is being used here is China is leveraging its manufacturing importance to bolster its economic might and making it more dominant on the international market. All the measures which have been put in place are only economic ones which China is able to control. The countries it has partnered with such as Pakistan, Sri-Lanka, Myanmar, Kazakhstan and so on are all small powers. With the restructuring of the world order these small powers have a chance at riding the economic wave giving it some prominence. What also makes them attractive partners is they are subservient to the Chinese which makes them a good partner.

The funding patterns of the BRI paint a different view altogether. When funding the BRI projects, the risks involved in the projects are not looked into with scrutiny because it borrows from internal revenue sources (Ohashi, 2018). There are audits that are conducted on the risk factor but it is safe to say that risk is not the first and primal factor when it comes to funding BRI. When there is a huge funding inflow into developing countries and they are unable to repay the loans then it acts as a debt trap for the country (Ohashi, 2018). What makes Chinese loans attractive in the market is the no strings attached loan policy. This allows countries to use Chinese money in a way they deem fit and easier than compared to other international loans such as the IMF etc. (Ohashi, 2018). This is important because this medium of lending provides short term ease but with a long-term problem. Countries in the long run if they are holding onto unsustainable amounts of debt will give China a bigger leverage in the country for its own geopolitical influence. These points of funding are what create a dichotomy when it comes to BRI being a geoeconomic tool or a debt trap financing tool. In order to understand this better we will be looking at certain countries that are a part of the BRI.

The projects which will be analysed are: Sri-Lanka, Pakistan, Maldives and Myanmar. The countries that have been selected have some importance when it comes to Indian interests and therefore need closer inspection.

Sri-Lanka

Post civil war Sri-Lanka needed the finance to restart its economy and the fastest and the fastest way to get the required finances was through China (Lim & Mukherjee, n.d.). From the year 2005 till 2017 Colombo had received loans totaling $15 Billion dollars for multiple infrastructure projects (Lim & Mukherjee, n.d.). The money was being used for construction of power-plants, airports and so on. The most prized infrastructure project was the Hambantota port (Lim & Mukherjee, n.d.). But the port revenue suffered because there was insufficient revenue that was generated. This created a stress on the finances of the government and therefore the port was leased by a Chinese company for 99 years (Lim & Mukherjee, n.d.).

There were multiple issues when it comes to the money that was lent to Colombo. There was a lack of transparency when the money was being transferred to the government (Lim & Mukherjee, n.d.). This occurred because there was a lack of external checks and balances to ensure that the money borrowed was spent correctly (Lim & Mukherjee, n.d.). This could have occurred because of the no strings attached policy of the Chinese money. This policy allows governments to engage in activities which they deem fit and need not necessarily be good for the country. This can be seen in the way the money being used for pork barrel politics and hence money was being used only for political or personal benefit (Lim & Mukherjee, n.d.). This level of debt financing has helped China in 2 ways: Acquiring the Hambantota port and since the Columbo government has quite a bit of loans with China, the Chinese government can leverage the debt trap Sri-Lanka is stuck in for geopolitical ambitions.

The western media and several scholars have portrayed the Sri-Lankan case as a debt trap diplomacy model that China uses to gain leverage over other countries. But there is another side to the story where China only owns over 10% of the Sri-Lankan debt (Ajnoti, 2022) which is not a lot compared to other countries holding Sri-Lankan debt. The country does have some internal problems when it comes to handling its finances and therefore the accusations of debt trap diplomacy is miss informed to an extent. But this does not mean that the Chinese do not see the possibilities to debt trap countries. They could but may use these techniques indirectly.

Pakistan

The BRI project Pakistan and China have joined together is called the China Pakistan Economic Corridor (CPEC). It was designed and advertised as plan which would help bring Pakistan out of poverty by building better infrastructure, reduce power outages and create a lot of jobs. CPEC had initially been presented as a geoeconomic tool which would help in building Pakistan as an economic power which would be aided by Chinese financial assistance. But if we look at the implementation of the projects it paints a different picture. With the main aims of CPEC being stated the projects have been unable to achieve their goals and have had adverse effects. CPEC has been bad for economic development where the GDP and wealth has actually reduced (Arsalan, 2025). Textiles have also been hit very badly where by 2025 35% of the industry will be closed.

CPEC's problem is that the methods employed are not sustainable in the long run and are not grounded in reality. The reason this is unsustainable is because there is a lot of money which is being borrowed by Pakistan and the monetary value has been minimal. The amount of corruption that has taken place is rampant due to low transparency and accountability. This is why it is said that BRI is not set (Arsalan, 2025). If this is not dealt with it will act as a ticking time bomb which will blow very soon. Since the CPEC is not sustainable it is seen as a debt trap plan used by China.

Table 1
Major economic indicaotors of Pakistan

Year	GDP Growth	Inflation Rate	Unemployment Rate	Debt-to-GDP Ratio
2013	4.37	7.69	2.90	63.80
2015	4.22	2.53	3.57	63.30
2018	6.15	5.08	4.08	72.50
2019	2.50	10.58	4.83	86.10
2022	4.77	19.87	5.55	73.90
2023	0.00	30.77	5.50	74.80

Data Source: (Economic Adviser's Wing, Finance Division, Government of Pakistan, Islamabad et al., 2024)

Figure 2: Major Economic Indicators of Pakistan (Arsalan, 2025)

From Figure 2 we can see that the Debt to GDP ratio has been steadily increasing and the unemployment rate has been rising. With the economy deteriorating Pakistan should not have been given more loans but it should have been given more loans from China. As a result, mounting debts on Pakistan have accumulated a total debt of 26.7$ billion in commercial loans which is more than that of the IMF (Mishra, 2020). This as a result would lead them more into the clutches of China's debt trap diplomacy.

The CPEC initially set out to become a geoeconomic tool for development of Pakistan and political ploy by China but as the implementation began it devolved into a debt trap. Since the Pakistan economy has tanked and is under deep economic distress which is on the verge of losing its geopolitical standing to China's will.

Maldives

Maldives is a special case for China because it is not only an economic hub but a strategically important location. Many of the important imports that come into China come through Maldives and therefore China is more interested in developing a strong relationship (Mishra, 2020, 73-87). China has invested 3$ billion dollars in the Maldives economy (Mishra, 2020, 73-87) but is also an economy which is at risk of experiencing debt repayment difficulties (Himmer & Rod, 2022). What puts Maldives in a precarious position is that 40% of its debt is held by China (Zeeshan, 2021). This is because China can flex its control over Maldives for any monetary or geopolitical ventures. An example of this is when money was lent to Ahmed Siyam Holdings and when it was unable to repay the loans. Which led to the Exim to threaten the Maldivian government and the government had put pressure on the company to make the payment (Zeeshan, 2021). This is a case of how the Chinese government has put leverage over its debtors which is eroding Maldivian presence in its own economy. If Maldives were to continue down the same path it could lead to it falling into a deeper trap which would be more difficult to get out of.

Myanmar

The venture China and Myanmar have started in the BRI scheme is the China Myanmar Economic Corridor (CMEC). It started off with sanctioning 20 projects with an estimate of $2 billion (Gyi, 2019, 106-113). Chinese projects have percolated to many different sectors within Myanmar such as tourism (Chinshwehaw project), transport sector (Kyaukpyu-Kunming high-speed railway), building SEZ and many more (Gyi, 2019, 106-113). We can see that these moves would help connect the two countries economically and therefore build stronger ties. There have been similar apprehensions for the BRI after seeing how other countries, especially Sri-Lanka's debt crisis from Chinese loans (Gyi, 2019, 106-113). The public in Myanmar had a fear that they were going to fall into a debt trap (Gyi, 2019, 106-113). Which led to tensions running high among the public and policy makers (Gyi, 2019, 106-113). What makes this situation much better than the previous countries is that the government started to retrace the steps it had taken previously and find other paths. This came in the form of lesser stakes for the Chinese government in development projects. An example of this is the Kyaukphyu project in which initially the shares held were 85% by China and then reduced to 15% (Gyi, 2019, 106-113). This project was slowly scaled down as well in order to make it a more doable project. The Chinese government has made inroads into Myanmar politics where it has come in order to sort out issues in order to bring peace and stability (Gyi, 2019, 106-113). Myanmar can play 2 vital roles when it comes to Chinese interests. This can be one of the inroads in order to contain India's Act east policy which aims to push its economic and political leverage across South East Asia and help counteract the weakness of the Malacca strait. This is why China is very much interested in maintaining peace and building up Myanmar's military and economic might. The future prospects of Myanmar looks tenuous because they are deep in the clutches of Chinese debt and with the local population bubbling with anger could make the situation more difficult to deal with in the future.

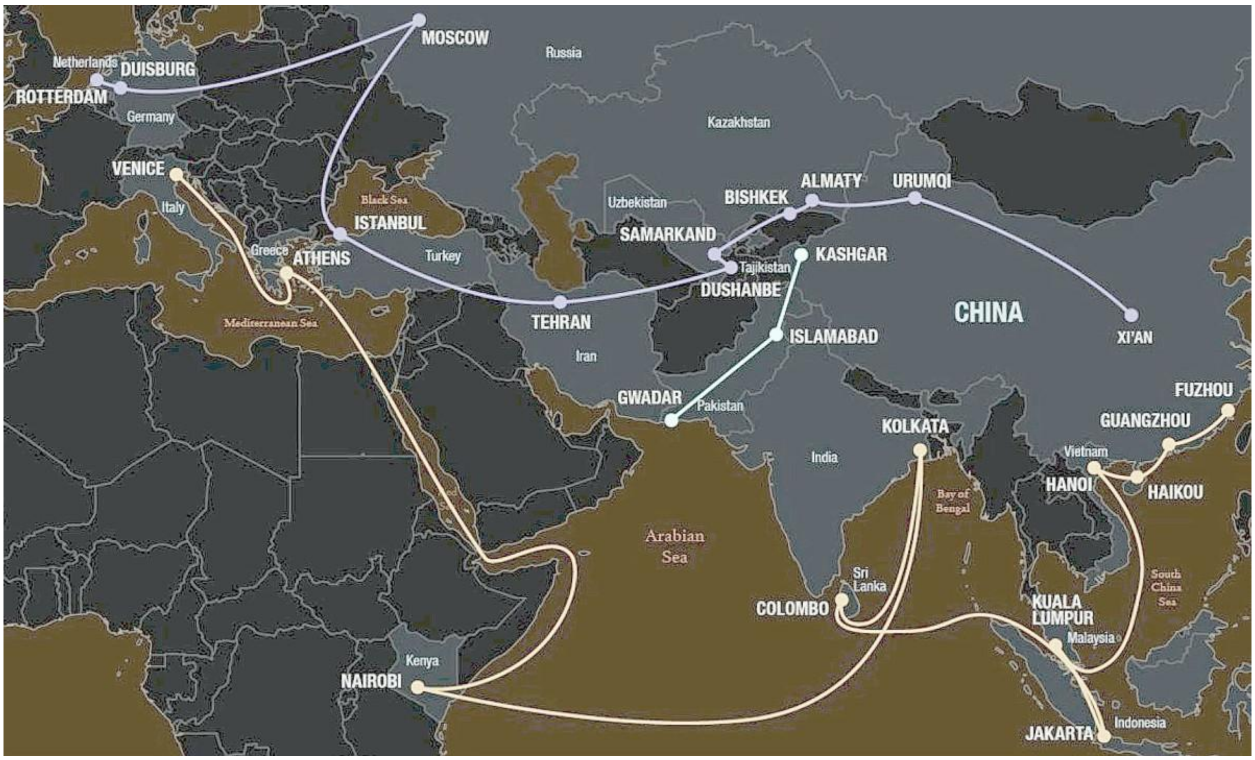

Figure 3: China's BRI as a Manifestation of Geoeconomic Strategy (Liaqat, 2023)

Is the BRI a debt trap tool or a geoeconomic one?

To understand if the BRI is a geoeconomic tool or a debt trap we need to understand it in the context of the Marshall plan. It was a reconstruction plan where America had loaned $13.3 billion (in 1940's dollar terms) for rebuilding Europe. What makes the Marshall plan a geoeconomic tool is that it used pure economics and goodwill to build relations with the EU. The stated goal was to ensure that

WesternEurope was economically and politically stable, making America a benevolent global leader. The BRI aims to set itself as another Marshall plan but it falls significantly short of it. The Marshall plan was able to build the image of America as the global superpower but the BRI has gained a lot of negative publicity because of countries being stuck in unsustainable amounts of debts. This in turn has made China look very bad and in turn has made its own allies have second thoughts like in the case of Myanmar and Sri-Lanka. What made the Marshall plan a success was that it helped foster the right institutions leading to a stronger bond between America and the Marshall plan countries. But China provides no string attached loans which looks attractive on first notice but as the plans roll out the countries feel the negative effects of such financing. Once they are in the pocket of the Chinese government because they are in deep debt they would not be able to resist them. From the looks of it, the Chinese government is trying to secure its own economic interests irrespective of the damage it causes the other countries. But what needs to be noted here is that China is not directly responsible for the debt trap the other countries fall into because it is not directly involved in the expenditure. Which is why it makes it difficult to classify it as a debt trap instrument or even a geoeconomic tool.

Instead of categorising the BRI as either of the topics I would classify it as a *coercive economic tool*. This sets it apart from both the topics because China uses economics to gain its geopolitical advantage but does not actively engage in making sure that the countries it invests in defaults. Instead it lends money to countries it knows will follow its own goals and how it manages to do that is up to the country. If we were to look at the Sri-Lanka case we can see that it used economics to leverage its geopolitical goals, such as the Hambantota port. But due to poor management Sri-Lanka had lost control over its port. An important point to note is that the total amount of debt that is held by China is very minimal compared to other countries and banks. Hence making it difficult for China to make the country go into debt. Hence I have categorized the BRI as coercive economic engagement.

Implications for India

The recent development around the Indian borders have been concerning because the entire region around India is falling into the influence of China. Which makes it feel like it is being trapped by a hostile neighbour. Some of the concerns that India is facing are as follows:

a. **Security Concerns on Economic Corridors:** The CPEC is said to start from China's Xinjiang autonomous region and extends till Balochistan. This passes the disputed areas of Kashmir between India and Pakistan (Kumar, 2019). This would further undermine India's claim to their rightful sovereign land therefore putting India at a disadvantage in the negotiations (Kumar, 2019). India has major security concerns in the North-Eastern regions (Kumar, 2019) and with the Manipur situation still not under full control makes it more difficult to control. This is because with enhanced influence in the region it could further fan the flames of hatred in the region. The String of Pearls strategy of China in the Indian ocean poses a huge threat in the sea for India (Kumar, 2019). This is because there have been instances where Chinese watchers have passed Indian waters which can act as a threat because it acts as reconnaissance for any future acts of aggression.

b. **A Debt Trap of Smaller Nations:** As seen earlier all the countries where China has made investments have all been under some level of debt distress (Kumar, 2019). This has allowed China to grab control over the special assets which it has invested in therefore making it more secure for any activities China deems necessary. There have also been instances where China has been able to grab the country's resources for its own purposes (Kumar, 2019). China has made the case that the debt that all the countries incur are very minimal compared to other loans it has (Kumar, 2019). But this is not the case with all countries because with Maldives half of the debt is owned by China.

c. **India's Natural Sphere of Influence:** BRI is a huge concern when it comes to India because this is a push into India's sphere of influence (Kumar, 2019). These countries include Sri-Lanka, Nepal, Bangladesh, Myanmar and other Southeast Asian countries (Kumar, 2019). With all these projects strategically encircling India it will have a bearing on India's strategic interests (Kumar, 2019). With these economic investments China could press these countries for Chinese interests (Kumar, 2019). This inturn would inhibit India's power projection and economic growth on the world stage. With regards to Pakistan in spite of it being a foe India there are more troubling signs. There are instances where it has been speculated that Pakistan could be a military outpost for Chinese foreign policy.

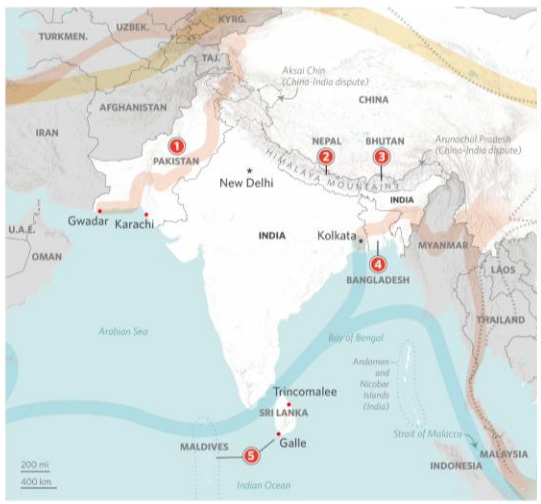

Figure 4: India contends with China's Belt and Road (Allard, 2019)

Conclusion

In the light of this information, we can see that the BRI is a complex scheme which strives to become a geoeconomic tool but fails to achieve it. This is because it takes on a partial laissez-faire approach to economic cooperation while taking advantage of countries it supports. This creates a double standard with its plan and needs to understand that for the BRI to be sustainable it needs successful countries. Only when the supported countries succeed can the BRI succeed as well. For this to occur it needs course correction from the funding space as well as their means to achieve their goals.

India on the next in line to achieve this and in order to make sure that they do not make the same mistakes they need to learn from the mistakes of the BRI. For a country to leverage geoeconomic tools right does not include throwing money at them. Instead, it needs to be acceptable to all levels of the society where the money is entering. For projects to be accepted there needs to be two aspects that need to be undertaken. First is to understand the geography and then create the necessary infrastructure to allow the region to grow.

Overall, for a country to expand its influence geoeconomics is the tool that must be used. This case study shows us how geoeconomics has not been used properly and is something rising powers must take note of in order to grow its influence.

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