UoN Asia Research Institute Policy Brief Background Report

The United Kingdom and the Belt-and-Road Initiative (BRI) in a post-Brexit Age: Getting the UK BRI Policy Response Right

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EXECUTIVE SUMMARY

As China and President Xi Jinping signature foreign policy programme, the BRI has become in a very short space of the time one of the world's largest and most active international infrastructure development drivers. The BRI is helping, in a significant manner, to meet the increasing demand for infrastructure development and upgrades in emerging markets – a trend that is unlikely to slow anytime time soon, especially given the initiative's current importance to the Chinese government. For the British government (from here onwards 'government'), although the UK is unlikely to be a prime destination for BRI projects (for now), the BRI stakes are high. Not only do BRI projects impact the economic wellbeing of a number of countries of strategic importance to the UK, but the government cannot remain passive in the emerging geopolitical context of infrastructure development and financing rivalry. In addition, in light of its relative post-Brexit geopolitical isolation, the government needs to adopt a firm and unequivocal political stance in dealing with its Chinese counterpart should the UK itself become the recipient of BRI projects. In this regard, the objective of this policy brief is to explain the ways in which the government can help make the BRI into a global public good, by:

- ✓ ***Encouraging the Chinese government to comply with international norms on debt sustainability as part of BRI financing***;
- ✓ ***Creating synergies with other the policies of other countries and regional/international organisations to promote alternative sources of, and capacity-building on, infrastructure financing***;
- ✓ ***Ensuring that the UK does not succumb to greater Chinese political influence in return for BRI investments in the UK, given the new reality of the post-Brexit context*****.**

INTRODUCTION

Launched in 2013, the BRI contributes towards both internal and an external policy purposes. On the one hand, the BRI serves a national economic agenda of supporting and consolidating growth rates (and thus the political legitimacy of the Chinese Communist Party). On the other hand, the BRI is designed to help Chinese companies and development banks specialised in infrastructure development and/or management meet global demand for large-scale infrastructure development and financing. In some quarters, however, this practice of large-scale government-to-government lending for extravagant infrastructure projects has been criticised for exposing some of the world's most vulnerable countries to debt sustainability risks (or "debt traps"), while others have raised alarm that these lending practices are politically motivated. This is where the UK's experience, expertise and influence comes into play. Rather than join the chorus of voices labelling the BRI as a risk, this policy brief argues that the government should work with China and other relevant international partners, in both bilateral and multilateral settings, to ensure that BRI projects work for the global public good. This approach is, however, welcome for as long as the government is capable of adopting a coherent and robust approach to the BRI in a post-Brexit context. In particular, the UK should not compromise on its political expectations of China, even if BRI projects are rolled out to Britain. Doing so, would only prove to be a disservice to the UK, China and the rest of international community concerned by the BRI.

This report is divided into five sections to explore each of these issues in greater detail. After a brief presentation of the methodology employed, the first section will discuss the BRI and debt sustainability, looking at the risks inherent to BRI financing in its current state. This section will investigate the means available to the government to help China improve BRI practices, via multilateral and bilateral mechanisms. This will be followed by a discussion on the alternative/competing infrastructure development and financial models being mooted by some of the UK's more established international partners, such as the United States (US), Canada, Australia and Japan. The purpose of this discussion will be to highlight the need for the government to create synergies, where possible, between its own initiatives (as outlined in the previous section) and those of its partners, so as to maximise output and minimise overlap. Furthermore, this section will point to the need for the government to also work with developing countries, such as India, who are seeking to raise awareness of the risks inherent to BRI projects for other developing nations (particularly in South Asia). Here the government should support these awareness-raising and capacity-building initiatives by putting on trainings (through intermediaries such as the Department for International Development) for decision makers in these recipient developing countries as well as for members of civil society organisations. The third section will shift the discussion back onto the UK's domestic aspirations with regard to the BRI. Here, the report will demonstrate the obvious potential for BRI investments in the UK, given the country's need for additional infrastructure financing sources in light of the government's courting of Chinese investments into Britain. The purpose of this section is, however, to highlight to the government the political risks of lowering its political expectations of China (and thus succumbing to political pressure from Beijing) in return for an increase in Chinese economic activity in the UK. Recent examples on the European continent point to the reality of this risk, with a correlation existing (no matter how loosely) between BRI financing and governments succumbing to Chinese political pressure, as examples in Greece, Hungary and Italy have testified. In light of the reality of its post-Brexit context, the government should be wary of its potential vulnerability and susceptibility, requiring it to thus adopt a coherent and robust policy response in this regard. The two final sections of the report will consist of the conclusion and recommendations sections.

METHODOLOGY

This brief will build on the most recent findings that have been published in academic and policy literature regarding the positive and negative impacts of the BRI, since it came into being six years ago. The impacts in question will deal with debt sustainability and the use of BRI financing for Chinese diplomatic leverage. It will apply these findings to the government's overall BRI strategy.

THE BRI, DEBT SUSTAINABILITY AND DIPLOMATIC LEVERAGE

When it comes to the BRI, two areas of concern have been earmarked by scholars and analysts alike – concerns which deserve the government's full attention. These are: a) the fear that the mismanagement of BRI financing for infrastructure development as much by Chinese development banks, as by recipient states, could lead to cases of serious debt unsustainability impacting the international community as a whole (e.g. by leading to International Monetary Fund rescue packages); b) the threat of the Chinese government exploiting the BRI for strategic purposes going beyond the economic development rationale of the BRI, by leveraging indebted countries during negotiations led behind closed doors.

In terms of the first area of concern, according to a study published in March 2018 by the Center for Global Development, the BRI's $8 trillion dollar initiative is likely to leave some recipient countries facing significant "debt overhangs", which in turn will "[…] impede sound public investment and economic growth generally" (Hurley et al. 2018: 2). In short, when government borrowing is not met with enough economic growth and revenue to service debt, this can generate a "downward spiral that inevitably ends in the need for debt restructuring or reduction" (Ibid: 3). Spending on infrastructure and other key public services is then sacrificed due to the need to service such debt, whilst doubts over a country's ability to service such debt as its debt ratio worsens, increases the cost of capital with investors seeking higher return to compensate for increased risk (Ibid). Amongst others, debt unsustainability can lead to exchange rate depreciations and to a banking crisis, as has been witnessed in other parts of the world before, with the Argentinian crisis in the late 1990s being a case in point (Ibid).

As a member of the Paris Club and a key contributor to multilateral development banks, this is a concern to the government on two counts. On the one hand, it exposes countries whom are of strategic importance to the UK to the risks of economic turmoil and thus potential social unrest. A recent example of note in this regard concerns Pakistan which reached an agreement in April 2019 with the International Monetary Fund (IMF) for a rescue package, at a time when the $62 billion China-Pakistan Economic Corridor (CPEC) is adding to Pakistan's debt distress levels due to high interest rates reportedly being charged by Chinese development banks (Ibid). Although BRI financing alone cannot be held accountable for the overall economic performance of the countries that sign up to BRI projects, there does exist a legitimate concern that if such countries do incur further debts for extravagant BRI projects that go beyond their actual economic means, this will only complicate already volatile situations. As one of the IMF's key contributors, it is in the UK's interests to ensure that the IMF is not recurrently called upon to produce rescue packages for states because they have opted to take on BRI projects which they cannot afford.

An additional cause of concern is the absence of transparency surrounding the true value of debt owed by BRI recipient states to China, as the latter's development banks (such as the China Development Bank and the China Exim Bank) do not disclose the terms of their loans (Ibid: 4). This makes an already precarious situation even trickier given that the terms of repayment of debt have at times fallen outside of traditional multilateral debt repayment practices. Whereas recipient of Paris Club financing have usually had to undergo structural adjustment programmes in addition to often politically-costly reforms as a means of servicing their debt, when dealing with BRI financing repayment, recipient states cannot always be certain of repayment methods. Examples have already varied widely from donations of in-kind resources as a means of repayment, as the 2015 case of Tajikistan demonstrates (when Tajikistan forewent 1,158 square kilometers of disputed territory bordering China), to debt forgiveness made conditional on a form of indirect gain for Chinese economic interests (such as the case of the port of Hambantota, where in part exchange for debt relief, the Sri Lankan authorities awarded China Merchant Ports Holdings with a 99-year lease to manage the port) (Ibid: 20).

This leads us to the second identified concern regarding the political capital that Beijing may seek to extract from BRI financing. As mentioned earlier, given the relative absence of transparency surrounding the terms and conditions of repayment of loans and debts incurred for BRI projects, there is apprehension in some quarters that China may look to exploit diplomatic leverage from the financial vulnerability of some recipient states for purposes that go beyond financing infrastructure (Chang 2018: 155). Reverting back to the example of the port of Hambantota in Sri Lanka, critics believe that the Chinese government would seek to force Colombo's hand, by getting the latter to agree to allow People's Liberation Army Navy (PLAN) vessels and submarines to dock at Hambantota, as a condition of repayment. As a supposed part of its "String of Pearls" strategy, China would look to exploit similar situations in ports strategically situated in the Indo-Pacific region (e.g. Gwadar in Pakistan, Chittagong in Bangladesh, Kyaukpyur in Myanmar, etc.) in order to enhance its offensive and defensive maritime capabilities (Chung 2018: 320). Although there is scant evidence to validate this suggestion as of yet, the broader reality is the ability of the Chinese government to diplomatically leverage BRI investments for geopolitical purposes (Brautigam 2018). The concern for the British government is that this practice not only goes against its principles as a liberal market democracy, but it may clearly jeopardise its foreign policy interests abroad.

To mitigate both of these concerns, the suggestion is to get China to refrain from providing debt relief on an "ad hoc, case-by-case" basis (Hurley et al. 2018: 19), but instead get it to adhere to multilateral standards on all BRI projects. Doing so would generate the following benefits:

a) *reassurance* in the shape of information sharing for recipient states and other external stakeholders regarding the exact value of the debt incurred, as well as the other collateral costs attached to the loans;
b) *transparency* (and increased trust) of the process involving BRI financing, which would help to uphold China's reputation as a "responsible stakeholder" (Zoellick 2005) and shed further light on exactly whether China is extracting diplomatic leverage from BRI deals.

Of course, this is not to say that China does not already abide by multilateral standards when it comes to debt financing. After all, the Asian Infrastructure Investment Bank (AIIB), which underpins part of the financing for BRI projects operates according to international standards and acts as "just another normal, boring, multilateral bank" (Rudyak cited in van der Meer 2019). However, the argument that has been made is that since the AIIB only covers part of BRI financing and other overseas infrastructure financing sponsored by Chinese development banks, the PRC is not obliged to abide by the rules of the Paris Club – to which it sits in on meetings as an observer – on its credit activities (Hurley et al. 2018: 19). As has also been rightly pointed out in analyses on this matter, China may not necessarily be willing to become a fully-fledged member of the Paris Club anytime soon despite flirting with the idea during its presidency of the G20 in 2016, rendering the issue more complex (Ibid: 20). This is due to the fact that the Paris Club is predominantly, although not exclusively, made up of Western states. Since the PRC extracts considerable amounts of international political capital from its ability to sell itself to the 'Global South' as a developing countries intent on promoting 'South-South cooperation', becoming a member of this club could partly compromising its international image.

This being said, this is where the UK – as a country with expert knowledge of financial services – can seek to foster cooperation with China in order to help build capacity when it comes to accounting for the risks of debt sustainability. As the Minister of State at the Department for International Trade, Baroness Fairhead, was quoted as saying in 2018:

> "*We intend to position London as the premier global centre for funding and facilitating BRI projects. […] We want our financial services sector to use its emerging market expertise to ensure projects along the Belt and Road are bankable, legal and sustainable."*

There are different means available to the government to foster such cooperation. For example, the government should make the most of its membership to multilateral development banks where its membership overlaps with that of the PRC, such as the World Bank (WB), the Asian Development Bank (ADB) and most obviously the AIIB, to promote the need for Chinese credit activities to respect the highest international norms. This could be achieved informally by utilising these fora as opportunities to enhance the familiarity of Chinese actors with the application of such standards, or formally by encouraging these multilateral lenders to sign: "more detailed agreements [*sic*] with the Chinese government when it comes to the lending standards that will apply to any BRI project, no matter the lender" (Hurley et al. 2018: 22).

Alternatively, it has been suggested in policy studies regarding the BRI that Paris Club members should strive towards establishing an upgraded version of this body, in the shape of a 'Paris Club 2.0' with China as one of the founding members of such an institution (Ibid: 23). In theory, if the establishment of the AIIB is anything to go by, such a suggestion could prove of interest to the Chinese government, as this corresponds to its desire to create or redesign multilateral structures more along its own interests and values, within the existing international order. The UK government, as an obvious stakeholder, could act as an instigator, with its membership of the AIIB helping to build trust in this context. The obvious difficulty here though lies with the current state of bilateral affairs between the US and China. Not only would Washington be, under the current administration, undoubtedly lukewarm to establishing a revamped format of the Paris Club, but the US-China dialogue – in which most progress towards China's membership of the Paris Club had been achieved – has been temporarily set aside (Ibid). This notwithstanding, the government can continue to encourage the establishment of this revamped format, as a change in political winds in bilateral US-China relations is not altogether out of the question within the short- to medium-term.

Beyond taking steps in relevant multilateral fora, the British government should continue to reinforce the importance of this topic as part of its bilateral dialogues with China, such as with the annual 'Economic and Financial Dialogues' mechanism. Ad hoc instruments should also be mobilised and exploited to their full potential. One pertinent example here is the UK-China Infrastructure Alliance (from here onwards Alliance), whose states objective is to: "bring together complementary expertise and skills from the UK and China to support businesses from the two countries to develop competitive offerings in the UK, China and international infrastructure [*sic*] market" (The British Chamber of Commerce Shanghai 2017). Established in 2015, the Alliance has produced initiatives such as the 'UK-China Infrastructure Academy' focusing on promoting: "[…] training on the policy, financial, planning and legal frameworks governing the UK's infrastructure environment" (Department for International Trade 2016). Such initiatives complement the agreement announced as part of the 8th UK-China Economic and Financial Dialogue to, within this context: "[…] remove barriers hindering strong cooperation between UK and Chinese companies and individuals to foster a more predictable, stable and fair legal environment in which they can operate" (Lord Keen of Elie 2016). These initiatives may be relatively small in scale and reflect a long-term horizon in terms of coming to fruition, but they serve to build lasting capacity whilst achieving complete buy-in from Chinese authorities as stakeholders to these initiatives.

What's more, they allow the inculcation of British expertise, know-how and thus values when it comes to raising the issues of infrastructure financing and development. The government should encourage both the further institutionalisation of these initiatives and the creation of new parallel initiatives where possible. For example, in November 2017, the China Banking Regulatory Committee issued its first ever regulations for China's policy banks, emphasizing greater risk controls for overseas credit activities (Hurley et al. 2018: 21). It is not inconceivable that the government could leverage know-how from the UK's expertise in financial services to assist in building capacity here, or with overseeing the implementation of these regulations. Engaging Chinese stakeholders in this manner is likely to generate greater longer-term payoff than simply joining the chorus of voices seeking to castigate Beijing for setting up "debt traps" or, in the words of former US Secretary of State Rex Tillerson, blaming China for encouraging: "dependency using opaque contracts, predatory loan practices, and corrupt deals that mire nations in debt and undercut their sovereignty, denying them long-term, self-sustainable growth" (cited in van der Meer 2019). Such rhetoric – regardless of how factual it may be – is only likely to harden China's stance when it comes to adopting multilateral standards on debt sustainability, while ramping up the pressure on recipient states whom are nonetheless in need of infrastructure upgrades and developments.

ALTERNATIVE INFRASTRUCTURE FINANCING

Indeed, given the magnitude of global infrastructure financing and construction needs, no single entity can necessary fill this gap by itself. In any case, leaving the bulk of the work in the hands of a potential monopoly in this increasingly interconnected world is not in the international community's best interests. The government should thus create synergies where possible between its own multilateral and bilateral efforts towards China on the BRI with the initiatives of other actors seeking to advance their own competing model of infrastructure financing. In sum, the BRI can only benefit from healthy competition in order to help address some of its imperfections.

Of note, the US, Japan, Canada, Australia and the EU have either developed strategies/legal frameworks to promote an alternative infrastructure development business model or simply have been putting their resources into the financing of a competing model. The US' Overseas Private Investment Corporation (OPIC) – which acts as an intermediary between American lenders with governments and developers in developing countries – has been advocating for the need to promote alternatives to "unsustainable state-led models" of infrastructure development (cited in Churchill 2019). OPIC has since witnessed an increase in its portfolio cap from $29 billion to $60 billion, with its emphasis centred primarily around "financing and political risk insurance" (Ibid). According to Prof. Deborah Brautigam, in 2017, Japan provided developing countries with over $10 billion in concessional funding for economic infrastructure (2019). In September 2018, the European External Action Service (EEAS) released the EU's long-awaited policy response to the BRI, entitled *Connecting Europe and Asia: Building blocks for an EU Strategy*, which promulgates the fiscal viability, market efficiency, transparency, good governance of infrastructure networking projects, as well as the need for public consultations and consideration for the outcome of environmental impact assessments (2018).

Some of these initiatives have planted the seeds of collaborative endeavour, most often in the shape of collective Memoranda of Understanding (MoU). As a case in point, OPIC recently entered into such a trilateral agreement with Canada and the EU to strive towards offering a competing model to state-led infrastructure development models (Churchill 2019). This is the second agreement of its kind, as in 2018, OPIC concluded a similar agreement with Japan and Australia, as "[…] part of a whole-of-government push to protect the economic and sovereign rights of countries in the Indo-Pacific region" (Ibid). The government should seek to streamline its abovementioned activities with the individual and joint efforts of these actors, so as to maximise the impact of its own outputs and to avoid duplicating the endeavours of other governments.

The emphasis here should not exclusively lie with the actions of developed countries. Instead, the government should look to support the efforts of developing countries too. In this respect, the government can complement capacity-building activities of developing countries seeking to raise awareness of the potential drawbacks of BRI projects, in addition to running its own awareness raising campaigns in states concerned by the BRI. In the case of the former approach, for example, the government should reach out to its counterparts in India, where New Delhi announced in July 2018 its intentions to implement a three-pronged strategy to monitor and counter Chinese infrastructure activities in South Asia (Elmer 2018). One of the three pillars of this strategy involves raising awareness of the risks inherent to BRI projects amongst its neighbours (Ibid). The government should support these capacity-building measures whether directly or indirectly. The Department for International Development (DfID)'s experience when it comes to organising and arranging such trainings would provide considerable added-value in this context.

The main target audience for such exercises should naturally rest with decision-makers of today and tomorrow, who are likely to be called upon to seek financing for infrastructure development. However, the target audience should not discard other members of society in these states, particularly civil society groups who may need to be better informed when it comes to the discussion on the pros and cons of diverse infrastructure development and financing models. The purpose here is to generate more constructive dialogue around meeting this particular development need and reduce the chances of civil unrest around BRI or alternative forms of infrastructure development financing, as witnessed in Sri Lanka in 2017. As Lord Keen of Elie stated during the opening speech of the 'UK-China Rule of Law Roundatable': "the BRI needs to be done in a sustainable way, in a manner that secures buy-in from local communities and protects the environment" (2016).

BRI PROJECTS IN THE UK

In October 2014, the *Financial Times* ran a story whose headline predicted that by the year 2025, Chinese companies will be set to invest up to £105 billion in UK infrastructure with the energy, property and transport sectors receiving the bulk of these investments (Plimmer and Hornby 2014). Should this target be met, this would represent a sizeable increase in the scope of Chinese infrastructure and regeneration investments in the UK, up from £4 billion in 2012 (Department for International Trade 2016). Despite having one of the most extensive infrastructure networks in the world, the UK is also in needed of a steady stream of investments into its national infrastructure to: "revive the economy and sustain the quality of life for its citizens" (Johnson-Ferguson 2017). One analysis called this need "urgent" and "the biggest single challenge facing the country today" whilst scholar Swati Dhingra has linked the absence of sufficient investment in infrastructure with part of the grievances that led to the Brexit vote (Ibid; Dhingra 2016). As part of its efforts to meet this domestic demand, the government published the National Infrastructure Delivery Plan 2016-2021, which mapped out an: "[…] ambitious programme of infrastructure development and regeneration including transport, energy, housing and education" (Johnson-Ferguson 2017). However, this initiative is facing a funding shortfall. The plan in itself envisioned the requirement of £483 billion of investments over five years, yet the government's only commitment itself to a pipeline of £100 billion worth of projects (Ibid). The shortfall in financing is therefore expected to be plugged by private sector investments or from external sources.

This is where BRI financing may come into play. In light of this gap and the need to regenerate and upgrade infrastructure in the UK, Chinese investments should be welcome as long as they abide by the expected investment standards and do not involve infrastructure of strategic national importance. This openness should however be made conditional on the government's ability to not, at any time, lower its political expectations of the Chinese government. In other words, just because Chinese infrastructure investments in the UK via the BRI may help to plug a sizeable gap in a sector in dire need of funds, this should not translate into the government succumbing to Chinese political demands at all costs. The risk in this regard is that with the new post-Brexit reality, the British government is likely to find itself more isolated internationally. Consequently, its own diplomatic leverage over established and emerging powers will naturally recede, leaving it in a weaker bargaining position.

To this another risk should be added. One of the means with which the current government has sought to justify its decision to opt exclusively for the "Brexit means Brexit" (May 2016[1]) approach to managing the expectations that emanated from the 2016 referendum, has been to point to the trading opportunities – in the shape of Free Trade Agreements – that will present themselves to the UK once it has tied its loose ends with the EU. As recently as last February, the International Trade Secretary reiterated that the UK will be shifting its post-Brexit economic attention towards the far-East and the Commonwealth (cited in Tidey 2019). It would therefore not be surprising for the current government to adopt the same position when it comes to foreign investments in the UK. During the 2017 BRI Forum in Beijing, Chancellor of the Exchequer Philip Hammond labelled the UK as China's potential "natural partner" (2017). The overtures towards the PRC from the current government have been forthcoming. This expression of preference for seeking to ride the wave of commercial opportunity with China, however, should not result in agreeing to enter into bilateral commercial dealings with the PRC at any cost, including if BRI projects are rolled out to the UK. As a result, the risk here is that the government lessens its political expectations of the Chinese government, for example on issues such as upholding basic human rights in China or on environmental standards, in order to secure investments in light of the need for it to demonstrate to its electorate that its post-Brexit strategy is tenable.

The government should pay heed to recent examples witnessed in EU member states, where in exchange for much needed infrastructure investment in the shape of BRI projects, some EU member states have succumbed to pressure from the Chinese government on issues such as the latter's human rights record or supporting its position on the South China Sea dispute. As a case in point, under the leadership of Viktor Orban, the Hungarian government has sought to improve its bilateral ties with China under the auspices of the BRI. One of the outcomes of this rapprochement was the announcement in 2014 of the construction of a $600 million railway link connecting Belgrade to Budapest, financed by China Exim Bank (Euractiv 2014). The Greek government has followed a similar path. In 2016, it oversaw the purchase by the COSCO group of a 67% stake in the Piraeus port authority at a cost of $420 million, despite ferocious opposition

[1] See: https://www.bbc.com/news/av/uk-politics-36764525/no-second-eu-referendum-if-theresa-may-becomes-pm.

by Greek unions (The National Herald 2019[2]). Interestingly, in July 2016, both Hungary and Greece fought to avoid direct reference of China in the EU's statement regarding the ruling in The Hague on the Philippines' case against the lawfulness of China's claim in the South China Sea (Benner and Weidenfeld 2018). A year later, the Hungarian government derailed consensus at the EU level to sign a letter by the EU Council denouncing the reported torture of detained lawyers in China, while Greece prevented the EU – for the first time in its history – from issuing a statement at the United Nations Human Rights Council criticising China's human rights record (Horowitz and Alderman 2017).

Although the BRI may be just one factor amongst many others explaining the pro-Chinese stances adopted by these countries, the government should take note of the association between being a recipient of BRI financing and enhanced political pressure from China to influence the course of foreign policy-making in the recipient states on issues of political salience to China (e.g. human rights). In its new post-Brexit reality, the government should be aware and conscious of its heightened political vulnerability and susceptibility to such pressure. It should ensure that despite its openness to potential BRI investments in the UK, it is firm, coherent and robust in upholding its democratic values in the face of China's authoritarian governance model.

RESULTS AND CONCLUSIONS

The takeaway messages from this policy report are the following:

- ✓ BRI infrastructure investments are welcome as they help spur economic growth globally and help meet the global demand for infrastructure investments, even if at heart they serve a national economic interest;

- ✓ The current trend of BRI infrastructure investments is likely to be upheld regardless of the financial viability of some BRI projects, given the political importance and relevance of the BRI to the current Chinese leadership;

- ✓ The application of the BRI has been far from linear or perfect – in the worse cases, it has driven some countries closer towards debt unsustainability and (at times) political vulnerability, as the examples of Djibouti, the Maldives and Pakistan testify (Hurley et al. 2018: 15);

- ✓ Although not altogether untrue, the rhetoric of "debt-trap" diplomacy has only served to antagonise the Chinese government and apply pressure on recipient states, which as a whole is counter-intuitive in light of the reality of the abovementioned conclusions.

RECOMMENDATIONS

This report proposes the three following recommendations:

1. ***The government should use all of the different policy instruments at its disposal to encourage the Chinese government to ensure that BRI investments and financing complies with international norms on debt sustainability***

[2] https://www.thenationalherald.com/229205/chinas-cosco-makes-piraeus-2nd-largest-port-in-mediterranean/

Here, the government should:

- ✓ Leverage the country's expertise and know-how on financial services, as well as its bilateral dealings with the Chinese government, to assist with mitigating the negative financial risk that has been associated with some BRI projects by helping to build capacity (connected to concerns on transparency, on the ad hoc resolution of outstanding debt, etc.) amongst relevant Chinese stakeholders;

- ✓ Lean on the UK's membership of various multilateral development banks (the AIIB included) to ensure that BRI projects contribute towards debt sustainability, as well encourage the Chinese government to either become a full member of the Paris Club or to create a 'Paris Club 2.0' with the PRC as one of its founding states (Ibid: 22).

2. ***On top of its own initiatives to support economic growth in developing countries, the government should seek to create synergies with the policies of other concerned actors seeking to fund infrastructure development as well as raise awareness regarding debt sustainability***

Here, the government should:

- ✓ Create synergies with the recent individual initiatives sponsored by the United States, Japan, India and the EU to both create healthy competition for BRI infrastructure investments worldwide;

- ✓ In this regard, awareness of the financial and political risks of BRI projects should be raised as much with government officials as civil society actors in recipient states – DFID capacity-building projects could play a part here.

3. ***In the event of BRI investments in the UK, the government should ensure that it does not succumb to greater Chinese political influence***

Here, the government should:

- ✓ Not – in its new post-Brexit reality – become overly dependent on Chinese infrastructure investments to the extent that Beijing can translate these investments into political capital, as examples from other European countries have shown (e.g. Greece, Hungary or more recently Italy).

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