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China's Belt and Road

Determining a U.S. Response

WOODROW WILSON SCHOOL
of Public & International Affairs
PRINCETON UNIVERSITY

Front cover images: Addis Ababa light rail (top) and Djibouti Gare de Nagad train station (bottom), October 2019.

China's Belt and Road:
Determining a U.S. Response

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This report represents the conclusions of the workshop and do not necessarily reflect the views of any individual author, Princeton University, the U.S. Department of State, or any person interviewed as part of this workshop. The policy recommendations contained in this report do not constitute official U.S. government policy.

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Each workshop consists of eight to 10 students who work in teams to evaluate a policy challenge. Most students engage in field research during the fall break period.

Each workshop produces a final report and gives a final presentation to the client, typically sometime between mid-December and late January.

Acknowledgements

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Executive Summary

This report aims to provide a nuanced discussion of China's Belt and Road Initiative (BRI) and provide policy prescriptions for a U.S. response based on extensive desk and field research in East Africa (Ethiopia and Djibouti) and Southeast Asia (Malaysia and Singapore). The scale of the BRI, in terms of both monetary value and the number of participating countries, along with the ambiguity surrounding it and its impacts, makes the BRI difficult to assess and complicates any potential response.

We found that the BRI manifests in varying ways in different contexts and that some BRI projects are meeting real needs in participating countries. However, BRI projects we visited were often poorly implemented, negating their potential economic benefits and heightening concerns over the negative impacts of the BRI. Specific findings in our areas of interest include:

Economic and financial

The BRI is a complex program that serves to fulfill Chinese domestic economic policy goals and increase Chinese geopolitical influence while being couched in the language of development assistance. We found that debt distress remains a serious concern for many participating countries, but see limited risk of future collateral seizures of infrastructure projects given China's desire to maintain access to these markets and its need to manage its own debt through renegotiations.

Political and social

BRI does not seem to have significantly affected local perceptions of China. A common refrain in interviews with policymakers was a preference for maintaining flexibility and strong distaste for pressures to "choose" between the U.S. and China.

Regulatory and governance

BRI projects generally follow host country environmental, labor, and quality standards but these standards are often low or poorly enforced. Journalists and local media coverage could help shed light on low in-country standards, but self-censorship and weak protections for free speech hinder media oversight.

In order to address the economic, geopolitical and developmental challenges posed by the BRI, the U.S. should aim to increase competition on infrastructure projects, improve project quality by expanding the options available to host countries, build local capacity to manage projects, and assist with raising existing regulatory standards. More proactive and nuanced diplomatic engagement in key regions is necessary, both to improve regulatory and governance standards and to demonstrate U.S. commitment. These aims can be accomplished by expanding existing U.S. programs and agencies, working toward the success of new programs and agencies such as Prosper Africa and the USIDFC, and leveraging the United States' unique position in several international organizations.

1 | Introduction
What is the Belt and Road Initiative?

Chinese President Xi Jinping announced what would become the BRI in 2013 when he proposed a Silk Road Economic Belt and a 21st Century Maritime Silk Road in speeches given in Kazakhstan and Indonesia, respectively. Over the following years these two initiatives would be combined and rebranded as "One Belt, One Road," referring to a Eurasian economic belt and a maritime "road," before eventually becoming the Belt and Road Initiative, or BRI. The scale and ambition of the BRI coupled with the Chinese government's extensive promotion of the project internationally have drawn commensurate attention from policymakers.

China frames the BRI as a global development project based on 5 pillars: policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people exchanges. Popularly identified primarily with large-scale infrastructure projects, the BRI aims to promote trade and investment, support cultural exchange, and enhance financial cooperation with partner countries. While China has not released an official budget, some unofficial estimates have valued the project at upwards of US$1 trillion.[1] The ambiguity surrounding the scale of the project results in part from an imprecise definition of what counts as a BRI project (we observed substantial variation during our site visits, discussed in more detail later), and some projects that predate the launch of the BRI have now adopted the label. Despite the lack of clarity surrounding the BRI, the scale of the project has drawn comparisons with the U.S.' post-WWII Marshall Plan.[2] Much of the money related to the BRI comes in the form of non-concessional loans from Chinese state-owned institutions, which blurs the line between commercial outreach and development assistance, further complicated by China's lack of transparency regarding its development financing compared to OECD countries.

The Chinese government has heavily promoted the BRI both domestically and as part of its international relations strategy, making it central to its own internal politics while also drumming up support from key international organizations. The BRI was incorporated into the constitution of the Communist Party of China during the 19th Party Congress in 2017.[3] The core multilateral development banks (MDBs) and international financial institutions (IFIs) have interests broadly in line with many of the goals of the BRI. Six of the largest multilateral development banks signed a memorandum of understanding with China's Ministry of Finance to support the BRI, most notably the World Bank and the Asian Development Bank (ADB).[4] The creation of the Asian Infrastructure Investment Bank (AIIB), viewed by some as a part of the BRI, was similarly met with support from within and outside the region. United Nations Secretary-General Guterres spoke glowingly of the BRI at the second Belt and Road Forum, an international meeting convened by China about the initiative in April 2019.[5]

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[1] Rolland, "A Concise Guide to the Belt and Road Initiative."
[2] Shen and Chan, "A Comparative Study of the Belt and Road Initiative and the Marshall Plan."
[3] Xinhua, "'Belt and Road' Incorporated into CPC Constitution"
[4] Ministry of Finance of the PRC. "Memorandum of Understanding on Collaboration on Matters of Common Interest Under the Belt and Road Initiative."
[5] United Nations, "United Nations Poised to Support Alignment of China's Belt and Road Initiative with Sustainable Development Goals, Secretary-General Says at Opening Ceremony."

That 126 countries that have signed cooperation agreements aligned with the BRI reflects the tremendous need for development financing and infrastructure worldwide. Currently, there are substantial infrastructure gaps in developing countries that far exceed the financing capabilities of those governments. The ADB has calculated an estimated need of $1.7 trillion in infrastructure investment per year in Asia alone.[6] Needs in Africa are $170 billion per year by African Development Bank (AfDB) estimates.[7] The BRI offers a promise of external funding for costly infrastructure projects in developing countries seeking new funding sources.

Framing the BRI for U.S. Policymakers

Defining what constitutes a BRI project is difficult as Chinese authorities have not officially defined a list of BRI projects and private Chinese companies have often sought advantages back home by branding their projects with the BRI label even when not actually government-approved.

BRI projects are best exemplified by infrastructure projects negotiated state-to-state between Chinese government authorities and another sovereign state, typically funded by Chinese policy banks. These projects tend to be in "connectivity" industries like energy or physical infrastructure. The Chinese government occasionally sanctions private Chinese investments broadly aligned with BRI principles and China's geopolitical goals, making BRI seem more expansive and adding to the BRI's ambiguity.

Beyond this definition, we see three key frameworks through which to understand the BRI. The BRI has elements of a geopolitical strategy, a South-South development cooperation initiative, and an economic policy directed at domestic Chinese economic aims. All of these framings have aspects of truth that need to be incorporated into a U.S. response to the BRI.

Geopolitical Strategy

China's spectacular economic growth has contributed not only to its ability to change the narrative around international development, but also to its ability to pursue strategic geopolitical goals. The BRI has the potential to promote the renminbi as an international currency, open up new export markets for Chinese producers, and expand Chinese trade by reducing tariffs and transportation costs. By tying recipient countries into a China-centered economic and trade regime, China is increasing its political influence in international organizations and securing economic advantages for its firms.

A sign outside a construction site at the Melaka Gateway project reads, "Melaka Gateway is endorsed by Malaysian Government and Melaka State Government as National Project, Tourism Island, Economic Transformation Project, and Tax Incentives." October 2019. Photo by Sagatom Saha.

[6] Asian Development Bank. "Asia Infrastructure Needs Exceed $1.7 Trillion Per Year, Double Previous Estimates."

[7] African Development Bank. "African Economic Outlook 2018."

In addition to the clear geoeconomic aims, Chinese foreign policy is dominated by two key priorities: the "One-China policy" and the "Five Principles" belief in non-interference. The BRI contributes to each of these goals by tying much of its investment spending, explicitly or otherwise, to adherence with these ideas. China's 2011 white paper on foreign aid lists among its basic features of aid a promise of non-interference, a practice that also applies to recipient country's statements on controversial Chinese policies in regions like Tibet and Xinjiang.[8] The foreign aid policy commits to:

> Imposing no political conditions. China upholds the Five Principles of Peaceful Coexistence, respects recipient countries' right to independently select their own path and model of development, and believes that every country should explore a development path suitable to its actual conditions. China never uses foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself.[9]

China sees it as advantageous to craft international norms around avoiding criticizing human rights abuses in other countries, contrasting with the U.S. approach. China is sensitive to criticism of its dismal human rights record and may be leveraging its development assistance as a tool to silence these criticisms. Financing could also be used as a tool to discourage recognition of Taiwan or the exercise of claims over the South China Sea.

Box 1. Debt-Trap Diplomacy

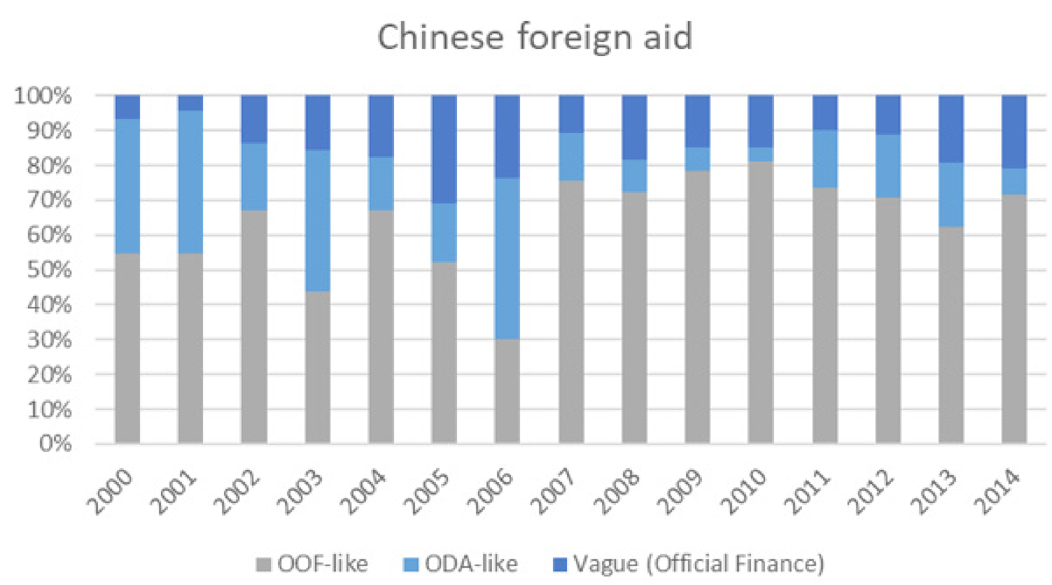
One prominent narrative regarding the BRI is that China is extending unfavorable loans in order to gain leverage over poorer developing countries to further its geostrategic aims. Through its large state-owned banks, including the world's four largest banks, China has substantial ability to target loans for political reasons.[10] Large infrastructure loans are expensive and often include harsh cancellation terms or are guaranteed with collateral. In many developing countries, the only sufficiently valuable collateral assets are land and resources.[11] If these countries are strategically located, as are the many BRI countries along key trade routes, or home to natural resources, China may be targeting loans with the explicit aim of gaining assets or establishing more favorable relations.[12]

A key piece of evidence used by proponents of the debt-trap narrative is the Hambantota Port incident in Sri Lanka, when Sri Lanka's inability to pay back a loan resulted in a 99-year lease of the port to a Chinese operator. China has shown a willingness to extend credit to countries that cannot get loans from any other international lenders. This includes the notable example of Djibouti, where China holds nearly 80% of the strategically located Horn of Africa country's public or publicly guaranteed debt.[13] Djibouti is also home to several foreign military bases, including China's own. This high level of indebtedness raises concerns that China has gained a correspondingly high level of leverage over Djibouti, and could exercise this as either a carrot (by withholding further financing) or stick (by demanding repayment) to achieve goals in that region.

An alternative narrative is that, while Chinese firms are extending unfavorable loans that are difficult to repay, these firms are doing so as profit-motivated actors exploiting a need for projects and lack of available financing rather than out of pursuit of geostrategic influence.[14] In our visits to the region, we found evidence of poor planning resulting from a lack of due diligence surrounding genuinely useful infrastructure projects, and domestic Chinese economic realities that pushed profit-seeking firms to get projects off the ground without appropriately considering implementation. This seems more consistent with a narrative of profit rather than "debt-traps," particularly as the projects that were built often had genuine value despite being hamstrung by poor implementation. Further, most renegotiations of Chinese debt have favored the borrowing country and actual seizures of collateral or assets, as in Sri Lanka, are rare though notable.[15]

[8] Scobell et al., "At the Dawn of Belt and Road."
[9] State Council of the PRC, "China's Foreign Aid."
[10] Johnston, "The 10 Biggest Banks in the World."
[11] Niewenhuis, "The 'Debt-Trap Diplomacy' Debate."
[12] Green, "China's Debt Diplomacy."
[13] Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."
[14] Akpaninyie, "China's 'Debt Diplomacy' Is a Misnomer. Call It 'Crony Diplomacy.'"
[15] Rhodium Group, "New Data on the 'Debt Trap' Question."

Figure 1. Chinese Foreign Aid Trends [17]



A New Model of Development Assistance

Although distinctive in sheer size, China's BRI is not unique in character. Development initiatives led by developing countries tend to emphasize mutually beneficial assistance, finance aid through multiple sources, and include fewer concessional loans and grants.[16] These trends hold true for the BRI, which stresses "win-win" cooperation and provides a large number of commercial loans falling outside the Official Development Assistance (ODA) framework. China provides far more Other Official Finance (OOF) than traditional ODA, with OOF representing over 70% of Chinese foreign assistance in 2014 (see Figure 1). This primarily consists of non-concessional loans provided at commercial terms from the Chinese Development Bank (CDB) and China Ex-Im Bank.

China provides far more OOF than traditional ODA, with OOF representing over 70% of Chinese foreign assistance in 2014.

Participation in the BRI often leads to increased foreign direct investment (FDI) from China, as well. FDI can be important for developing countries that traditionally struggle to draw investment due to political instability, and investors from China are more likely to invest in risky environments than those from Western countries.[18]

[16] Jing, Mendez, and Zheng, New Development Assistance - Emerging Economies and the New Landscape of Development Assistance.

[17] AidData, "AidData's Global Chinese Official Finance Dataset, 2000-2014, Version 1.0."

[18] Chen and Lin, Foreign Investment across the Belt and Road.

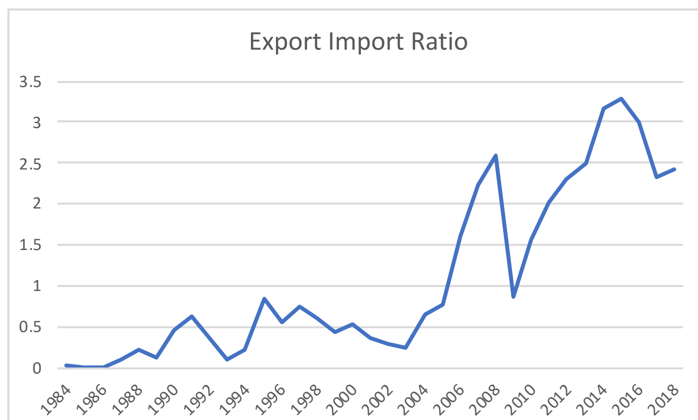
Industrial Overcapacity Management

China's industrial overcapacity helps explain much of the focus on pursuing infrastructure investments through the BRI. Preventing a sharp contraction of Chinese industrial output in order to protect jobs in Chinese state-owned enterprises (SOEs) was likely the key consideration for Chinese policymakers in launching the BRI.

China's state-backed approach to industrial policy has generated significant overcapacity that, if rapidly restructured, would have caused significant disorder in the Chinese economy during the slowdown in Chinese growth beginning around 2012. A US$1 trillion infrastructure initiative with global reach allows Chinese domestic firms to maintain high levels of production despite more modest domestic growth patterns. The BRI can be viewed as an outlet through which SOEs can push their overcapacity overseas.

Steel production provides the most salient example. The Chinese steel industry's share of global steel production grew from 3% in 1977 to nearly 50% in 2017[19] (see Figure 2), with anecdotal evidence suggesting that up to 20% of Chinese steel production was being used to construct more steel mills at the boom's peak.[20] Construction of new roadways, deep-water ports, bridges, dams, industrial zones, and power plants outside of China's borders is intended to help absorb some of the country's estimated 130 million tons in excess steel capacity.[21]

Figure 2. Chinese Steel Overcapacity [22]



> The Chinese steel industry's share of global steel production grew from 3% in 1977 to nearly 50% in 2017.

[19] WorldSteel, "Steel Statistical Yearbook."

[20] Vikram Mansharamani. 2019. Boombustology. 2nd ed. Hoboken, New Jersey: John Wiley & Sons, Inc.

[21] Lu, "China's Excess Capacity in Steel."

[22] WorldSteel Association, "Statistics."; United Nations Statistics Division, "Commodity Trade Statistics Database (COMTRADE)."

U.S. Strategic Interests

U.S. strategic interests that are challenged by the BRI can be broadly broken into three categories: development and democracy promotion, international influence, and ensuring a level playing field for U.S. business and investment.

Promoting Development and Democratic Outcomes

Economic development is a U.S. strategic interest because it prevents failed states and enhances democracy promotion and state stability. There are substantial infrastructure gaps in developing countries and filling these needs might boost growth. However, infrastructure projects executed under the BRI are often poorly implemented (a point that will be discussed in more detail during the discussion of our site visits) and focused in sectors like public transportation that will not provide immediate monetary returns necessary to pay back loans in the short-term. It is possible that these projects will spur economic development, but it is also possible that expensive, unbankable infrastructure projects will negatively impact economic growth.

Although the BRI was likely not designed to create debt traps, lending from Chinese institutions at commercial rates in countries unable to obtain market financing creates real and increasingly serious debt threats. If a primary goal of the BRI is to ensure projects and markets for Chinese firms, project funding through loans from Chinese state-owned banks is a primary means by which to achieve this goal regardless of project profitability. Many of these projects are unbankable through private institutions, a signal that market interest rates are too high for most institutions to take on a project that is fundamentally unprofitable.

Further, by engaging with authoritarian regimes and corrupt political bodies, the Chinese government is bolstering authoritarian states, even if not explicitly encouraging the creation of institutions in a Chinese mold. A key U.S. interest is democracy promotion, both for the intrinsic benefits of democracy and for the international stability that democracy promotes. Research supports the notion that democracy leads to peaceful international relations and the development and adoption of norms and standards consistent with the liberal international order.

Melaka Gateway, Malaysia (October 2019), photo by Alex Entz.

Box 2. A New Cold War?

This report comes out amid rising U.S.-China tensions, and must be understood in that context. China is the greatest challenge to U.S. strategic interests since the Soviet Union, leading some commentators to call this competition a "new Cold War."[23] Proponents of this view believe the U.S. and China are destined to lock into a decades-long technological, political, and economic competition, in which they persuade allies and partners to join opposing blocs and parallel international institutions. Describing this era of U.S.-China competition as a new Cold War is a useful frame, but hewing too closely to the analogy may lead U.S. policymakers to the wrong conclusions regarding how to compete with China, or with the BRI more specifically.[24]

Perhaps the biggest difference between the Cold War and this period of rising U.S.-China competition is that the confrontation is less ideological in nature.[25] While China is undemocratic and shows a blatant lack of regard for human rights and international norms, its economy is not well defined by Marxism and its mixed system--described as "communism with Chinese characteristics"--is not easily translated to other countries. There is some evidence that China is attempting to export its authoritarian brand of capitalism, but Beijing seems to value market creation, domestic concerns, and prestige over winning new partners in a global ideological revolution.[26] Further, China has joined many U.S.-led institutions rather than creating a set of parallel institutions as the Soviet Union did with the Eastern Bloc, all while claiming to adhere to a principle of non-interference. China's actions seem to best describe a revisionist power, not a revolutionary power.

The broader China challenge requires different policies than those the U.S. deployed during its Cold War with the Soviet Union.[27] Some of these tools included an embrace of containment, direct language labeling the Soviet Union an "evil empire," and engaging in expensive arms races. Policymakers should be careful to not directly extrapolate the lessons and tools of the previous Cold War to this current competition with China. Rather, New Cold War rhetoric and policies should define a set of differentiated, China-specific approaches that seek to preserve U.S. global leadership and global norms while promoting human rights and values in the face of a new competitor far more economically integrated in the international system than the Soviet Union ever was.[28] That is, in part, what this report seeks to lay out.

Maintaining International Influence

The BRI can undermine U.S. bilateral and regional ties by increasing Chinese influence. China could be funding projects strategically in order to increase their political sway in key countries, dangling the carrot of no-strings financing. In many recipient countries, American private sector presence is limited, allowing China to step in as the sole international creditor and providing China with substantial leverage.

Cheap credit could also become a stick. If countries are unable to pay back their loans, China can condition debt forgiveness on support for Chinese political interests. Increased Chinese influence could translate into greater Chinese influence on voting patterns in international organizations. While China has made claims of non-interference, its seizure of assets in Hambantota and implicit pressures to not mention internally sensitive issues such as Xinjiang and the protests in Hong Kong highlight China's willingness to bend these rules to serve its own strategic interests.

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[23] Ferguson, "Opinion | The New Cold War?"

[24] Marston, "The U.S.-China Cold War Is a Myth."

[25] Leffler, "China Isn't the Soviet Union. Confusing the Two Is Dangerous."

[26] Economy, "Yes, Virginia, China Is Exporting Its Model."

[27] Temko, "US-China."

[28] The Economist, "A New Kind of Cold War."

Leveling the Playing Field for U.S. Private Sector

There are also concerns that the BRI and its active promotion of Chinese investment in developing markets are intended to help Chinese firms consolidate long-term advantages in these markets, making it harder for American firms to compete. The Chinese state directly controls the SOEs undertaking many BRI projects and can direct these firms to pursue opportunities overseas. By establishing footholds in many developing markets Chinese firms may be better prepared to operate in these environments in the future.

Already, Chinese firms are often at an advantage in challenging business environments due to the limited regulation imposed by the Chinese government. Chinese firms, even the largest SOEs, often engage in corrupt behavior and work through local patronage networks to secure contracts. U.S. companies (and those of many other developed countries), in contrast, must comply with regulations such as the Foreign Corrupt Practices Act, which bars them from paying bribes in contexts where paying bribes is the norm. While the aim of this regulation is to increase standards and support the rule of law in these contexts, with increasing entry by Chinese firms who do pay bribes and engage in corrupt behavior American firms are crowded out and may face additional challenges in entering these markets. The BRI and its active promotion of Chinese firm entry into challenging business contexts may lead to further weakening of institutions and rule of law in these contexts along with consolidation of Chinese economic advantage, and thus undermines the ability of U.S. firms to compete on a level playing field.

Inside a Chinese textile factory in the Eastern Industrial Zone, Addis Ababa. October 2019. Photo by Anne Kuhnen.

2 | Research Design and Country Selection

Our project is a systematic cross-regional analysis of the impacts of the BRI focused on Africa and Southeast Asia, incorporating interviews with key stakeholders involved in the design and implementation of BRI projects, visits to project sites, and discussions with civil society, journalists, and impacted residents.

The areas of focus are (a) economic and financial, (b) political and social, and (c) regulatory and governance impacts of the BRI in developing country contexts. While the BRI also includes military or security aspects, as well as cyber, digital, and telecommunications projects, these lie outside of the scope of our analysis.

After selection of countries for field visits, we conducted a review of academic literature, open-source articles, and think-pieces on the BRI globally and its impact in these specific contexts. We also held meetings with scholars, journalists, and U.S. government officials to better understand perspectives on the BRI and areas of specific concern and uncertainty regarding our project.

Based on our preliminary literature review and initial meetings, we established hypotheses regarding the impact of the BRI to test through semi-structured qualitative interviews in Ethiopia and Malaysia. We reconvened as a team after the field visits to re-assess the extent to which our opinions had changed on each of our hypotheses and to develop findings from these assumptions.

Country Selection

Ethiopia and Malaysia were identified as our primary focus countries for our comparative, cross-regional analysis of the impact of the BRI on development, growth, and political dynamics in sub-Saharan Africa and Southeast Asia. We also conducted site visits and interviews in Djibouti and Singapore to provide additional insight into the role of the BRI in these regions. The Djiboutian case is also of particular note due to Djibouti's role as Ethiopia's gateway to trade and the BRI's focus on connectivity, while Singapore hosts many think tanks and scholars focused on the regional impact of the BRI.

The most important factors considered when selecting case studies for the report were variations and similarities across the following dimensions:

- Regional variety
- Timing of federal elections
- Development status
- Debt-to-GDP ratio
- Attitudes toward China
- Successful BRI loan restructuring agreement

Ethiopia and Djibouti

Since China became Africa's biggest trading partner in 2009, the Horn of Africa has undergone a particularly pronounced increase in economic, political, and military engagement with China. Both nations are at the center of China-Africa relations as Djibouti hosts China's first overseas military facility and Ethiopia hosts the African Union headquarters complex--which China constructed and financed--and several of the largest BRI projects on the African continent.

Ethiopia is a low-income country rising towards middle-income status, while Djibouti is a middle-income economy.[29] Ethiopia and Djibouti also differ along political dimensions, with Ethiopia a recent but vibrant democracy while Djibouti has less democratic politics, with the presidency having been held by one family since independence and opposition parties are subject to state harassment. In Ethiopia, Prime Minister Abiy Ahmed came to power in 2018, after the resignation of the sitting Prime Minister, on the promise of economic development and industrialization of the country and faces national elections in 2020. Under Abiy, Ethiopia has experienced a liberalization of politics and media, while Djiboutian media is controlled by the state.

Djibouti and its ports are of critical importance to Ethiopia's economic development. The ports in Djibouti handle upwards of 90% of Ethiopia's international trade. Ethiopia's need for better access to ports in Djibouti and elsewhere has increased due to strong economic growth over recent years. Announced in 2011 before the launch of the BRI and since branded as a key BRI project in Africa, the Chinese-built Addis Ababa-Djibouti Railway opened in 2018 and substantially cut travel times to and from Djibouti.[30] Other major projects include the Addis Ababa Light Rail, the second metro system in Sub-Saharan Africa, and the Grand Ethiopian Renaissance Dam on the border of Sudan. The repayment terms of several of these projects have been renegotiated in recent years.

Addis Ababa, Ethiopia (left) and Djibouti City, Djibouti (Right). October 2019. Photos by Rebecca Lim and Alex Villec.

[29] World Bank, "World Bank Country and Lending Groups."

[30] Railway Gazette, "Contract Signed for Final Section of New Djibouti - Ethiopia Railway."

The building on the right bears the name of a Malaysian private company, KAJ Development, which is working with Chinese companies to build the Melaka Gateway Project (left). A model of the future Melaka Gateway project (right) in Malaysia. October 2019). Photos by Theo Wilson.

Malaysia and Singapore

Malaysia has also emerged as a BRI recipient country successfully seeking renegotiations of BRI project terms. Prime Minister Mahathir campaigned in 2018 on the premise of altering the relationship with China established by his predecessor, Prime Minister Najib Razak, and has since renegotiated the terms of several large Chinese investment deals.

Malaysia now faces an upcoming election, providing a lense through which to understand how the BRI shapes election priorities and outcomes in a context where the previous election is understood to have focused heavily on BRI-related projects and corruption. In contrast with Ethiopia, Malaysia is an upper middle-income country with lower debt distress risk, allowing for evaluation of the BRI in varied contexts.

Notable BRI projects in Malaysia include the East Coast Rail Link (ECRL) and Melaka Gateway project. Malaysia is also home to other massive Chinese investments that highlight the ambiguity of the BRI. While the Forest City development in the Malaysian state of Johor, near Singapore, is a massive Chinese-led development similar in scale to other BRI projects, it is being undertaken by a private Chinese firm and does not align with the BRI's focus on infrastructure and connectivity.

Singapore was also visited in order to speak with scholars at think-tanks and universities. While some large rail projects have been proposed to connect Kuala Lumpur and Singapore these are not far enough along for the purposes of our analysis. Further, Singapore itself is extremely well connected to international markets and faces few constraints on financing its infrastructure needs, and as such does not fall itself within our analysis.

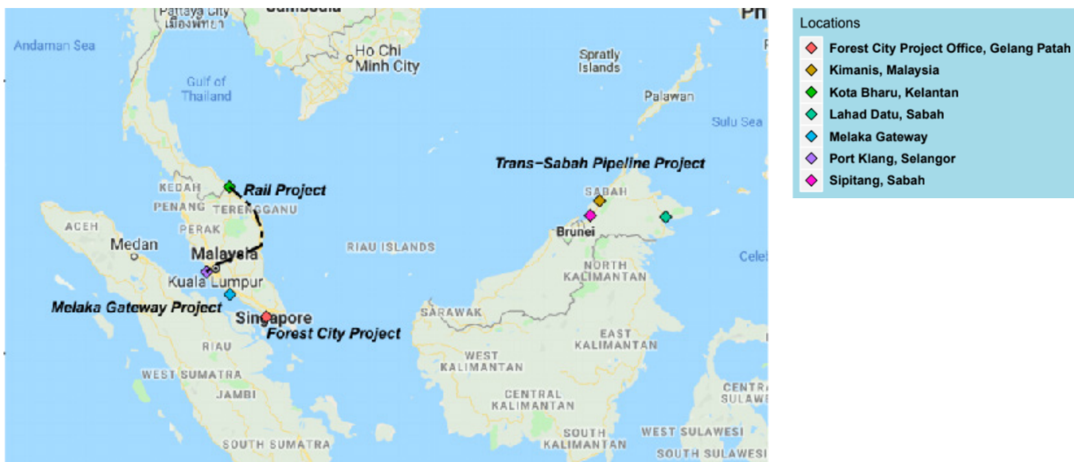
External Validity of Results

Before discussing our findings, the generalizability of our results must be addressed. While the countries that constitute the sample for our findings have great diversity in terms of socio-economic status, geographic regions, political economy, and religious-ethnic constitution, caution must be exercised when exporting results to other contexts.

For instance, the findings from the interviews in Malaysia may not hold for a lower-income, more China-reliant country in Asia like Laos. This report emphasizes the need for a robust and flexible U.S. BRI policy that can be utilized in a variety of countries, instead of a single policy to be applied uniformly in contexts as disparate as Cambodia and Italy.

That said, the rich diversity of stakeholders represented in our findings offer a compelling base to formulate a comprehensive BRI policy. Insights and recommendations presented in this report should be further refined based on insights from future field visits investigating the impact of BRI on local economies across additional countries and contexts.

Figure 3. Maps of BRI (and BRI-adjacent) project sites in Malaysia and Ethiopia



Google Maps. Map graphics by Erik Morinaga.

3 | In-Country Observations

Our site visit observations challenged many of our initial assumptions about the BRI. The diversity of BRI projects and country experiences also highlighted the need for responses to many of the project's individual aspects and impacts, rather than a single overarching U.S. strategy to counter the BRI, as discussed in the following section. This section discusses our findings in more detail, beginning with findings that applied broadly to BRI projects and then delving into economic and financial, political and social, and regulatory and governance findings.

Overarching Findings

1. The BRI manifests differently in each country.

The BRI's impact and the form its projects take depended on the country's stage of development, domestic politics, security situation, and geographical proximity to China. These differences present distinct policy challenges to address.

For example, in Ethiopia, local government officials told us numerous times that a lack of foreign exchange is one of the biggest obstacles to growth. This shortage of reserves both complicates BRI project repayment, as contract terms were mostly negotiated in dollars, and hinders the intended trade-focused spillovers from the BRI, as Ethiopian firms are unable to import the machinery needed to establish an export sector able to capitalize on better trade access. In contrast, Malaysia has a healthy pool of reserves and does not face this constraint.

The way projects were negotiated also differed across contexts. The Ethiopian Ministry of Finance's Ethio-Chinese Development Office explained that the Ethiopian government that first devises a national development plan, determines what infrastructure projects are necessary to meet the country's development goals, and then seeks financing for those projects from external entities, most of which end up being Chinese. Ethiopia's lack of historical development projects means that productive, "first choice" projects are needed and available.

*Addis Ababa, Ethiopia.
October 2019.
Photo by Rebecca Lim.*

In Malaysia, however, the best ports and transport routes have been developed so only second or third-tier options are left, and many were negotiated between private firms or state governments with Chinese private companies. For example, the Melaka Gateway project developer KAJ Development is a private Malaysian working with Chinese firms Rizhao Port Group and Shenzhen Yantian Port Group.[31] According to the Malaysian Investment Development Authority, KAJ Development signed a memorandum of agreement with Powerchina in 2016 for a joint investment deal of $30 billion with the deal stipulating that KAJ Development holds a 51% stake in the partnership.[32] Similarly, the Forest City project is a joint venture between Chinese Country Garden Holdings and Kumpulan Prasarana Rakyat Johor, a business owned by the state of Johor.[33] The heightened involvement of private and local actors increased ambiguity as to whether private, Chinese government, or local government officials were driving project selection.

These differences extended into the U.S. private sector presence. In Ethiopia, a representative from the American Chamber of Commerce told us that American companies face significant barriers to entry due to the riskiness of investment, U.S. regulations, and political instability. In Djibouti, governance and corruption issues hinder competitive economic growth. Given the role of the BRI in increasing the Chinese economic presence overseas, these disadvantages for American private sector actors could be compounded if Chinese firms are able to gain a foothold in these challenging environments. On the other hand, Malaysia offers a more attractive investment environment and has a vibrant U.S. private sector presence.

The Addis Ababa light rail arriving at a platform (left) and the rail inspection facility (right), October 2019. Photos by Rebecca Lim and Alex Villec.

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[31] KAJ Development Sdn. Bhd., "About - Melaka Gateway."; CSIS Reconnecting Asia, "Melaka (Malacca) Gateway."
[32] Toronto Star, "KAJD and Powerchina Sign RM30bil Agreement for Melaka Gateway Project."
[33] Country Garden Pacificview, "About Us."

Box 3. Addis Ababa Light Rail

The China Railway Engineering Group constructed the Addis Ababa Light Rail, the second light-rail metro transit project in Sub-Saharan Africa. This project was announced in 2011 and completed in 2015 at a cost of US$475 million.[34] The system consists of two lines, running 19.6 miles in total. The Ethiopian Ministry of Transportation estimates that the system currently transports about 60,000 people daily.

Despite the success of the system, we noted some concerns about project implementation and operation. First, the project contract did not include any money for spare parts, which implementing officials told us went against best practices and worsens service. We visited the railyard and spare parts storage, observing the mostly empty warehouse for spare parts. As a result of this shortage nearly a third of the rolling stock for the light rail is not suitable for service. Further, the project is not profitable, given low fares. This makes paying back the loan more difficult for the Ethiopian government, but given the usual lack of profitability for public transportation projects this was not unexpected

We also observed some beneficial technology and skills transfers resulting from the light rail project. Firms familiar with many of the complex construction techniques needed for the construction of the light rail structures, such as the elevated sections, did not exist in Ethiopia prior to the project and Chinese managers trained Ethiopian workers to perform these tasks. Managers of the light rail project were also sent to China to learn about train operations. The officials we spoke with were confident that enough technology and skills had been transferred to allow Ethiopians to extend the train system using only newly developed domestic expertise.

2. Some BRI projects are meeting a real need in the local population.

One example of a BRI infrastructure project having a positive impact is the light rail in Addis Ababa, which was completely packed on the weekend afternoon we rode it. The train fares were inexpensive and affordable to the public, and it cuts transportation times significantly within the congested center city and to more distant neighborhoods. While not perfect (see discussion below), the light rail is clearly meeting a demand. Other Chinese transportation infrastructure projects within the city are also likely to serve a key need and alleviate congestion in the rapidly developing urban area.

3. Some BRI projects have been poorly implemented but have potential benefits.

We found a disconnect between congratulatory public announcements of multi-billion dollar infrastructure deals and the reality on the ground in many cases. Project operation was clearly secondary to project construction, pointing to the driving role of Chinese domestic economic concerns in BRI projects as well as the lack of local experience in negotiating and implementing these projects. Once projects were built, operations were often sub-par.

For example, the Addis-Djibouti Railway could be transformative for landlocked Ethiopia's economy as it cuts travel times from Addis Ababa to the port of Djibouti from three days by road to just twelve hours. However, the main stations in both Addis Ababa and Djibouti were almost completely deserted and businesspeople we spoke with were either unaware that the train ran freight services or told us that the train was too expensive to make the time savings worthwhile. We were told at the rail station in Djibouti that the train only ran every other day. The high costs of freight and the lack of service was in part attributed to the strength of the trucking lobby and regulations supporting trucking, which were not addressed when the train was built. Further, the original train contract did not provide a direct connection to the port it was intended to serve. The lack of spare parts for the Addis Ababa Light Rail, similarly, pointed to a lack of concern regarding operations after the project was built. These challenges worsen project performance, and make repayment more difficult.

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[34] Xinhua. "Chinese-Built Ethiopia Light Rail Transports More than 29 Mln People in 9 Months."

Box 4. Addis Ababa-Djibouti Railway

The Addis Ababa-Djibouti Railway line, built by Chinese companies and financed by Chinese banks, stretches 753 kilometers (470 miles) to link land-locked Ethiopia's largest city with the port of Djibouti. The railway has been one of the centerpiece projects of China's investments in Ethiopia, which have totaled upwards of US$20 billion since 2005. The project could have economic benefits for an Ethiopia that relies on Djibouti to process more than 90% of its international trade, but the costs of the railway (roughly US$4 billion) are immense for a country with a per capita GDP of under US$800. The costs for Djibouti were similarly immense with the 93 kilometer section in Djibouti's costing US$505 million, roughly a third of the country's GDP (nearly US$1.4 billion) in 2012.[35]

Construction of the railway started in 2012 and the railway officially began operations in 2018. Construction of the rail line employed approximately 20,000 Ethiopian workers in Ethiopia and 5,000 Djiboutians.[36] The railway was used in 2015 before being fully operational in order to facilitate the import of humanitarian aid during a large drought. Trains were able to run along the whole route by 2016 for trial operations lasting until the end of 2017. The railway began commercial operations on January 1, 2018.

Loan repayments began before the project was operational, and by 2019 the Ethiopia Railway Corporation was behind on both payments for the construction loan as well as operating fees for the Chinese operators.[37] ERC, according to some reports, had US$3.7 billion in debt in 2017, nearly all of which is owed to China Ex-Im Bank.[38] This is more than 15% of Ethiopia's total external debt.[39] The debt was restructured in 2018, extending the period over which Ethiopia would repay the loan from 10 years to 30 years.[40]

The stations marking the Ethiopian (left) and Djiboutian (right) ends of the Ethiopia-Djibouti Railway, October 2019. Photos by Anne Kuhnen and Rebecca Lim.

Economic and Financial Findings

1. The BRI is primarily an economic and development exercise that also has geopolitical characteristics.

Explanations of the BRI as a way for China to deal with domestic economic issues such as its excess industrial capacity, rising labor costs, and slowing economic growth rate were most consistent with the evidence from our field research. There is a geopolitical element to the BRI as well, but the assumption that Chinese companies are building unprofitable or poorly implemented infrastructure projects because these projects are being created solely to garner political influence does not reflect

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[35] Railway Gazette, "Contract Signed for Final Section of New Djibouti - Ethiopia Railway."; World Bank, "Djibouti Data."
[36] Xinhua. "Chinese-Built Ethiopia Light Rail Transports More than 29 Mln People in 9 Months"
[37] Chen, "Ethiopia and Kenya Are Struggling to Manage Debt for Their Chinese-Built Railways."
[38] Anberbir, "Running out of Steam."
[39] Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."
[40] Maasho, "UPDATE 1-Ethiopia PM Says China Will Restructure Railway Loan."

the on-the-ground reality. Profit motivated companies and cash-strapped developing nations simply do not have the incentive to implement costly quality improvements or increase regulatory standards, and developing countries often lack the experience with these types of projects that would be necessary to avoid the observed operational issues.

2. China is unlikely to seize additional infrastructure as collateral due to reputational damage, but debt distress remains a serious concern.

While debt distress remains a concern, we believe that China is unlikely to seize additional infrastructure in place of project repayment. The seizure of Sri Lanka's Hambantota port as collateral for Sri Lanka's debt was bad publicity for the BRI and recipient countries took notice. In our discussions with the Djiboutian Port Authority, we heard that Djibouti would never let China or any other country seize its assets, citing as an example their expropriation of their Doraleh Container Terminal from DP World, an Emirati company. While it remains to be seen how Djibouti would actually react in the event of a Chinese attempt to take over one of its ports, BRI recipient countries were aware of and sensitive to the Sri Lanka event.

3. Chinese firms vary in their level of interaction and involvement with the Chinese government, which lends ambiguity to the BRI.

The Eastern Industrial Zone in Addis Ababa, which was privately built in 2007, initially had trouble attracting companies to set up shop there. In 2014, Chinese Premier Li Keqiang visited the industrial zone to raise its profile and now it is home to more than 100 mostly Chinese companies. In the background, however, the real impetus for the increase in Chinese factories moving to Ethiopia was not the political visit itself but the changing nature of China's economy. We spoke with a textile factory manager who said rising labor costs in China amid continuing global demand for low-cost clothing items pushed him to relocate operations to Ethiopia, rather than any direct government intervention or subsidy. His company moved to seek profits. However, while his firm was not an official part of the BRI, it has adopted the BRI

Inside a Chinese textile factory in the Eastern Industrial Zone, Addis Ababa. October 2019. Photo by Alex Villec.

brand as have many other Chinese firms. While the BRI is best characterized by state to state investments, the incentives of private actors to signal support for the project adds additional ambiguity to the nature of the BRI.

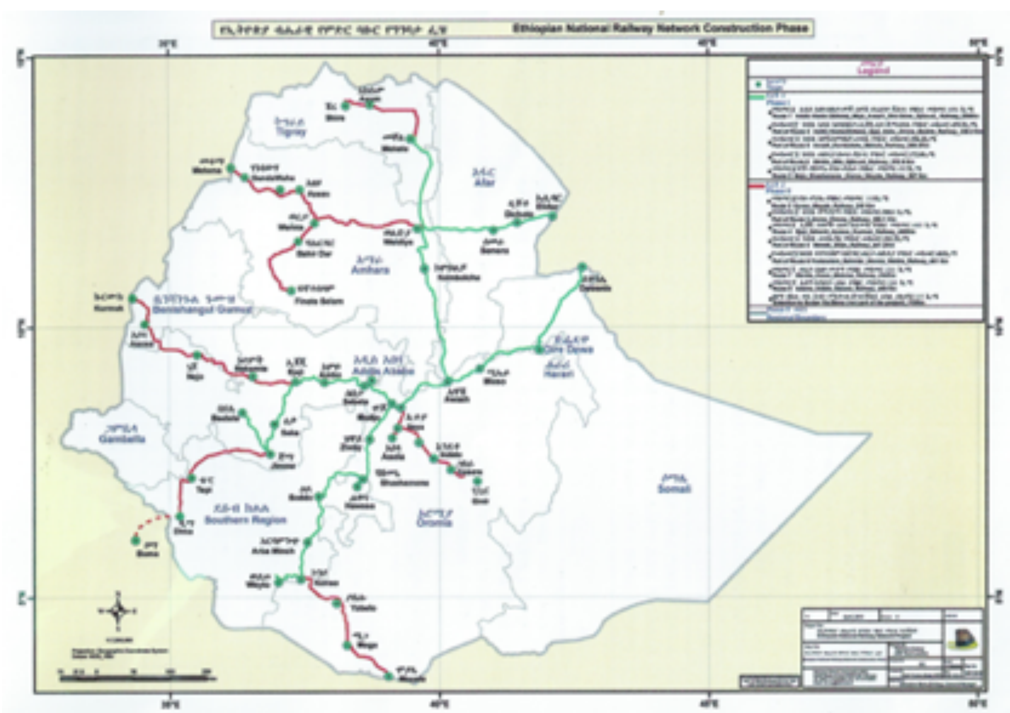
4. The BRI-Debt Sustainability Framework is a weak policy tool that recipient countries are not likely to use.

Debt distress has long animated U.S. concerns about the BRI. The Hambantota incident and studies indicating that BRI lending was pushing eight countries towards similar debt distress drove extensive criticism from the U.S. on debt-sustainability concerns.[41] This backlash was followed by China's release of a Debt Sustainability Framework during the Second Belt and Road Forum in April 2019. Our research indicates that this Debt Sustainability Framework is a voluntary tool that is not yet being used by BRI creditors or debtors.

5. Malaysia and Ethiopia have ongoing debt sustainability issues, but the BRI is not the primary source of these issues in any of the countries we visited.

This is unsurprising. In general, the narrative we heard in Malaysia was that the country's debt was under control, now that Prime Minister Mahathir's administration had renegotiated

Figure 4. Ethiopia National Railway Network Master Plan



This map shows the Ethiopia Railways Network Master Plan, highlighting ambitious plans to connect the country internally and internationally via rail. Of this network, only the rail link to Djibouti has been completed and debt from that project has hindered the development of the rest of the network. Courtesy of the Ethiopian Railway Corporation.

[41] Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."

the East Coast Rail Link to cut costs. Attitudes in Ethiopia were similar, and our team was told by several stakeholders that Chinese and Ethiopian officials had negotiated loan terms with a tacit understanding that concessional loans would eventually be restructured as grants and written off.

Despite the limited concerns regarding BRI-related debt, the fact that countries have taken on massive BRI megaprojects increases downside risks. Already, there are signs of debt overhang. In Ethiopia, railway operators have stated they cannot obtain new parts or construct additional planned lines because of the country's existing debt load. Rather than transforming the railway loans into a grant, renegotiations have instead extended the period of repayment (see Box 4). The Ethiopian National Railway master plan consists of several further lines providing connectivity across the entire country and abroad, but only the route to Djibouti has been completed and official said repayments of this debt limited their ability to pursue construction elsewhere.

Risks that China will use debt to gain geopolitical influence become especially concerning as BRI debt repayment deadlines approach. Crucially, some countries are more exposed to this risk than others, including Djibouti, which owes a majority of its debt to China. Indeed, at the time of project signing in 2012, Djibouti's portion of the costs of the Addis-Djibouti railway (US$505 million) was roughly a third of the country's GDP in that same year (just under US$1.4 billion).[42]

Box 5. East Coast Rail Link

The East Coast Rail Link (ECRL) project is a 398-mile, $10.7 billion USD, standard-gauge railway designed to connect Malaysia's wealthy west coast, including Kuala Lumpur and Port Klang, with its rural, lesser developed east coast. China, which envisions a Pan-Asia rail network stretching from Yunnan province to Singapore, is financing 85 percent of the project through China Ex-Im Bank; the remaining 15 percent is financed through an Islamic bond program managed by Malaysian investment banks.[43] The completed railway will be a joint-venture between Malaysia and the China Communications Construction Company (CCCC), with each side owning a 50 percent stake.[44]

This is the second iteration of a rail project originally negotiated between Chinese officials and the government of former Malaysian Prime Minister Najib Razak for US$16 billion. His successor, Prime Minister Mahathir Mohamed, ultimately decided to renegotiate the project with Chinese officials rather than cancel it altogether and lose some US$5 billion in cancellation costs.[45] Moreover, although the revised deal has not been released to the public, Chinese and Malaysian officials say it includes several new terms besides the reduced cost that are more favorable to Malaysia.

At our meeting with the Malasia Investment Development Authority, government officials expressed optimism that renegotiated deal with the addition of industrial parks alleviated concerns about the ECRL's economic utility. During our Port Klang site visit and in country interviews with civic society we found a mix of skepticism, apathy, and ignorance surrounding the ECRL. Think tanks and academics were skeptical Malaysia was going to get the same value of rail transport for reduced cost. They hypothesized that the renegotiated lower cost meant it would be a slower train with less transit stops through less vital areas. At Port Klang, we were surprised to find no construction or advertising of the ECRL even though it was to be a major terminus of the rail. Locals we spoke with were largely unaware of the project but expressed a desire to be able to commute to the East Coast via a faster transportation option.

[43] Lee, "Hard-Pedaling Soft Power, China Helps Launch $13 Billion Belt and Road Rail Project in Malaysia."
[44] Mitchell and Woodhouse, "Malaysia Renegotiated China-Backed Rail Project to Avoid $5bn Fee."
[45] Ibid.

Political and Social Findings

1. The BRI has not significantly affected local perceptions of China.

In Ethiopia, a more prominent Chinese presence tied to BRI projects did not directly translate into increased affinity for the Chinese people, culture, or system of governance. Many Ethiopians already had positive perceptions of China, and locals we spoke with generally expressed positivity toward China and the Chinese people. Government officials described China as an important partner in helping Ethiopia attain its development goals.

Malaysians perceived China similarly positively despite overlapping maritime claims in the South China Sea and historical mistrust. Our investigation did not find significant anti-Chinese sentiment stemming from Mohammad Mahathir's landslide election in 2018 and Najib Razak's corruption that prompted it, despite the role that controversial Chinese-funded projects played in campaign messaging. Think tank experts and government officials commented that local politicians play upon ethnic tensions amid elections, but that tensions otherwise do not play a role in everyday life. Notably, though, our site visits seemed to uncover some animosity toward mainland Chinese specifically among Malaysia's substantial ethnic Chinese community, which accounts for 23% of the population. Increased investment from China has, to some extent, pitted the two groups against each other as Chinese workers take project contracts and jobs from the Chinese Malaysian business community.

2. Domestic issues, not U.S.-China competition, primarily drive local politics.

The Malaysians and Ethiopians that we spoke to tended to blame their local governments, rather than China, for regulatory issues on BRI projects. In Ethiopia, we found that local politics were consumed with the challenge of mitigating ethnic divisions, and that Chinese investment and infrastructure projects were not a major public issue.

Further, Malaysia's 2018 election of Prime Minister Mahathir was not a pushback on BRI or Beijing, as it was described in western media. Rather, it reflected public backlash against the corrupt excesses of the previous Najib administration. Many Malaysians remain largely unaware of, and unconcerned by, BRI-related investments. Generally, Malaysians attribute scandals surrounding the previous administration's handling of Chinese infrastructure deals to the government's corruption, rather than to China's duplicity. Malaysian parliamentarians we spoke with did not believe that China was the focus of national debate.

However, the Chinese stance of "non-interference" does not mean that the BRI is without political implications. To the extent that economic growth is a major goal of BRI recipient countries and China is a key player in attaining growth and meeting development goals, there is a clear political connection between BRI projects and politics.

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[42] Railway Gazette, "Contract Signed for Final Section of New Djibouti - Ethiopia Railway."; World Bank, "Djibouti Data."

3. Host countries do not want to "choose" between the United States and China.

Countries do not want to be seen caught up in the geopolitics of Sino-American tensions. U.S. rhetoric on great power competition and debt-trap diplomacy, for example, suggest that the U.S. is pushing countries to choose between working with China or the United States and, more importantly, that the U.S. only cares about its strategic interests and not the development of BRI participant countries.

In Ethiopia, Djibouti, and Malaysia, we heard again and again that developing countries cannot and will not choose. Officials in these countries insist that they believe it is necessary to work with the Chinese in order to meet their development and economic goals. The Djiboutian Port Authority told us that China was the only international creditor or partner available to finance its ambitious development agenda. While officials noted that if given the opportunity to work with the U.S. as well they would, the American private sector interest in Djibouti is limited and the U.S. does not have SOEs that can be directed to pursue projects as China does.

We found that the Chinese message of mutual benefit, coming from a fellow developing country with a history of Western colonialism, was more compelling to officials with whom we spoke. It will be challenging for the U.S. to compete with this narrative, and a successful countervailing narrative will require more nuance and less finger-wagging.

Djibouti City, Djibouti (top). Forest City Phoenix International Marina Hotel, Malaysia (bottom). October 2019. Photos by Alex Villec and Theo Wilson.

Regulatory and Governance Findings

1. BRI projects generally follow host country environmental, labor, and quality standards.

To be clear, that Chinese firms are not explicitly subverting standards does not mean that projects are not causing damage. At the BRI project sites we visited, it appears that Chinese contractors operate within the local Ethiopian and Malaysian frameworks they are presented with, adapting to the existing situation on the ground in the absence of any incentive to push for higher standards. While we did not see clear evidence of Chinese firms flouting standards, it is the case, however, that local standards might be new and unfamiliar, below international standards or Chinese domestic standards, and implementation and enforcement oversight are lacking.

We heard from the Addis Ababa Light Rail and the Ethiopian Railroad Corporation that they follow Ethiopian laws and standards. In the case of the light rail, certain standards did not previously exist in Ethiopia and were adapted from Chinese standards to better fit the Ethiopian situation. Safety standards were actually lowered at the request of the Ethiopian government in order to save costs. In the Eastern Industrial Zone, Chinese companies adhered to local labor laws, though a park official did say that no environmental impact assessment was done before the park was constructed. Environmental officials in Ethiopia stated that regulations and enforcement were weak, but that Ethiopia has been increasing enforcement

The Forest City development in Malaysia provided a case study in the environmental issues caused by these large Chinese-led projects. The development was an expensive ghost town on the inside, but the immediate vicinity surrounding the project looked like a war zone as the Chinese developer continues to expand at the expense of the mangroves, ecological diversity, and the local fishing community that has seen nearby rivers and their livelihoods dry up. This project is backed by the powerful Sultan of Johor, making oversight difficult, as discussed in Box 6. The project received the necessary approvals, but this was likely due to local government pressure.

> In the case of the light rail, certain standards did not previously exist in Ethiopia and were adapted from Chinese standards to better fit the Ethiopian situation.

Forest City, Johor, Malaysia. October 2019. Photo by Theo Wilson.

Box 6. Forest City

Forest City is a luxury real estate development that broke ground in 2014 in the Malaysian state of Johor with the aim of housing 700,000 mostly Chinese residents in the future of the city. As with many BRI-adjacent projects, it seems to have been branded a BRI project only after its initial conception and groundbreaking in order to gain endorsement from Beijing.[46] It is not a Cwhinese government project, and while there was consensus in our group that it does not fit the mold of the BRI project per se, it reflects many of the problems of BRI projects and the challenge of responding effectively to the ambiguities of the BRI.

Country Garden, the private Chinese company developing Forest City, is China's third largest homebuilder and one of the largest companies in the world by revenue.[47] The Johor state-owned Kumpulan Prasarana Rakyat Johor (KPRJ) holds a 20% stake in CGPV through Esplanade Danga.[48] Country Garden aimed to build housing for upper-middle class Chinese citizens that could not afford property in China's first tier cities or Singapore but could afford luxury apartments adjacent to Singapore in Johor.

Forest City remains mostly empty despite around-the-clock construction. Country Garden staff reported that it had officially signed more than 5,000 units, but one Forest City resident estimated the number to be around 500 residents. Our group's visit made that figure appear optimistic. The lack of coordination with the Chinese central government has damaged the viability of the project, as recently imposed capital controls have made it more difficult for mainland Chinese citizens to purchase apartments overseas.

The project has run afoul of numerous environmental rules from the start. In 2013, the sultan sold marine area to Country Garden to reclaim for Forest City. Instead of the usual detailed national- and state-level reviews, Johor's Environment Department in January 2014 approved full-scale reclamation a few days after Country Garden submitted a preliminary site assessment in direct violation of national- and state-level processes. Local residents and fishermen who were not properly notified saw the coastline change and skyscrapers go up virtually overnight. Country Garden did eventually complete an environmental impact assessment, but the environmental problems remain manifold. Threats to biodiversity have become worse, and corrupt local leaders seem to have captured the fund that Country Garden established to compensate local fishermen for their loss of livelihoods.

Meanwhile, Forest City's costs could rise, and its Chinese customer base stays inaccessible. Country Garden rushed land reclamation in under 90 days. In comparison, Singapore let new lands settle over years before building on them. On top of concerns with existing construction, Country Garden believes it will have to continue to build out additional reclaimed islands to project confidence and attract customers. "We are selling not only apartments but a whole city," said one employee.

Local community groups indicated that Country Garden has been receptive to criticism, but the picture is still grim as the firm attempts to navigate around those who personally gain from the lack of due diligence. One local expert, who declined to be named for fear of political repercussions, lamented: "Everyone is working on the assumption that we're going to lose everything," referring to local community activists and fishermen whom Forest City is pushing out.

46 Mahtani, "A Would-Be City in the Malaysian Jungle Is Caught in a Growing Rift between China and Its Neighbors."
47 Country Garden Holdings, "Chinese Property Developer Country Garden Makes Fortune Global 500 List for Third Consecutive Year."
48 Ourbis and Shaw, "Malaysia's Forest City and the Damage Done."

2. High-skilled workers and managers are generally Chinese on BRI projects, but for different reasons in different contexts.

A key concern about the BRI has been reporting highlighting the lack of local employment resulting from projects. While we found that most workers on projects in Ethiopia and Malaysia were locally hired, more senior or technical positions were often Chinese.

For example, few Ethiopians occupy managerial positions on Chinese infrastructure projects due to a perceived lack of technical experience and local institutional capacity. While visiting the railyard for the Addis Ababa Light Rail, we were told that the light rail was a "first of its nature" project in Ethiopia. The project relied on Chinese expertise for some complex parts of the construction, but an emphasis was placed on hiring local workers and increasing the capability of local firms. The light rail manager had received training in both China and Ethiopia, and expressed confidence that Ethiopians could manage the next stage of the light rail's expansion. Chinese companies in the Eastern Industrial Park have also recruited local workers from nearby universities, but labor retention, skills transfer, and training remains an issue for filling high-skilled positions. In Djibouti, the human capital issue is even more stark. Djibouti's only university opened just over ten years ago, and the quality of education is often not high enough to produce management-level staff.

In Malaysia, however, BRI project contractors are able to draw from a well-educated workforce consisting in part of a large ethnic Chinese population. As a result, they reserve most of the low-skilled labor for immigrants from Sri Lanka and other lower-income Southeast Asian countries. Higher skilled jobs that are often filled by local Chinese Malaysia have sometimes been given to mainland Chinese, as noted earlier.

3. Self-censorship and weak protections for free speech hinder media oversight on BRI deals.

While the media can effectively shine a light on many of the problems associated with BRI projects, such as concerns over corruption and environmental degradation, the media in the contexts we visited was fairly weak. This limits the public oversight over large infrastructure projects.

In Malaysia, established media takes its cues from the government. Accordingly, much media coverage falls in line with the Malaysian government's positive stance on BRI. New media entrants in Malaysia are more investigative and discerning than traditional media, especially after the recent change in government. Malaysians found out much of the story regarding the previous Prime Minister's corruption through articles shared on WhatsApp and other social-media platforms. Similarly in Ethiopia, while media freedoms have expanded under Prime Minister Abiy, reporters have not aggressively pursued some stories due to concerns that these freedoms may be reversed. In Djibouti, media was controlled by the government directly, limiting any possibility of oversight on government negotiated projects.

4 | BRI Country Strategies

Mitigating the harm stemming from the BRI starts with the countries hosting BRI projects. Concerns over debt sustainability and lacking environmental and social protections fueled global outrage over the BRI's first iteration. Beijing alleged it would address those real and perceived harms associated with the BRI at its second Belt and Road Forum in April 2019, but it still remains to be seen whether China will actually make any meaningful progress. For example, Chinese policy documents regarding green investments and ecological protections are as broad, nonbinding, and aspirational as ever. The ambiguity caused by the lack of clarity surrounding what is a BRI project and the numerous private actors who have adopted it as a label further compounds these issues. As it stands, Chinese rhetoric regarding the BRI remains divorced from the reality on the ground.

The United States would strongly benefit if BRI countries could strengthen their resilience to the negative aspects of the BRI. It is unlikely that the United States can convince developing countries to forswear BRI investments, but those countries should nonetheless work toward minimizing the associated harm for the sake of their own long-term macroeconomic development and political stability. In turn, the United States can support these efforts in many ways which also benefit U.S. strategic interests. Specifically, BRI countries should improve regulatory oversight regarding environmental and social governance, highlight Chinese economic malpractice, actively monitor the implications of increasing foreign investment, strengthen small and medium enterprises that can participate in mega-projects as subcontractors, and promoting independent civil society and media to provide oversight and offset Chinese propaganda and local government-controlled media. These policies can help BRI countries seek high-quality infrastructure investments while holding China accountable if its investments are harmful.

Improving Regulatory and Governance Strength

The standards of BRI investments are generally low, matching those existing within host countries. Chinese foreign policy puts a strong emphasis on sovereignty and non-interference, so Beijing does not compel firms to adhere to standards higher than those of host countries. Public reporting and in-country analysis underscore this approach's inadequacy and the harm arising from it.[49] BRI recipient countries should make a sincere effort to raise their own regulatory and governance standards and increase enforcement so Chinese firms comply with these local standards. Increased pressure could help convince Beijing to raise its standards of development assistance. Lawmakers, academics, and members of civil society in BRI recipient countries widely shared this view.

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[49] Beech, "'Our River Was Like a God.'"

BRI countries should pay particular attention to environmental and labor protections, which interlocutors raised as common concerns. In several instances, central governments or Chinese firms avoided, forged, or delayed environmental impact assessments in a likely attempt to hide the costs that projects would impose on the local community.[50] BRI countries without existing environmental protection regulations should prioritize enacting them. Countries that already have existing protections on the books should make efforts to ensure they are observed by providing the proper enforcement mechanisms and institutions.

Countries appeared to have paid closer attention to labor standards given the political importance of keeping unemployment low, but concerns remain. First, many projects will still employ Chinese workers or other low-wage foreign workers unless BRI host countries negotiates labor content requirements. Second, even when there are labor content requirements in place, Chinese nationals still make up much of the skilled, white-collar workforce, limiting opportunities for upskilling and knowledge transfer for domestic workers. Contracts should detail obligations relating both to labor content and human capital development.

Third, the opaque nature of BRI negotiations lend themselves to backroom dealing. We heard allegations that increases in the local content requirement for one BRI rail project resulted in attempts to funnel employment specifically to the ruling party's political base at the expense of other constituencies and economic efficiency. We also heard allegations of corruption leveled against public officials overseeing Chinese-led projects. BRI countries with severe corruption concerns should create and strengthen independent anti-corruption oversight mechanisms that can judiciously root out corruption within BRI negotiations and projects.

Inside a Chinese auto factory housed in the Eastern Industrial Zone, Addis Ababa. October 2019. Photo by Anne Kuhnen.

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[50] Mahorm and Abu Samah, "Melaka Gateway Project Being Reassessed."

Highlighting Economic Malpractice

To defend against potential negative side effects of BRI investments, recipient countries should first impose credible macroprudential policies. Chinese investments under BRI are not necessarily predatory, but many harm the host country in some meaningful way, whether by creating debt problems or by putting public money towards unproductive and unprofitable projects. BRI countries should hold the Chinese government accountable for the successes, failures, and impacts of the project and its implementation, and their ability to do so should be supported by the international community. BRI countries should consider publicizing Chinese economic malpractice in regional forums, including ASEAN and the African Union. These forums offer neighbors the opportunity to share information and address collective problems, making them well suited for communicating BRI-related problems, as these issues often cross borders given that BRI infrastructure projects aim to connect countries.

China's preference for opaque, bilateral negotiations on infrastructure put BRI countries at a disadvantage in terms of both knowledge and leverage. Because of this, a BRI country does not know whether its neighbor was able to negotiate more favorable terms or whether similar projects have caused economic or environmental damage in other countries. Publicizing harm within regional neighborhoods and more broadly will help countries increase their collective negotiating power. Further, publicizing Chinese economic malpractice also provides valuable information to Beijing. In certain cases, the central Chinese government has not seemed fully aware of the BRI's impacts, leading to the Chinese government acknowledging at the second Belt and Road Forum that these incidents damage its international reputation. China is likely interested in limiting harm as much as possible while working towards its geopolitical and economic interests. By recipient countries being more vocal about concerning elements of the BRI, it will make China more likely to discipline contractors and local governments such that they provide better projects.

Monitoring Increasing Debt and Foreign Investment

The BRI lending raises concerns regarding debt sustainability. Chinese lending negotiations are purposefully opaque, and debt distress is common for recipient countries.[51] A 2018 study indicated that at least eight countries are at risk of debt distress because of promised BRI projects.[52]

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[51] Kratz, Feng, and Wright, "New Data on the 'Debt Trap' Question."
[52] Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."

Even short of pushing countries into direct debt distress, BRI lending can trigger other fiscal problems that BRI countries should closely observe. For example, high-interest, long-term Chinese infrastructure loans may not render a country unable to service its debt. However, it may increase debt servicing costs, which could crowd out other fiscal priorities including defense and social services. Further, sovereign guarantees pledged to BRI projects often do not appear in debt impact assessments (including, notably, those provided by the IMF). This is a risky oversight-- BRI-recipient countries should consider including them in their frameworks given the acute concerns associated with Chinese lending.

BRI countries should utilize independent debt monitoring agencies tasked with assessing how all new sovereign loans for mega-projects to address this problem. These debt teams could receive training from the IMF or U.S. if BRI countries do not have the existing institutional capacity to analyze how debt affects the national budget and how the BRI infrastructure projects will affect growth. It was frequently expressed in Malaysia and Ethiopia that the central governments of BRI-recipient countries take out Chinese loans under the assumption that the infrastructure projects will boost economic growth, helping the project to pay for itself. Frequent construction delays and the lack of cost-benefit analyses undercut these claims. An independent debt monitoring team that can provide the entire range of possible outcomes will help BRI countries better assess the value-additivity of new infrastructure projects, and will help to avoid Chinese-funded vanity projects.

Strengthening Small and Medium Enterprises

Nearly all BRI countries are still emerging or developing economies that lack the expertise and capacity necessary to close their own transportation and energy infrastructure gaps without outside assistance. However, central governments in BRI countries can certainly support their small and medium enterprises (SMEs) so that they can benefit as subcontractors in BRI mega-projects. So far, BRI countries have few tools to hold Chinese firms implementing BRI infrastructures accountable when it comes to issues of local content and knowledge transfer. In some cases, direct government-to-government negotiations have increased domestic participation and benefit from BRI projects, but BRI countries should not count on compromise and diplomacy to maximize the local benefits of all BRI projects.

Instead, BRI countries could stipulate that all mega-infrastructure projects be “broken up” into smaller “sub-contracts,” in which local SMEs can competitively bid. For example, an Ethiopian firm could supply and install power cables as part of a larger Chinese-led power generation project. Such a process could help local SMEs learn how to tackle complex infrastructure projects and expand their workforce in terms of low-skilled and high-skilled workers. BRI countries overall should aim to increase domestic firm participation rather than focusing on domestic labor requirements that do not encourage Chinese firms to share knowledge or technology.

Gates branded with the logo and Chinese characters for the China Railway Construction Corporation (CRCC) in Djibouti. October 2019. Photo by Rebecca Lim.

Promoting Independent Media and Civil Society

BRI countries should seriously consider opening up space for both independent media and civil society as a means to check creeping Chinese propaganda.[53] Many emerging economies are reluctant to relax rules regarding independent media as such a move could open them to criticism or legitimately risk fragile social and political stability. However, China has financed and shared content with media outlets around the world with the aim of "buying" favorable coverage.[54] Our discussions with stakeholders support the notion that media and civil society have often been the main source of scrutiny regarding the BRI's problems. Even a limited expansion of media freedom or creating space for independent civil society oversight efforts could go a long way in enhancing the knowledge that the government of a BRI country has regarding potential Chinese economic malpractice.

BRI countries can also consider foreign investment controls on the media sector that would prevent Beijing from buying positive press. They can also consider legislation similar to the United States' Foreign Agents Registration Act (FARA), which requires agents representing the interests of foreign powers to disclose that relationship and information regarding related finance. Along these lines, BRI countries can expand cooperation with the United States and other western governments, which regularly sponsor media trainings. The governments of BRI countries can consult their western counterparts to design training programs that address specific political sensitivities.

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[53] Karásková, "How China Influences Media in Central and Eastern Europe."
[54] Dahir, "China Wants to Use the Power of Global Media to Dispel Belt and Road Debt Risks."

5 | Recommendations for U.S. Policy Makers

The following broad menu of recommendations is intended to provide options for a U.S. response to the ambitious and ambiguous BRI. Given the breadth of projects and initiatives falling under the label of the BRI, an equally extensive response is required.

Our economic and financial recommendations seek to mitigate the negative developmental consequences of the BRI, in terms of debt and poor project implementation, while encouraging U.S. private sector engagement to increase U.S. presence and compete with Chinese firms that are gaining a foothold in many emerging markets thanks to BRI. The political and social recommendations are intended to provide substantive ways to signal a commitment to regions that feel that China is a more credible partner while emphasizing the existing and positive U.S. impact. The regulatory and governance recommendations focus on increasing standards, using development partners, local civil society organizations, and independent media to push for higher standards and increased scrutiny on megaprojects.

Economic and Financial Options

Assist countries with debt renegotiation and improve cohesiveness of BRI messaging with allies.

1. Assist countries to renegotiate Chinese debt.

Helping countries get better terms in renegotiations and up-front negotiations (where efforts should also be made to encourage China to lend through multilateral institutions) helps countries avoid debt distress, lessening the likelihood that China can extract geopolitical concessions later. A joint State Department, U.S. Agency for International Development (USAID), and Treasury effort to assist in renegotiating BRI projects was successfully implemented in Burma, where it helped bring down the cost of a BRI port project by $5 billion.[55] This program should be made a budgetary priority and expanded.

2. Allies should adopt uniform messaging around how BRI lending can adversely impact debt sustainability. This messaging should highlight the lack of due diligence typical in BRI investments.

It should be stressed in conjunction with our allies that these projects crowd out other productive investments and may not deliver intended benefits or economic impact, particularly given the lack of due-diligence. Communication is a key part of U.S. engagement

Box 7. The Paris Club and China

The Paris Club's mandate is to meet every six weeks to discuss debt relief to developing countries. It has restructured nearly $600 billion in developing country debt to date.[56] Countries need only have "large exposure to other States worldwide and… agree on the main principles and rules of the Paris Club" to be members. These rules include implementing group decisions, committing to solidarity with member states, and "responding to all data sharing requests." Paris Club agreements have dropped to a trickle in recent years, down from roughly 20 per year in the late 1980s.

China was invited to join the Paris Club in 2006.[57] In 2016, the G20 issued a formal communique encouraging China to work more closely with the Paris Club, to which China assented.[58] For the past couple of years, China has been attending Club meetings as an ad hoc participant, but has resisted becoming a full member. On several occasions, China has held back from divulging information about lending or debt relief in these forums.

China's hesitance to move beyond their current role is twofold. First, China does not want to provide details around loans it has made, particularly those that may reveal inflated or hidden costs. Full members of the Paris Club are required to share data, whereas China has withheld even basic loan disclosure in some cases. Second, if China's pattern of lending to some developing countries is driven by geopolitical interests, bilateral renegotiations are an additional geopolitical tool.

At present, China tends to work bilaterally to renegotiate debt owed to it.[59] As more Chinese debt becomes due, China may wish to access some of the benefits of Paris Club negotiations, such as comparability of treatment, in order to spread some of the costs of debt relief to other creditors such as the IMF and World Bank rather than take losses on its loans alone.

The risks posed to developing country prospects if they are unable to get debt relief, and the vested interest of the U.S. and other Paris Club members in successful development progress, also mean than current Paris Club members should support full Chinese membership despite the possibility that current members will need to participate in renegotiations related to Chinese-held debt. China is the predominant international creditor to some the riskiest cases, so the costs to Paris Club members are also likely to be relatively diffuse.

in the region, and countries often see the U.S. as locked in a power struggle with China, which can reduce U.S. credibility. Establishing a unified front with other major donor countries and regional allies reduces the opportunity for host countries to write off U.S. criticisms of Chinese projects.

Initiate reform of the Paris Club to strengthen its role in debt renegotiations.

1. Push for more formality at the Paris Club delineating rules, particularly around information sharing, and setting up a procedure to expel countries that do not meet these rules.

We recommend the U.S. push to formalize Paris Club rules, particularly around information sharing by setting up a procedure to expel countries that do not adhere. This is desirable because it helps to formalize a crucial multilateral institution in a neutral way that helps protect against abuse.

[55] Kesling and Emont, "U.S. Goes on the Offensive Against China's Empire-Building Funding Plan."
[56] Club de Paris, "History."
[57] Willard, "Paris Club Prods Kuwait and Saudi over Iraqi Debt."
[58] Wu, "Joining the Rich Boys?"
[59] Hancock, "China Renegotiated $50bn in Loans to Developing Countries."

The U.S. should push to apply the above rules to ad hoc observers, who would be barred from observing Paris Club negotiations if they flouted rules (particularly around information sharing). By applying the agreement to ad hoc observers, who would be barred from observing Paris Club negotiations if they didn't adhere to the rules, it prevents China from continuing to observe negotiations without providing any information. This could help incentivize full Chinese membership in the institution. A further discussion of interests involved is provided in Box 7.

2. Formally back Paris Club membership for certain developing countries, such as South Africa and India.

Paris Club membership for developing countries, such as South Africa and India, would send a signal that the U.S. recognizes and welcomes South-South development assistance. South Africa and India, along with China, are the three BRICS countries not currently members of the Paris Club following Brazil's accession in 2016. Furthermore, it signals that these countries, who are themselves quickly becoming major donors, are welcome if they can play by the same rules as everyone else.

Work with the IFIs and MDBs to offer an alternative to Chinese BRI projects.

1. Increase funding to the World Bank, ADB, and AfDB.

The traditional MDB system offers the best avenue for financing development projects. These institutions offer a combination of expertise in project implementation and sensitivity to financing issues, along with the ability and willingness to offer debt relief without being entangled in geopolitical risks and considerations. While Congressional authorization is needed to increase funding to the ADB, AfDB, or World Bank, we believe this is a bipartisan issue and a unique moment. By framing this funding as a way to compete with Chinese ambitions, we think it is possible that funding increases could be forthcoming.

2. Encourage the IFIs and MDBs to finance infrastructure projects.

Such a reform would move productive infrastructure spending back onto the ledgers of the key MDBsb and could be intended to crowd out financing from Chinese state-owned banks. This could accomplish the twin aims of lessening the risk of investing in unproductive projects, given the greater experience of the MDBs in selecting and implementing projects, while also reducing bilateral debt risks associated with overreliance on China for external financing. The U.S. can leverage its advantage of being both home to World Bank headquarters and controlling the world bank presidency to increase attention on infrastructure by negotiating to make it the subject of an upcoming World Development Report or by holding a forum on infrastructure.

Box 8. Asian Infrastructure Investment Bank

China launched the Asian Infrastructure Investment Bank (AIIB) in 2014 with a starting capital of US$100 billion but by December 2018 only US$7.5 billion has been invested during three years of operation.[60] By contrast, the ADB approved US$21.6 billion in new financing in 2018 alone. Because it was announced around the same time as BRI and focused on funding major infrastructure projects, early skeptics assumed it would play a key role in BRI. However, nearly all of these projects were co-financed with the existing multilateral development banks (MDBs), and only a third of AIIB's early projects are directly connected to the BRI.[61]

Although AIIB's relationship with BRI appears tenuous, AIIB's adherence to international standards provides an opportunity to improve Chinese foreign aid spending. Initially, the Obama administration expressed concerns that China was establishing AIIB with disingenuous aims. However, AIIB behaves mostly like other multilateral development banks (MDBs), maintaining high credit ratings and working with other IFIs to provide funding.

A primary difference between AIIB and other MDBs is the absence of a resident board.[62] The use of a non-resident board has raised some skepticism about the board's level of oversight, especially since the introduction of a revision of the accountability framework delegating authority to approve most projects away from the board and to the bank's president, former Vice Minister of Finance Jin Liqun.[63] This structural change presents an obvious concern about China's influence on AIIB's actions and whether the bank will continue to act as a good model of international standards.

3. Ensure American candidates are put forward and U.S. has presence during all major MDB meetings.

The U.S. must take steps to shore up its leadership in these institutions. For example, the U.S. must put forward candidates for each bilateral position, back allies for open positions, and must also be present at meetings and votes.

The United States should not join the Asian Infrastructure Investment Bank.

1. Do not join the AIIB as either an observer or a full member.

Despite some criticism of the U.S. for declining to join and discouraging other countries from joining, our research indicates that the U.S. is making the right move and should not offer to join as either an observer or full member at this time. Although many of our allies have joined, the lack of a resident board and the power of the bank's president to approve all projects is cause for concern. Joining AIIB would be a win for China while tying the U.S. to an institution that does not share our values.

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[60] AIIB, "AIIB Turns 3, Reflects on Startup Growth."
[61] Passi, "China's BRI in Doldrums."
[62] AIIB, "Governance of the Asian Infrastructure Investment Bank in Comparative Context."
[63] AIIB, "AIIB to Transition to New Model For Project Approvals Clearer Accountabilities, Operational Efficiencies at the Heart of Innovative Approach."

2. Work with allies to pressure the AIIB to adopt and maintain best practices.

The U.S. should work with allies to pressure the AIIB to adopt and maintain best practices. When it was developed, the AIIB did match the best practices of other MDBs, bringing in a substantial amount of expertise from the existing banks. In fact, the AIIB has already moved to develop its own set of environmental and social standards, with firmer commitments than any BRI policy documents offer so far. However, reforms have weakened some of the institutional standards that the AIIB should maintain and concentrated power in the AIIB's president. Absent a seat at the AIIB, the U.S. can work with its allies to push for AIIB to maintain, or return to, best practices. Many U.S. allies are members of the AIIB, and the U.S. should be in dialogue with these allies regarding votes taking place at the AIIB. It is in the U.S. government's best interest, and that of our allies, to see the AIIB provide a positive model for Chinese development assistance.

3. Compete with the AIIB through the traditional MDBs.

The U.S. can compete with the AIIB through existing MDBs, particularly if the traditional MDBs become more active in financing infrastructure projects. The U.S. should continue to direct our efforts to these organizations that reflect our values and standards. If the AIIB does become a larger player in development financing and begins to more proactively pursue its own projects, the existing multilateral development banks are the best tool by which to ensure that a successful AIIB does not become a geopolitical tool for China.

Increase U.S. government capacity to facilitate and promote U.S. private sector entry into emerging markets in Africa and Southeast Asia.

1. Increase the number of Foreign Commercial Service Officers.

Chinese business promotion officers maintain a substantial presence in many emerging markets. The Foreign Commercial Service is a critical support for U.S. companies pursuing business overseas, as attested to in many of our meetings. Foreign Commercial Service Officers are well positioned to help facilitate deals, advocate U.S. company interests, and make connections between U.S. companies and foreign partners. However, there are few Foreign Commercial Service Officers in emerging markets, and this has contributed to the difficulties U.S. companies face in entering these markets.

2. Support the development of capital markets in emerging economies to increase domestic financing resources.

Given its expertise in the area of capital market governance, the Securities and Exchange Commission (SEC) should support the development of capital markets in emerging economies to leverage America's immense and varied investor class while turbocharging the small and medium business growth in Africa and Southeast Asia. The SEC has experience in building capital market governance and could play a central role in assisting key regional economies like Kenya, Nigeria, and Ethiopia to strengthen existing capital markets that give local enterprises access to financing.

3. Launch the USIDFC and make visits in strategically important regions to publicize the new agency.

USAID and the Overseas Private Investment Corporation (OPIC) should hasten implementation of the newly formed International Development Finance Corporation (USIDFC) to enable American investors access to private market opportunities. While funding is currently held up in Congress, the inter-agency coordination and implementation needs to be urgently streamlined to ensure the expanded authorities of the USIDFC is maximized as soon as possible. Once operational, the USIDFC should actively promote the new agency by visiting regions including Africa and Southeast Asia.

4. Increase funding for "Prosper Africa" to ensure its future success.

Increase funding and turbocharge support for Prosper Africa to get it off the ground as the coordinating body for all governmental efforts to increase commercial and investment activity in Africa. Prosper Africa's aim of providing a "one-stop shop" bringing together 15 U.S. government agencies to increase access to services and facilitate transactions could be a powerful tool in increasing U.S. private sector activity in Africa. If successful, this "Prosper" model should be rapidly scaled up to include other regions to expand access to this USG "one-stop shop" everywhere American firms want to do business.[64]

Djibouti ports, October 2019. Photo by Mary Beth Goodman.

Economic and Financial Options

Increase and publicize senior-level engagements in sub-Saharan Africa and Southeast Asia to promote U.S. trade and investment.

1. Send cabinet-level officials to high-level regional meetings, especially to forums such as the African Union, ASEAN, and the Intergovernmental Authority on Development (IGAD).

China has been able to become a more trusted partner simply through its presence in these regions. Simply put, China is sending high-level officials to these regions and the United States is not. This absence has been noticed. The U.S. should send cabinet-level officials (Secretary of State, Secretary of Treasury, Secretary of Commerce, Secretary of Defense) to sub-Saharan Africa and Southeast Asia. Specific forums that should be attended include: the African Union, African Continental Free Trade Agreement Business Forums, Indo-Pacific-Business Forum, and the Intergovernmental Authority on Development (IGAD). The U.S. President should visit sub-Saharan Africa at least twice within one four-year term. The USG should look for opportunities for the U.S. President to deliver a major speech championing American private sector investment and U.S.-African cooperation to the African Union during his or her term.

2. The U.S. should credibly signal a commitment to sub-Saharan Africa by extending AGOA.

African Growth and Opportunity Act (AGOA) was most recently renewed through 2025. This means that companies currently considering investments in Africa intending to export to the United States have only a five-year window in which AGOA's waivers on tariffs are certain. An AGOA extension represents an opportunity for the U.S. to make a long-term commitment to U.S.-Africa trade relations and makes investments in Africa more attractive for U.S. firms. Raising the profile of AGOA could also include elevating public discourse to more clearly connect AGOA as part of the Prosper Africa "brand."

> Simply put, China is sending high-level officials to these regions and the United States is not. This absence has been noticed. The U.S. should send cabinet-level officials, as well as the President, to sub-Saharan Africa and Southeast Asia.

[64] Trade.Gov, "Prosper Africa."

A local handmade textile business lays out the thread to make a rug in Addis Ababa, Ethiopia. October 2019. Photo by Rebecca Lim.

Increase educational and professional exchanges to enhance positive U.S. perceptions.

1. The U.S. should lead efforts to preserve and increase people-to-people exchanges through sponsored scholarships, trainings, and educational exchange opportunities.

The U.S. government should act through the State Department's Bureau of Educational and Cultural Affairs, and other agencies to increase and target U.S. scholarships and education exchange programs to African and Southeast Asian youth to increase favorable U.S. perceptions. Education is a key area of U.S. advantage and U.S. educational institutions are well-regarded internationally. While educational exchange is a long-term investment, it has often led to the kind of governance that promotes transparency, free and fair markets, and democracy while building the human capital to support development.

2. The U.S. should encourage and incentivize American higher academic institutions to open foreign branches.

Many U.S. universities have opened foreign branches in the last decade, including campuses in China, Singapore, and Qatar, for example. However, the U.S. does not have any universities on the ground in Malaysia nor in Sub-Saharan Africa, as well as in many other BRI-recipient countries. By establishing campuses or regional education hubs in developing countries, this could leverage the U.S. comparative advantage in education and also create an educated populace better able to support their country's development.

Devise and promote a new U.S. messaging strategy that focuses on the positive benefits of partnership with the U.S., and increase the visibility of U.S. investments and engagements in regional economies through a more proactive press strategy.

1. Avoid an over emphasis on the "great power competition" narrative in favor of emphasizing the benefits of cooperation with the U.S. as a bilateral partner.

Taking a "with us or against us" approach has proven ineffective when the U.S. is perceived to offer little alternative financing to fill real developmental needs. In tandem with our recommendation to work with allies and multilaterals to offer non-Chinese infrastructure financing, principals should highlight U.S. efforts and also avoid repeatedly raising concerns of great power competition and the dangers of working with the Chinese.

2. The U.S. Agency for Global Media and U.S. Embassy public affairs offices should coordinate and implement a press and social media strategy to make U.S. positive engagements more visible to local audiences.

More proactive marketing can increase awareness of the benefits of working with U.S. companies and initiatives in BRI recipient countries. Currently, American corporate social responsibility drives are not promoted heavily enough, and there is a lack of awareness on the part of local government officials regarding these projects as well as the benefits of working with American companies. To boost awareness, we recommend a more integrated press strategy.

> Taking a "with us or against us" approach has proven ineffective when the U.S. is perceived to offer little alternative financing to fill real developmental needs.

Regulatory and Governance Options

Support and advise BRI recipient countries to develop, negotiate, and enforce regulatory standards in accordance with international best practices.

1. The U.S. should consult the African Union and ASEAN in the development of labor standards and investment protocols as they establish regional free trade agreements.

The Departments of State and Commerce should quickly start working and consulting with the AU as they develop standards for the newly launched African Continental Free Trade Agreement. Similarly, ASEAN should be supported to set appropriate safeguards in its own regional free trade agreements and the Regional Comprehensive Economic Partnership (RCEP). The State Department and the U.S. Mission to ASEAN should advocate high standards through its allies in RCEP, which includes Australia, New Zealand, and Japan.

2. USAID should lead an interagency working group to provide lesser-developed BRI countries with pro-bono assessments on infrastructure finance, social, human rights, and environmental reviews on impending BRI projects.

Establish an interagency working group to provide particularly low-income BRI recipient countries with pro-bono assessments on infrastructure finance, as well as social, human rights, and environmental reviews on impending BRI projects so they can independently verify and audit Chinese environmental impact assessments and cost-benefit analyses. This could take place within the purview of "deal teams" at each USAID mission or within Prosper Africa as it scales.

Ethiopian Railways Corporation, Addis Ababa, Ethiopia. Photo by Patrick Farrell.

Strengthen and empower local civil society organizations to hold their own governments accountable for implementing and enforcing regulatory standards and taking on financially sustainable development projects.

1. Expand journalism development programs in BRI countries to enhance media watchdog capacity and counter Chinese efforts to suppress journalistic freedom.

USAID's Office of Transition Initiatives has ongoing journalism training programs in Malaysia. U.S. government agencies should coordinate to expand journalism development programs in BRI countries to enhance media watchdog capacity and counter Chinese efforts to suppress freedom of the press. For citizens in BRI recipient countries, a free press is crucial for learning about regulatory standards and the feasibility of local BRI projects. Journalism development programs allow media outlets in BRI countries to critically evaluate their country's projects and retrieve the evidence necessary to conduct such evaluations from often-concealed sources.

2. Increase funding for the U.S. Agency for Global Media to expand and add a journalistic exchange component to its existing local media training programs.

Increase funding for the U.S. Agency for Global Media to expand and add a journalistic exchange component to its existing local media training programs. The exchange program is intended to build the capacity of journalists in BRI countries so they can serve as impartial reporters, clarifying often opaque processes behind large deals so that citizens can assess their country's infrastructure development.

Work through the IFIs and MDBs to encourage higher standards on development projects.

1. The U.S. could push reform of the Agreement for Mutual Enforcement of Debarment Decisions to extend debarments so that firms are also banned for bad behavior on non-MDB projects.

The Agreement for Mutual Enforcement of Debarment Decisions ensures that firms debarred by any one of six major MDBs (including the AfDB, ADB, and World Bank), are debarred by all signatories. A debarment prevents firms from competing for MDB contracts. Debarments are primarily levied due to corruption and misrepresentation on MDB bids, but could be extended to cover other forms of bad behavior. Areas of particular concern such as evidence of corruption, environmental degradation, or lack of appropriate labor safeguard could be scored for firms participating in tenders and firms with a history of could be publicly shamed and blocked from participation in contracts. Large Chinese firms gain substantial revenues from World Bank and other MDB contracts and would have increased incentives to comply. The AIIB could also be extended membership in the Agreement to bring it closer into the MBD system.

6 | Conclusions

The BRI is a massive, complicated initiative taking place in many risky investment environments. As a result, the complexity of the BRI necessitates a multi-faceted U.S. response, both to respond to the challenge posed by China and to mitigate the negative impacts of BRI projects on recipient countries.

Many of the problems we saw raise concerns about the long-term viability of the BRI. There is some evidence that the BRI is scaling down – but many of the possible negative impacts of these projects may linger. Large Chinese investment projects are declining both in number and in value. While there were 41 BRI projects of over US$1 billion approved in 2016, there were 28 such projects in 2018 and just 2 through the first six months of 2019.[65] A lack of interest in promoting labor, human rights, and environmental standards, conducting stakeholder analysis, and ensuring that projects are economically viable are likely to have consequences in the long-run. Bad projects may cause China to lose status and prestige while impeding the recovery of loans.

Further, emerging domestic trends in China that were outside of the scope of our field visits may increase the negative impacts of the BRI going forward. China in 2013, when the BRI was officially announced, and in the years preceding, when many projects that subsequently became labeled BRI projects were launched, was growing more rapidly than the China of today and faced comparatively fewer constraints on its ability to write off debt. China's active response to the 2008 financial crisis, during which it was able to maintain growth rates above 10%, was very credit-driven. From 2008 to 2013, total debt-to-GDP grew from 162% to about 200%.[66] China's total debt has grown more rapidly since 2013, reaching 300% of GDP in 2019.[67] The BRI internationalized some of the subsequent growth in debt, often to high-risk locations. If China continues to slow, the pressure to stand firm on loan terms and attempt to earn a return on investments rather than write off debt will increase.

These dynamics also complicate a potential U.S. response. We believe our recommendations can help address the fallout from existing and future BRI projects. Rather than respond to the challenge of BRI with a U.S.-led counter-initiative, we believe that the best response is to strengthen the ability of recipient countries to negotiate productive projects and increase standards, while also ensuring that the U.S., both the government and the American private sector, is present at the table.

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[65] Zhou, "China Slimming down Belt and Road Initiative as New Project Value Plunges in Last 18 Months, Report Shows."
[66] Curran, "China's Debt Bomb."
[67] Lee, "China Now Accounts for Some 15 Percent of Overall Global Debt."

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Annex | Methodology

The uncertainty surrounding the BRI's aim, impacts, and what constitutes a project necessitates on-the-ground research. While academic scholarship on the BRI has been improving as the BRI itself matures, our preliminary research found that much writing on the BRI's impact is speculative and based on the headline figures and lofty aims associated with the project rather than the actual impacts of existing projects. The following annex outlines our methods and includes our field research questionnaires.

Instruments of Analysis

The following questionnaires were developed to meet the needs of the scope of project outlined by the State Department at the conception of the project. Examples of all of these are included below.

Expert Interview Questionnaire

The research team created an expert questionnaire which served as question bank for interviews with stakeholders across sectors during the in-country meetings. These questionnaires were intended to guide discussions and prevent gaps in information collection.

The questions were broken into sections based on topic-area so that questions could be tailored to respondent expertise. There are three main categories of questions: Economics, Politics, and Think Tanks/Journalists. The Economics section is further divided into two categories, one focused on debt sustainability and fiscal outlook and the other on infrastructure investments.

Project Site Questionnaire

Project site questionnaires allowed for greater standardization of the information collected from varied locations. Specifically, the research team aimed to collect specific information pertaining to the following categories of BRI impact central to our research question:

1. Environmental, Social, and Governance Standards: This section included questions surrounding environmental impact assessments, impact on local communities, pollution and ecosystem impact, and mitigation efforts toward adverse effects.

2. Labor and Human Rights Standards: This section included questions on community agency, local labor law compliance, and efforts made to ensure human rights standards are upheld at project sites.

3. Technology and Knowledge Transfer Standards: This section had questions on quality of local content in project employment, and extent of engagement of local subcontractors.

4. Economic Feasibility: This section explored the benefits of the project for local and national economy, and the rationale for specific site selection for the project.

Community Survey Questionnaire

Additionally, a brief community survey questionnaire was developed to conduct rapid surveys of individuals living or working by project sites. These interviews would typically last fifteen minutes, and respondents would include but not be limited to local shopkeepers, construction workers, and other passersby.

Questions included the respondents' opinions on whether specific BRI projects were important for the most recent or upcoming elections, implementation status of the projects, salary details for labor jobs offered on the project site, etc.

Stakeholder Interviews and Site Visits

The research team divided into two regional groups focusing on Africa and Southeast Asia. The workshop team leveraged independent affiliation to acquire a comprehensive on-the-ground perspective of actors in the BRI universe, from businessmen to construction workers.

During the week of field research, we interfaced with subject matter experts from federal and municipal governments, NGOs, think tanks, state-owned enterprises, private businesses, media outlets, as well as U.S. government officials from a variety of U.S. agencies. These expert interviews provided us with holistic perspectives on BRI in sub-Saharan Africa and Southeast Asia from both the U.S. and the countries themselves.

The research teams also arranged for BRI project site visits in order to conduct community interviews and independently assess project status. In Ethiopia, the team spent six days in Addis Ababa for interviews and site visits, with a smaller group traveling to Djibouti for two days. In Malaysia, the team spent three days conducting expert interviews in Kuala Lumpur. This team also travelled to Malacca, Johor, and Singapore for project site visits and interviews with local officials and other stakeholders.

While conducting visits, the Ethiopia and Malaysia teams corresponded regularly and updated each other with summaries of each meeting. These briefings informed each group of the other's findings from the day and provided visibility into the thematic areas or expert perspectives lacking in the field analysis in each region, allowing for adjustments to scheduled meetings in order to capture these important perspectives.

Community Questionnaire

SECTION A: PRE-FILL BEFORE SURVEY

1. Project name:

2. State/province:

3. Location [Select one]:
   a. Rural
   b. Urban

4. Description of the project:

5. Project start date [YYYY/MM/DD] : (_ _ _ _/_ _/_ _)

6. Project status (Can fill once on field if not aware immediately)
   a. Ongoing
   b. Completed
   c. Delayed start
   d. Suspended
   e. Other ____

SECTION B: RESPONDENT DETAILS

Respondent should be an adult you contacted in the vicinity of the project site.

1. Gender: M/F

2. Age: ________

3. Where did you find the respondent?
   a. In/outside a household
   b. Shopkeeper/business owner
   c. Pedestrian
   d. Other ________________________

SECTION C: RESPONDENT KNOWLEDGE OF PROJECT

1. Have you heard of {project_name}? [Also include a 1-2 sentence description of project for the respondent, as official name may not be colloquially recognized]
   a. Yes
   b. No

2. To the best of your knowledge, when did this project start?
   a. MM
   b. YYYY

3. Do you know if the project implementation has had any delays?
   a. Yes
   b. No, it's proceeding as planned
   c. Suspended
   d. Don't Know
   e. Other _______________________

4. Did this project begin before/after the most recent general election (Malaysia only)?
   a. Before
   b. After

5. Did this project begin before/after the most recent local election (Ethiopia only)?
   a. Before
   b. After

6. Was this project important for the 2018 general election (Malaysia only)?
   a. Yes, ____
   b. No, ____
   c. Don't know

7. Is this project important for the 2020 general election (Ethiopia only)?
   a. Yes, ____
   b. No, ____
   c. Don't know

8. Are you/have you been affiliated with this project?
   a. Yes: Role ____________
   b. No _____________

9. Does anyone you know work on the project site?
   a. Yes
   b. No

10. In what position does your acquaintance work on the project site?
    a. Labor
    b. Manager
    c. Other __________

11. Do you know anything about the salary/pay offered by the project at the following levels?
    a. Labor _________________
    b. Manager __________________

12. What proportion of the workers employed for the project would you say are Chinese?
    a. More than half
    b. Half
    c. Less than half
    d. None
    e. All
    f. Don't know

13. Would you say this project is beneficial for your community? Why?
    a. Yes, Explain ____
    b. No, Explain ____

OTHER GENERAL OBSERVATIONS (NOTE BELOW):

Expert Interview Question Bank

SECTION A: ECONOMICS

A.I DEBT SUSTAINABILITY/FISCAL OUTLOOK

1. Do you think Malaysia/Ethiopia's fiscal outlook is stable or would you say current levels of government borrowing are unsustainable? (Explain)

2. Are there constraints on the Malaysian/Ethiopian government's ability to rein in widening fiscal deficit? (Let them respond then ask sub-questions)
   a. If the government decides to raise taxes, where would opposition come from?
   b. If the government decides to cut spending, where would opposition come from?

3. What tool does the Malaysian/Ethiopian government currently use to assess its debt sustainability?
   a. Was this tool used when accepting BRI projects?
   b. Are you familiar with China's DSF tool? Comment on the likelihood of Malaysian/Ethiopian government using this tool to assess debt outlook.

4. Comment to what extent BRI influences your country's debt sustainability?

5. Would it be more or less favorable for the Malaysian/Ethiopian government if BRI lending was channeled through a multilateral institution? Which multilateral institution would be favorable?

6. How does BRI influence the Malaysian/Ethiopian economy's balance of payments?

7. What recourse does China have if the Malaysian/Ethiopian government is unable to make the repayment within the agreed upon time-frame?

8. What are the Malaysian/Ethiopian government's options to prevent default within the stipulated time frame?

A.II BRI INFRASTRUCTURE INVESTMENT

1. How do these projects enhance economic growth…
   a. For the local economies?
   b. For the national economy?

2. What metrics do you use to assess impacts on economic growth?
   a. Local employment benefits
   b. Addressing bottlenecks to growth
   c. Technological sharing and transfers
   d. Other ____

3. How are locations for BRI projects determined?

4. Who are the key players in negotiating financial terms of these projects? (Based on context, you can modify this question to ask about a specific project)

5. In your opinion, what are necessary conditions for a BRI project to be successful?

6. In your opinion, what factors help a BRI recipient country in successfully renegotiating terms of a project?

7. Comment on hidden costs associated with these projects (if applicable).

SECTION B: POLITICS

1. Would you say the current Prime Minister is for or against increasing Chinese footprint in your country's political economy? Explain.

2. What is the role of Chinese FDI in election promises and outcomes?

3. Malaysia only: Are ASEAN states cooperating on posture towards Chinese deals?

4. How does BRI impact regional tensions in the country?

5. How does BRI impact ethnic tensions in the country?

6. Is a particular political party/coalition more favorable of BRI? Explain.

7. Is a particular political party/coalition less favorable of BRI? Explain.

SECTION C: THINK-TANKS/JOURNALISTS

1. What are the key takeaways about BRI from your organization's/your research? (Think tank only)

2. To what extent do you incorporate BRI when writing about Malaysia/Ethiopia's political economy?

3. What are the advantages or disadvantages of BRI lending compared to loans and grants from multilateral institutions (WB-IMF)?

4. Above question vis-a-vis Paris Club.

5. Can you tell us about the environmental impact assessment protocols of BRI projects?

6. To what extent are community opinions/sentiment solicited by:
    a. The local government before going forward with a BRI project?
    b. BRI project developers before going forward with implementation?

7. Comment on the impact of BRI projects on local ecosystems.

Project Site Questionnaire

SECTION A: PROJECT DETAILS

1. Project Name:

2. Project Description (1-2 sentences):

3. Project location (City/Town & State):

4. Project Site:
   a. Rural
   b. Urban

5. Current project status:
   a. Ongoing
   b. Completed
   c. Delayed start
   d. Suspended
   e. Other

SECTION B: ENVIRONMENTAL, SOCIAL & GOVERNANCE STANDARDS

1. Was an environmental impact assessment prior to beginning construction of the project?
   a. Yes
   b. No

1i. Who conducted it?
   a. Government
   b. Project developer

2. To the best of your knowledge, what did the environmental impact assessment entail?

3. Did the assessment consider direct environmental impacts?
   a. Yes
   b. No

4. Did the assessment consider indirect or cumulative environmental impacts?
   a. Yes
   b. No

5. To what extent did the project developer and/or local government solicit concerns/views of the project from the local community?

6. Does this project affect local ecosystems (e.g., biodiversity, wildlife, fisheries)?

7. If so, does that disruption have an impact on local economic livelihoods?

8. What are some perceived or demonstrated health impacts of this project on the local community?

9. Did this project require involuntary resettlement?
   a. Yes
   b. No

9i. Were these communities compensated?
   a. Yes
   b. No
   c. Don’t know
   d. No

10. Have the project developers and/or local government made any investments in natural resource conservation in relation to this project?
   a. Yes
   b. No

11. Does this project contribute substantially to national greenhouse gas emissions?
   a. Yes
   b. No
   c. Don’t know
   d. Other

12. If the answer to Q11 is yes, what efforts have been made to mitigate or impact on greenhouse gas emissions?

13. Does this project encroach upon any formally or informally recognized cultural heritage sites?
   a. Yes
   b. No
   c. Don’t know
   d. Other

14. If the answer to Q13 is yes, what efforts have been made to mitigate or offset potential impacts?

15. Does the project increase levels of pollution of land, air, or water resources?
   a. Yes
   b. No
   c. Don’t know
   d. Other

16. If the answer to Q15 is yes, what efforts have been made to mitigate or offset potential impacts?

SECTION C: LABOR, HUMAN RIGHTS STANDARDS

1. To what extent did local opinion affect the project design (if at all)?

2. Is there a regular process in place for keeping community members apprised of project construction updates?

3. Are particular groups opposed to the project?
   a. Yes, detail
   b. No
   c. Don’t know

4. What efforts have been made to ensure that construction complies with domestic labor laws?

5. Do workers have the ability to file grievances/complaints if they feel their rights are being violated, or if they generally feel that they are working in an unsafe or unfair environment?
   a. Yes (if no/don’t know, select options on next page)
   b. No

5i. What is the mechanism?

5ii. Have many grievances been filed thus far?
   a. Yes, No. (if possible)
   b. No
   c. Don't know

5iii. What has been the response by the developer?

5iv. How do these methods of filing grievances vary for Chinese versus domestic workers?
   b. They do not vary
   c. Don't know

SECTION D: TECHNOLOGY/KNOWLEDGE STANDARDS

1. To what extent can locals get promoted in the project? (Explain)

2. Is on-the-job training offered to locals? (Describe)

3. Tell us what you know about the local sub-contractors engaged in the project. (Seek concrete numbers, if possible)

SECTION E: ECONOMICS OF THE PROJECT

1. How does this project benefit the local economy?

2. How does this project benefit the national economy?

3. Why was this location picked for the project, based on your understanding? (You can read out some of the options below to prompt the respondent if they have trouble coming up with responses)
   a. Labor availability
   b. Connectivity
   c. Other factors? (Details)

4. Can this project support investment projects in the future? (Ask for examples)

5. What are the barriers to growth in this particular region (project site region)? (Select all that apply. Do not prompt.)
   a. Competition for investments from other regions
   b. Poor local governance
   c. Poor relations with local and central government
   d. Poor labor regulations
   e. Other factors? (Details)

TECHNICAL KNOWLEDGE QUESTIONS

1. What metrics were used to project the returns from this investment when deciding on funding terms?

2. How profitable does this project need to be to meet targets for paying off the project?

3. Is profitability expected to increase over the lifespan of the project?

4. How long is the gestation period before this project generates return/profits?

5. Can we have a look at a contract/formal document of lending terms of the project?

List of Interviews and Site Visits

The following is a list of the organizational affiliations of individuals we spoke with during our visits to Djibouti, Ethiopia, Malaysia, and Singapore as well as major project sites visited. We conducted multiple separate interviews with several of the organizations listed below.

Djibouti

Interviews:

- Djibouti Free Trade Zone and Port Authority
- Chinese Economic and Commercial Service Djibouti
- Local Private Business
- U.S. Embassy Djibouti

Site Visits:

- Addis Ababa-Djibouti Railway Nagad Station

Ethiopia

Interviews:

- Addis Ababa Light Rail
- Addis Ababa Transport Authority
- American Chamber of Commerce Ethiopia
- Bahir Dar University Law School
- Digital Rights Ethiopia
- Eastern Industrial Park Operators
- Ethiopia Investment Commission
- Ethiopia Ministry of Finance and Economic Development
- Ethiopia Railway Corporation
- Ethiopian Environment, Forestry, and Climate Change Commission
- Maleda Times
- Overseas Development Institute
- U.S. Mission to the African Union
- USAID

Site Visits:

- Addis Ababa Light Rail (Railway and Rail Yard)
- Addis Ababa National Stadium
- Addis Ababa-Djibouti Railway Furi-Lebu Station
- Eastern Industrial Park

Malaysia

Interviews:

- American Chamber of Commerce Malaysia
- Association of Belt and Road Malaysia
- Australia High Commission
- BowerGroupAsia
- Country Garden
- Institute for Democracy and Economic Affairs
- Institute of Strategic and International Studies Malaysia
- International Republican Institute
- Jeffrey Cheah Institute on Southeast Asia
- Jeffrey Sachs Institute for Sustainable Development, Sunway University
- Khazanah Nasional
- Malaysian Investment Development Authority
- Malaysian Investment Development Authority
- Ministers of Parliament
- Office of the Deputy State Secretary (Development) of Melaka
- Projek Dialog
- Shattuck St. Mary's School in Forest City
- U.S. Embassy Kuala Lumpur
- University of Malaysia

Site Visits:

- East Coast Rail Link
- Forest City
- Melaka Gateway
- Port Klang

Singapore

Interviews:

- Nanyang Technological University, S. Rajaratnam School of International Studies
- Tata International Singapore

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