



Viability of BRI and CPEC

Why in News

Recently, U.S. criticised China's international development projects and lending practices under its [Belt and Road Initiative \(BRI\)](#) and has questioned the **China Pakistan Economic Corridor (CPEC)**, on its commercial viability.

Key Points

- **Opacity on Lending:** China **does not provide any report on the lending** despite being the **largest lender globally** which makes it difficult for the **Paris Club** or **IMF** to **monitor the financial transactions**.
 - Lack of transparency works as a means **to hide risks from the countries that borrow** from China.
 - **Failure to repay** the loans stops further development and leads to the surrender of strategic assets diminishing the sovereignty of such countries.
 - **Hambantota Port in Sri Lanka** and **a runway in the Maldives** are examples of China financing projects of questionable commercial viability, resulting in unsustainable debt. In 2017, Sri Lanka handed over a majority stake and a 99-year operating lease to Chinese state-owned enterprises as it could not service the debt owed to China.
- China benefited after its **Open Door Policy** when U.S., European and Japanese companies opened shops there but it has not done the same in Pakistan under CPEC.
- Even though China is not a member of the **Paris Club**, it offers finances and loans to other countries.
- Such issues have raised doubts on the ulterior motive of China in the garb of BRI.

Open Door Policy

- It was a **trade agreement** between the **United States, China, Japan and several European countries**.
- It was issued in **1899-1900** and intended to protect the rights of all countries to trade equally with China and confirming multi-national acknowledgement of China's administrative and territorial sovereignty.

Paris Club

- It is an **informal group of official creditors** whose role is to **find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries**.
 - It provides debt treatments to debtor countries in the form of rescheduling (postponement) or by concessional rescheduling (reduction in debt service obligations during a defined period).
- It was founded in **1956** and has **22 members** currently.



China Pakistan Economic Corridor //

- It is a **bilateral project between Pakistan and China**, intended to promote connectivity across Pakistan with a **network of highways, railways, and pipelines** accompanied by **energy, industrial** and other **infrastructure development projects**.
- CPEC **links the Western part of China (Xinjiang) to the Gwadar Port in Balochistan, Pakistan** via Khunjerab Pass in Northern Pakistan.

India's Stand

- India has objected to part of the corridor that runs through **Pakistan Occupied Kashmir (PoK)** because it infringes Indian sovereignty.
- India is a member of **the Quad** (India, the U.S., Australia and Japan) which can provide realistic alternatives for countries looking for infrastructure and be an alternative to China.

[Source: TH](#)

PDF Reference URL: <https://www.drishtias.com/printpdf/viability-of-bri-and-cpec>