International Journal of Social Science and Education Research Studies
ISSN(print): 2770-2782, ISSN(online): 2770-2790
Volume 03 Issue 07 July 2023
DOI: https://doi.org/10.55677/ijssers/V03I7Y2023-30, Impact Factor: 5.574
Page No : 1394-1407

Empirical Case Studies on the Economic and Political Effects of the Belt and Road Initiative in Pakistan, Kenya, Sri Lanka, and Montenegro

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ABSTRACT

The Belt and Road Initiative has had a wide range of effects on participating countries. Its economic and political implications continue to raise important questions about China's global influence using soft power. The BRI initiative has the potential to accelerate globalization and boost domestic economies. This paper analyzes the BRI's involvement in three geopolitical regions (Asia, Africa, and Europe) by examining the economic and political impacts of four internal BRI projects: Chinese Pakistan Economic Corridor (CPEC), Mombasa-Nairobi Standard Gauge Railway, International Hambantota Port, and Bar Boljare Highway. The analysis is conducted by examining different outcomes of each project using a predetermined rubric which considers economic (GDP, FDI, trade, social welfare, debt sustainability) and political (internal power, international relations) implications. The analysis of all four case studies conclude that Kenya and Pakistan have benefited from their respective BRI projects, while Sri Lanka and Montenegro's BRI projects appear unsuccessful due to lack of strategy involved in their placement/creation. Furthermore, all four countries suffer from varying amounts of debt distress as a result of Chinese BRI investment. Lastly, the BRI provides outlets for Chinese involvement in internal power (especially in the case of Kenya and Sri Lanka), as well as strengthens Sino relations with participating countries.

Published Online: July 25, 2023

INTRODUCTION

The Belt and Road Initiative (also known as OBOR, One Belt One Road) is a global infrastructure development plan created by China. The CCP announced the strategy in 2013 during an official visit to Kazakhstan. The term "Belt" is short for "Silk Road Economic Belt" which refers to the proposed overland transportation mechanisms (such as roads and rail transportation infrastructure) China hopes to establish through Central Asia as well as along the historical overland routes passing through the Western hemisphere (Jie & Wallace, 2022). The term "Road" is short for "21st Century Maritime Silk Road", which refers to the Indo-Pacific sea routes expected to run through Asia, the Middle East, and Africa. As indicated in the National Development and Reform Commission's vision document, the cooperation priorities of the project are "policy coordination", "facilities connectivity", "unimpeded trade", "financial integration", and "people-to-people bonds" with a special focus on project involving "infrastructure connectivity, industrial investment, resource development, economic and trade cooperation, financial cooperation, cultural exchanges, ecological protection and maritime cooperation" ("Belt and Road Forum", 2015). Through the BRI, China aims to lower the costs of globalization and diversify the country's political and economic presence across the world. As of March 2022, 147 countries have signed a Memorandum of Understanding with China to officiate their membership in the BRI (Wang). The BRI is expected to be completed in 2049 (Desjardins, 2018).

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****Cite this Article: Isabella Jia Dunsby (2023). Empirical Case Studies on the Economic and Political Effects of the Belt and Road Initiative in Pakistan, Kenya, Sri Lanka, and Montenegro. International Journal of Social Science and Education Research Studies, 3(7), 1394-1407***

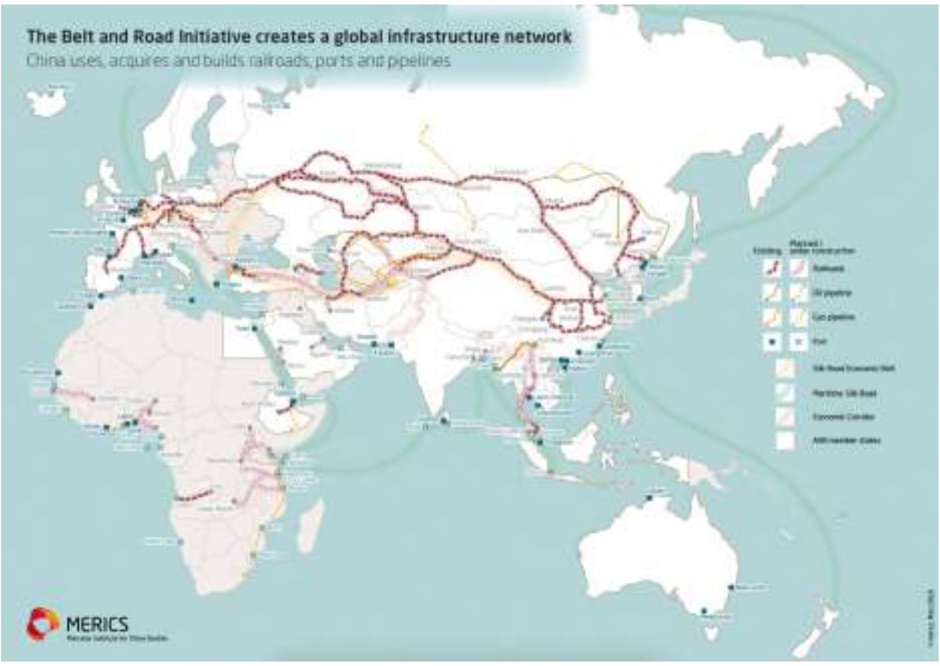

Figure 1: Belt and Road Initiative Project Map (2018)

Past Initiatives

China has hitherto developed a multitude of influential projects through the Belt and Road Initiative, as can be observed in figure 1. There is no confirmed list of all BRI partnerships and projects; however, estimates suggest that the BRI includes over 2,630 projects in total ("BRI Connect", 2019). China has created six economic corridors: the China-Central Asia-West Asia Corridor, the China-Pakistan Corridor, the Bangladesh-China-Myanmar Corridor, the China-Mongolia Russia Corridor, the China-Indochina Peninsula Corridor, and the New Eurasian Land Bridge (Gill et al., 2022). These economic corridors enhance connectivity and facilitate trade between all countries directly and indirectly involved. China has also invested in transportation, energy, and other economic projects with BRI members. Such projects involved constructing new infrastructure, upgrading existing systems, and distributioning loans. China's transportation-related projects thus far included the construction/development of fixed structures (roads, motorways, railways), networks (pipines), and nodes (seaports, airports, terminals). These transport mechanisms have allowed for the movement of goods/freight and people, facilitating trade and economic activity across national and domestic borders. New BRI railway lines have connected 35 cities in China with European trading partners. As of 2018, China cooperated with 34 countries to build and operate 42 points, including the ports of Piraeus in Greece, Hambantota in Sri Lanka, and Gwadar in Pakistan (Haralambides & Merk, 2020). Furthermore, BRI projects involving energy include clean energy development (ex. hydropower dams and wind farms), gas pipelines, and coal power plants. China's investments have alleviated power shortages (recently in South Kazakhstan) and gas deficiencies (recently in Hungary), as well as moved some previously energy-lacking countries to become energy exports, such as in the case of Botswana ("China-Built Wind Farm", 2022; "Hungary Will Have", 2022; "China-Built Power Plant", 2022). Although most completed BRI projects involved infrastructure development, some also covered SEZ (Special Economic Zones), urban development, IT and communications, tourism, and mining.

Future Initiatives

Future projects involved in the Belt and Road Initiative can be classified into three categories: The Digital Silk Road, the Health Silk Road, and green energy. The Digital Silk Road may include initiatives involving e-commerce, cross-border optical cable information exchange channels, undersea fiber optic cables, digital traffic corridors, and 5G technology implementation ("China's Digital Aid"). The Health Silk Road, brought on largely by the COVID-19 pandemic, will likely involve increased vaccine diplomacy, such as in the case of vaccine production hubs which have been built in Algeria, Morocco, Egypt, and the UAE, as well as medical training (Calabrese, 2022). Lastly, with its mission of reaching carbon neutrality in 2060, China is expected to shift its policies towards a more green BRI by ramping up its investments in renewable energy.

METHODOLOGY

This research paper will utilize a case study approach. It will analyze the effects of China's Belt and Road Initiative in four countries: Pakistan, Sri Lanka, Kenya, and Montenegro. It will examine four internal projects– namely the Chinese Pakistan Economic Corridor (CPEC), Mombasa-Nairobi Standard Gauge Railway, International Hambantota Port, and Bar Boljare Highway– for each respective country. These countries were selected based on relative geographical diversity. Geographical diversity is essential to ensure that the BRI's effects are measured across a geopolitical spectrum. The chosen countries represent the regions of Asia, Africa, and Europe, thereby covering a significant range of economic and political contexts for which the effects of the BRI can be analyzed individually and hollistically. The specific projects were selected based on size and scope (ex. amount of money invested, net effects on economic growth, etc.). Bigger projects yield more empirical evidence of and literature regarding the BRI's direct effects on a country's social, economical, and political climate. Furthermore, the larger the scope of the project, the more important research becomes, as these domestic projects will impact an increasingly large number of the population. Each case study will be conducted using a rubric with criteria that addresses important economic and political (government) considerations:

1. Economics
   1.1 Overall Implications
      i. Project success
      ii. GDP
      iii. FDI
      iv. Trade (exports/imports)
   1.2 Social Welfare
      v. Unemployment
      vi. Quality of life
   1.3 Debt sustainability
2. Government
   2.1 Internal Power
   2.2 International Politics
      i. Sino relations
      ii. External relations

The economics section addresses the direct effects of the specific BRI project on a country's economy. Project success refers to the return of investment or generally defined economic activity produced by the project. GDP refers to gross domestic product, which indicates the size/market value of an economy. GDP may be discussed as either actual GDP or GDP growth. FDI refers to foreign direct investment, which measures the total level of cross-border investment into a country. FDI may be discussed using both global as well as solely Chinese rates. Trade refers to increases or decreases in import or export levels (terms of trade (export/import ratio) is not to be discussed)). Unemployment discusses data such as but not limited to increases in BRI-related employment opportunities divided by total increases in employment, or simply number of local BRI-related jobs created. Quality of life may be referenced using indicators such as household income and poverty levels. Debt sustainability discusses figures such as but not limited to total external debt rates, amount of debt owed to China, debt as a percentage of GDP, and usages of debt relief packages. Internal power addresses how the BRI project affects political dynamics at a domestic scale. For instance, this section may address whether the BRI project bolsters or undermines the currently adopted regime and/or party in power. The international politics section analyzes how a country's participation in the BRI affects its relationship with China and other relevant countries.

Case Study 1: Pakistan - Chinese Pakistan Economic Corridor

Pakistan is arguably one of the most involved countries in the BRI as a result of the China-Pakistan Economic Corridor (CPEC). The CPEC is a group of infrastructure projects located across the regions of China and Pakistan. The CPEC is widely considered the centerpiece of the BRI due to its large size, scope, and global influence. The project commenced on April 20th, 2015 when Chinese President Xi Jinping and Pakistani Prime Minister Nawaz Sharif signed 54 agreements in an effort to develop Pakistan's transportation and energy industries and promote a long term partnership between the two countries (Rauf). These agreements amounted to a projected value of $46 billion. The project's ultimate goal was to link Pakistan's deep-water port of Gwadar with China's Western Xinjiang region through transport routes and other infrastructural initiatives. CPEC leaders also suggested that the project would enhance regional connectivity by benefiting neighboring countries such as Iran, Afghanistan, and the Central Asia Region ("Introduction"). Valued at $62 billion as of 2020, the CPEC has hitherto completed 32 projects, with 23 projects currently under construction ("Progress Update"). These projects involve work in the following categories: energy, transport, Gwadar, Industrial Cooperation/Special Economic Zones, and Social Sector Development.

1.1 Overall Implications

The CPEC has undeniably changed the economic climate of Pakistan. CPEC-related infrastructural developments have reduced burdens that once obstructed economic growth in Pakistan such as energy shortages and lack of funding for initiatives. In 2016, the average shortfall in the power sector was 4,000 MW ("7 Facts About", 2016). In just one year following the implementation of the CPEC, Pakistan experienced a growth of 3,240 MW of electricity on the national grid; completed CPEC projects amount to an installed capacity of 6,140 MW (Mirza et al., 2019; "Progress Update"). Expansions in the electricity and other industrial sectors have contributed to positive GDP growth in Pakistan. For instance, in 2015, Pakistan's energy crisis cut its annual GDP by approximately 2-2.5% (Kugelman, 2015). While there is no literature on how CPEC energy projects have increased GDP, researchers from AIMS Energy found that an increase in energy consumption by 1% raises GDP by 0.15%; thus, CPEC-related industrial developments likely contributed to Pakistan's increase in GDP growth grade from 4.06% in FY2015 to 5.53% in FY2018 (Raza Abbasi et al., 2021; "GDP Growth"). China's initial investments in the CPEC accounted for nearly 20% of Pakistan's GDP, demonstrating a high correlation between Sino-Pakistan expenditure and economic activity in Pakistan (Stevens , 2015). Furthermore, CPEC implementation has also attracted foreign direct investment into Pakistan. A 2017 World Investment Report stated that FDI inflow in Pakistan increased by 56% as a result of CPEC-related investment (Farooq et al., 2022). This spike in FDI was imperative to Pakistan's economic growth as the country had faced a devastating decline in FDI (from $5.44 billion USD in 2008 to $0.86 billion USD in 2012) ("Pakistan Foreign Direct Investment").

1.2 Social Welfare

The CPEC has also led to improvements in the socioeconomic status of Pakistan. The CPEC has established a "Social and Economic Development" sector of the CPEC—projects include poverty alleviation training, rural poverty reduction research projects, funding for National Disaster Management Authority (NDMA) emergency relief supplies, and equipment renovation projects for Pakistan Vocational Schools ("Progress Update"). A 2019 study conducted using a structured questionnaire with 445 Pakistani citizens established a positive association between CPEC implementation and "quality of life, better employment opportunities, and poverty reduction" (Saad et al., 2019). Specifically, results display that citizens perceived a 4% variance in quality of life, 7% in employment opportunities, and 11% in poverty reduction due to the development of the CPEC (Saad et al., 2019). Since 2016, the CPEC has employed nearly 60,000 people, over 75% of which are local Pakistani citizens (Jacob, 2017). The CPEC was projected to decrease unemployment from 5.5% to 3.9%, but literature affirming this reduction has yet to be published (Chen et al., 2018).

1.3 Debt Sustainability

Despite these positive reinforcements with regards to economic growth and socioeconomic condition, empirical evidence suggests that the CPEC has led to debt issues in Pakistan, which some experts believe will outweigh any benefits mentioned previously. In FY2017, Pakistan's annual percent change in external debt was 22.15%, a significant increase from 6.86% and 6.88% in 2014 and 2015 respectively ("Pakistan External Debt"). As a result, Pakistan's total external debt levels increased by $31.6 billion between FY15 and FY18, which likely played a part in Pakistan's 2018 financial crisis ("Pakistan External Debt"). According to official statistics from Pakistan's Ministry of Finance, Pakistan had an external debt of $44.35 billion in June 2013, of which 9.3 % was owed to China ("Pakistan's Growing Problem"). However, by April 2021, this external debt increased to $90.12, with 24.7 percent being owed to China ("Pakistan's Growing Problem"). Pakistan's inability to pay off its loans is likely due to delays in and cancellations of numerous CPEC projects as well as "less-than-projected inflows (export revenues and remittances) which have caused current account deficit widening (Runde, 2022). Furthermore, China has charged relatively high interest rates—unlike the 2% concessional rate imposed upon China Export-Import Bank transactions, reports show some Pakistani loans reaching up to 5% (Sohail, 2022). For over a decade, Pakistan has failed to provide sufficient funding for the Karachi Coastal Comprehensive Development Zone constructed in 2021 in hopes to connect the Karachi Port to Pakistan's national highway system (Rafiq & Kaura, 2022).

2.1 Internal power

Pakistan's form of government is a semi-presidential federal democratic republic. The civil and military sectors are incredibly intertwined; military leaders have been accused of "selecting" people into presidency, such as in the case of Imran Khan ("Pakistan: Freedom", 2021). Corruption is pervasive and persistent among the government. However, Pakistan's relations with China have not proven to affect elections nor bureaucratic decisions in the country; Rana Ali Quisar Khan, executive member of the Central Standing Committee of the National Party of Pakistan, stated that "China is all-weather friend of Pakistan, so no matter who leads the government they cannot affect relations [with China]" (Sheng & Caiyu, 2022). However, some reports have indicated that the military elite of the Pakistani army has taken advantage of their high positions on CPEC projects which give them access to project funds (Wani, 2020).

2.2 International Relations

As a result of the BRI partnership, China has prolonged its strong relationship with Pakistan. A Chinese Ambassador to Pakistan stated that China and Pakistan celebrated cordial ties which would continue to strengthen as a result of the CPEC ("CPEC to Turn"). According to the Global Political Review, the U.S. expresses displeasure over the CPEC and as a result of the initiative, U.S. policy makers gradually shifted towards "bracketing Pakistan with China" ("CPEC: The U.S."). Furthermore, the CPEC has also harmed Pakistan's ties with India; India's Ministry of External Affairs stated that India opposes all projects in the CPEC (mainly due to some projects breaching over Indian territory but bearing no benefits to the country), stating in June 2022 that "such activities are inherently illegal, illegitimate, and unacceptable, and will be treated accordingly" (Rajagopalan, 2022). India criticizes the CPEC for passing through Gilgit-Baltistan in Pakistan-occupied-Kashmir, which New Delhi claims is its own territory (Pandit, 2018). The Union defense ministry stated in a report submitted in 2018, “The CPEC passing through Pakistan-occupied-Kashmir challenges Indian sovereignty” (Pandit, 2018).

Case Study 2: Kenya - Standard Gauge Railway (SGR

The Belt and Road Initiative has opened up many infrastructural opportunities for Kenya. Since the BRI’s commencement in 2013, China and Kenya have made economic and trade agreements on multiple occasions, such as in 2015, where the two countries signed multiple MOUs regarding energy, transportation, and aviation projects intended to contribute to Africa’s Agenda 2063 (Demissie et al.). Furthermore, during the May 2017 Belt and Road Forum, China and Kenya signed agreements in which China pledged to fund approximately $40 billion USD towards Kenyan infrastructure development. Through the BRI, China has developed large infrastructure projects in Kenya such as the expansion of Mombasa Port, the installation of city surveillance systems, the construction of a new port in Lamu, as well as a railway across Kenya’s primary trade and transport routes. The latter initiative, named the Mombasa-Nairobi Standard Gauge Railway (SGR) is arguably the most influential project of the BRI-Kenya partnership. Released for commercial use in 2017, this 480-kilometer highway connects Kenya’s capital city to Mombasa harbor, which houses the largest port in East Africa. The $3.6 billion railway was the largest infrastructure project in Kenya since its independence in 1963 (Willlsher, 2018). The Export-Import Bank of China financed 90% of the SGR’s first construction phase (Wilson-Andoh, 2022). An extension to the SGR that linked cities Nairobi and Suswa was built in 2019, which extended the railway’s length to 578 kilometers (Murage & Mwita, 2019).

1.1 Overall Implications

Before the SGR was built, Kenya relied on a narrow 1-meter track gauge railway built in 1896, which in its dilapidated state traveled only 22 kilometers per hour and frequently went out of service (Ong’iyo). Most cargo was transported via roads to Mombasa, leading to traffic jams and thus delays that hampered activity at Kenya's only international port. Thus, the Mombasa-Nairobi SGR has helped address infrastructure gaps that previously impeded development and economic integration in Kenya. The SGR has seen high economic success and growth. In fact, freight traffic in Kenya increased from 1.147 million tons in 2017 to 3.544 million tonnes in 2018, representing a growth in freight revenues by 227% from $30 million to $97million (Oirere, 2019). Kenya’s GDP grew by 1.5% in the yearly aftermath of the launch of the Mombasa-Nairobi SGR in 2017 (Mboya, 2022). Currently, the railway contributes to more than 2% of Kenya’s GDP (“China-Built Mombasa”, 2022). There exists no literature on how the SGR has impacted FDI levels in Kenya. The SGR has facilitated success in trade by cutting travel hours and allowing for the safe transportation of a larger quantity of goods. While the narrow gauge used previously carried up to 30 containers, the new SGR carries 216 (Olingo, 2018). Additionally, the SGR reduced rail transport costs from $0.20 to $0.08 per ton per kilometer, and according to Edward Opiyo, the terminal manager at the Autoports Freight Terminals Limited, “[the SGR] has also reduced the time it takes to transport bulk cargo (ex. raw materials for local industries) from three days to eight hours, all while reducing operational costs and enhancing the efficiency of regional supply chains” (Lin & Mwaura, 2022). The railway has led to sustained economic activity at the Mombasa port, which increased in overall throughput by 11 percent from 30.9 million tonnes in 2018 to 34.4 million tonnes in 2019 (Muchira, 2021). A study by the University of South Africa concluded that “SGR transport infrastructure has strengthened the domestic economic environment and enhanced regional integration of the East African community” (Mboya, 2022).

1.2 Social Welfare

The SGR has also led to improvements in the socioeconomic status of Kenya. According to the China Road and Bridge Corporation, the SGR created approximately 72,000 jobs for Kenya, with the local employment rate reaching 94.73% (Zhu et al., 2022). The China Communications Construction Company (CCCC) was given legal rights to operate the SGR for the first 10 years, with an interim review scheduled for the end of the fifth year (Oirere, 2021). However, in 2018, Chinese workers still occupied almost all critical positions; after some political controversy, the Kenya Transport Ministry successfully negotiated an earlier takeover with the CCCC. In June 2021, the Kenya Railroad Company took over ticketing, security, and refueling departments, and is well on its way to gradually covering all positions by 2022. Furthermore, the SRG has led to incredible skills transfer rates; managing director of Kenya Railways Corporation, Philip Jamuhuri Mainga, stated that skills transfer has reached 80-90 percent, and now many local employees are able to run the operations, to drive their locomotives, and to carry on with signal work” (“Chinese-Built Modern”). Since the SGR’s commencement, Chinese workers have trained more than 1,700 Kenyan specialists in infrastructure technology and management (“Foreign Ministry Spokesperson”, 2022). Skill transfer ability serves a pivotal role in unemployment, as employment becomes easier for citizens when they have a relatively large range of skills. Furthermore, a study by the Journal of International Development which reviewed interviews with 132 experts and 91 community residents found that on average, passengers and tour operators reported an increase in household income by 15.9% and 14.2% respectively (Zhu et al., 2022). The same study found improvements in the quality of life of residents in Suswa, a city included in the extension phase of the SGR (Zhu et al., 2022). These researchers report that the SGR has "opened up travel opportunities" which increase goods and services sold and purchase[d]" (Zhu et al., 2022). Furthermore, they state, "Local people that have more disposable income now have more money to buy modern clothes, and many are choosing modern apparel over Maasai shukas, based on our fieldwork observation" (Zhu et al., 2022).

1.3 Debt Sustainability

Some concerns do lie in debt sustainability. William Ruto, Kenya's vice president, acknowledged, "We are hurting from paying the Chinese debt" (Dahir, 2022). As a result of not being able to keep on track of paying back its $47 billion loan, Kenya has had to settle an agreement to defer $245 million of debt payments, obtain relief from Paris Club creditors under the G20/s Debt Service Suspension Initiative, as well as agree to an IMF funding package ("Paris Club"). In January 2021, China approved Kenya's request for a delay on its $245 million debt due in June 2021 (Dahir, 2022). The Chinese embassy in Nairobi stated that Beijing was "ready to strengthen coordination with Kenya and assist Kenya in its efforts to address debt challenges" (Nyabiage, 2021). However, Kenyan debt to China has surged 135.15 percent from 2021 to 2022, and with Kenya's growing debt-to-GDP ratio, it is crucial to closely monitor how Kenya will respond to debt charges to China (Mbabazi, 2022).

2.1 Internal Power

Kenya's form of government is a recently established presidential republic democracy. Kenya is divided into 46 counties, each led by an elected governor and government. Kenyan diplomacy involving China has been a central issue in the August 2022 presidential elections. Candidate William Ruto focused on the spread of Chinese nationals in Kenyan cities, a trend he deems unnecessary and threatening to Kenyan locals (Bartlett, 2022). He stated in a campaign in June, "We have enough airplanes to deport them back to where they came from" (Bartlett, 2022). On the other hand, candidate Raila Odinga highlighted Kenya's debts to Beijing, which have increased from $4.1 billion to $6.4 billion since 2017. He expressed desires to renegotiate loans with Chinese authorities (pushing for lower interest rates and longer repayment periods) to ease the economic distress such borrowing has imposed upon Kenya (Schipani, 2022). Odinga did not have as strong of an approach as Ruto in terms of deporting Chinese workers, stating, "We don't see China as a threat" and "We will continue to deal with the Chinese" (Schipani, 2022). Ultimately, Ruto won the 2022 presidential elections; his anti-Chinese sentiment may have been appealing to Kenyan citizens especially during a period where costs of living are rapidly increasing, with inflation rates the highest they have ever been in the past five years at 8.3 percent (Schipani, 2022). As can be evidenced by the presidential elections, Adhere Cavine, Kenyan independence analyst and China specialist, stated that during high position elections, politicians find anything to blame, and "China has become a very easy target (Bartlett, 2022)".

2.2 International Relations

In terms of international relations, the BRI has undoubtedly strengthened Sino-Chinese relations. This partnership may be at the expense of Africa's political ties with Western countries, however. In particular, ties with China have had a history affecting Kenya's relationship with the United States, as can be observed from data by the Foreign Policy Research Institute (Jones et al., 2022). As a result, increasing dependency on China may negatively impact the U.S.'s perceptions on Kenyan relations.

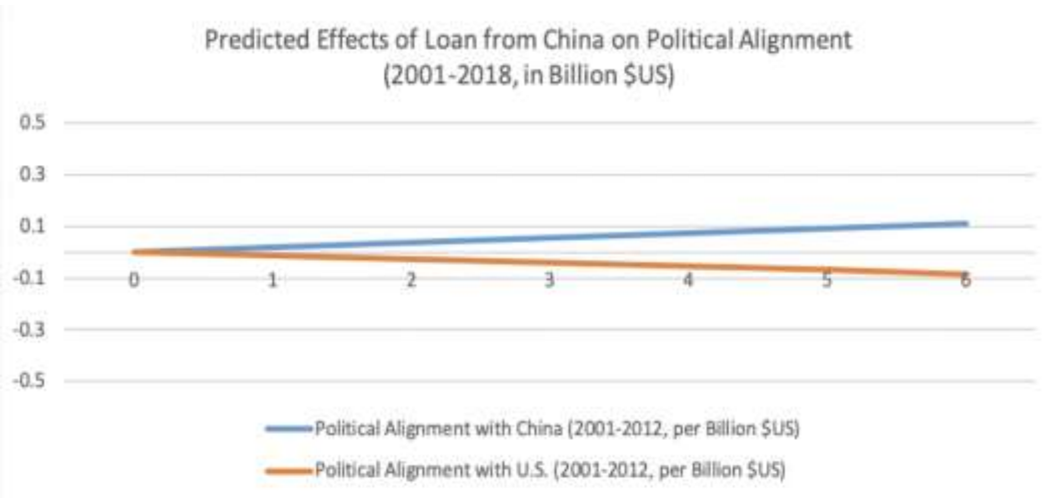

Figure 2: Africa: Political Alignment with China (Jones et. al., 2022)

Case Study 3: Sri Lanka - International Hambantota Port

Sri Lanka publicly proclaimed its support for the BRI early in comparison to other countries. China and Sri Lanka signed a Memorandum of Understanding for BRI collaborations on December 9th, 2014 ("Belt and Road Countries, 2020"). The BRI has led to massive Chinese investments– a total of approximately $6.8 billion– in Sri Lanka (Wignaraja et al., 2020). The most notable project under the Sri Lanka-BRI partnership is the Hambantota International Port, Sri Lanka's second largest deep water port after the Port of Colombo. The port was built in 2010 in attempts to reduce traffic at the Port of Colombo and relieve Sri Lanka from economic distress caused by the civil war. The first phase of the Hambantota International Port was financed by the Export-Import Bank of China, which lent $306.7 million with a 15-year repayment plan and a 6.3% interest rate (Hillman, 2018). During the second phase of construction, the China's Export-Import Bank lent another $757 million with an interest rate of 2 per cent, and it designated China Harbor Engineering and China Merchants Port to share operations of the port and attain a 65% share of profits for 35 years (Brautigam & Rithmire, 2021). When Sri Lanka joined the BRI in 2014, the Hambantota port gradually fell under the BRI umbrella of Chinese outbound investment projects.

1.1 Overall Implications

Despite its favorable location on the rim of the Indian Ocean, a popular spot for oil trade, the Hambantota port proved economically unviable. In 2012, the port drew only 34 ships, in contrast with the 3,667 ships which docked at the Colombo port (Abi-habib, 2018). According to the New York Times, "officials questioned the wisdom of a second major port, in a country a quarter the size of Britain and with a population of 22 million, when the main port in the capital was thriving and had room to expand" (Abi-habib, 2018). The Central Bank of Sri Lanka reported that Hambantota was the only Sri Lankan deep water port with a negative growth rate in 2015 and 2016 (Grey, 2022). According to The Parliament of Sri Lanka, by the end of 2016, the total losses of the port amounted to Rs. 46.7 billion, approximately $586 million (Mallawarachi, 2022). There exists no literature on how the Hambantota Port has impacted GDP or FDI levels in Sri Lanka.

1.2 Social Welfare

Initially, the China Communication Construction Company (CCCC) promised the creation of 83,000 indirect and direct employment opportunities as a result of Hambantota Port investments (Roy-Chaudhury, 2019). However, as of 2021, the Port employed a mere total of 900 workers due to the port's inactivity (Wignaraja et al., 2020). There is no literature on how port operation has impacted Sri Lanka's unemployment rate or citizen quality of life.

1.3 Debt Sustainability

Sri Lanka persistently struggled to repay loans from China. In 2017, the Sri Lankan government, facing an insurmountable debt and increasing pressures, leased the Hambantota Port and 15,000 acres of land around it to China for 99 years (Carrai, 2021). Sri Lanka transferred 80% of the port's ownership to the state-controlled China Merchants Port Holdings (Sirilal & Aneez, 2017). Although this deal erased approximately $1 billion in debt, Sri Lanka still owes more money to China than ever (Do Rosario & Jayasinghe, 2022). Between 2000 to 2017, Sri Lankan debt to China increased tenfold, and the country's total debt to GDP ratio reached approximately 101% in 2020 (Abeyagoonasekera, 2022).

2.1 Internal Power

Sri Lanka's form of government is a semi-presidential and unitary state. According to government documents and cash checks, during the 2015 Sri Lankan presidential elections, Chinese officials used money from the Hambantota port construction fund to assist in campaigning for candidate Mahinda Rajapaksa (Abi-habib, 2018). Rajapaksa, who was seeking re-election into office, heavily favored Sri Lanka-China economic ties and was seen as a valuable ally in diminishing India's influence in the South Asian region (Abi-habib, 2018). As identified in an active internal government investigation seen by the New York Times, China Harbor's Standard Chartered Bank sent over $7.6 million to people involved in Rajapaksa's campaign (Abi-habib, 2018). 10 days before polls opened, $678,000 was used to create promotional material and $38,000 were used to pay a Buddhist monk who supported Rajapaksa (Abi-habib, 2018). Ultimately, Rajapaksa lost the election to a 51.3% majority vote for candidate Sirisena. However, it is clear that through BRI projects, China is able to influence the internal political dynamic of a country.

2.2 International Relations

There exists no literature on how the Hambantota Port has impacted Sri Lanka-China relations. However, Sri Lanka's partnership in the Belt and Road Initiative in general has been enhanced with China providing economic and technical assistance to Sri Lanka.

Case Study 4: Montenegro - Bar Boljare Highway

Montenegro is a small country (with an area of about 14,000 square kilometers) located on the Adriatic Sea and is a part of the Balkan peninsula ("Montenegro: Country Data"). In the 2000s, Montenegro was one of few European countries without a highway (Coenen et al., 2022). In 2014, the Montenegrin government finalized a contract with the China Road and Bridge Corporation to construct a 169 kilometer highway from the port city of Bar to Serbia's border (Tomovic & Standish, 2022). The government then decided to construct a 41-kilometer priority motorway in the center of the country (Grgic, 2021). China's Export Import Bank agreed to finance 85% of the project with a dollar-denominated loan worth nearly $1 billion (Hopkins, 2021). China imposed a 2 percent interest rate, 20 year repayment schedule and 6-year grace period for the deal (Hopkins, 2021). The highway costs 20 euros per kilometer, making it one of the most expensive highways (per km) in the world (Tomovic & Standish, 2022).

1.1 Overall Implications

The highway was expected to be completed in November 2019, but due to COVID-19 related complications, the highway was finally opened to the public on July 13th, 2022. As a result of the short timeline between the highway's commencement and the creation of this research paper, no literature or data exists on the project's economic activity thus far. However, projections of how the highway will perform are disappointing. According to Ivan Kekovic, an engineer involved in the project, the highway would need to have an average between 22,000 to 25,000 vehicles a day to generate revenue (Barkin & Vasovic, 2018). However, less than 6,000 vehicles a day run on current roads that exist in the busiest part of the country (Bar to Podgorica, Montenegro's capital) (Barkin & Vasovic, 2018). Two studies– one conducted by construction engineering company Louis Berger and the other by the United Research Service Corporation – concluded that there would not be enough traffic to justify the construction of the motorway (Barkin & Vasovic, 2018). The Berger study stated that the Montenegrin government would have to subsidize between 35 million to 77 million euros in order to attract investors (Barkin & Vasovic, 2018). Furthermore, two distinct feasibility studies conducted in 2006 and 2012 showed that the highway would not be economically viable, yet the Montenegrin government proceeded with its construction anyway (Barkin & Vasovic, 2018).

1.2 Social Welfare

According to a study by the Financial Times, approximately 3,605 workers were involved in the first section of the highway (Barkin & Vasovic, 2018). However, two thirds of these workers were from the Chinese Road and Bridge Corporation, and only 30% of all workers involved were Montenegrin (Barkin & Vasovic, 2018). According to the People's Map of Global China, no more than 230 local workers were employed at a single time, compared with a maximum of 2,500 Chinese workers (Grgic, 2021). Thus, the highway had a negligible impact on unemployment. There are prospects that the highway will improve the quality of life of citizens living in rural areas in the North of the country, such as in Kolasin, which sits just a few kilometers from the first stretch of the motorway. As the mayor of Kolasin stated in 2021, "When the motorway will be finished, our ski stations will be less than an hour from the airport in Podgorica," which will provide business opportunities for hotels, restaurants, and other recreational activities that will create jobs and increase economic activity in the region (Paccalin & Gilberg, 2021).

1.3 Debt Sustainability

Montenegro repaid the first ($33 million) and second ($32.8 million) installments of its loan from the Chinese ExIm bank ("Montenegro Starts Paying", 2021; Ralev, 2021). Furthermore, Montenegro was able to lower the interest rate on the Chinese loan from 2% to 0.88%, saving the country approximately 8 million euro annually (Ralev, 2021). However, according to the International Monetary Fund, "The Bar-Boljare highway project significantly increased public debt" ("Montenegro: 2021", 2022). The loan itself represents nearly one-fifth of Montenegro's GDP (Birnbaum, 2021). There are many risks associated with Montenegro's lack of debt sustainability. Although the exact terms of the Bol Boljare loan are hidden, similar loans in other countries (such as Sri Lanka) have granted China the ability to seize territory and assets if repayments are not fulfilled. Furthermore, according to the United Nations Montenegro, Montenegro's economy declined more than 15 percent due to the pandemic, making the country more vulnerable than ever to financial decline as a result of debt distress ("The UN Socio-Economic ', 2020). The new prime minister of Montenegro, who was sworn in on April 28, 2022, stated that he feels as if he has been caught in a trap due to the deep hole of debt Montenegro is in due to the highway project, stating, "Debt is your worst enemy" (Paccalin & Gilberg, 2021). Currently, there is a big question of whether the highway can be completed or not, as the government has already burnt through $944 million of China's loan to complete the first phase of the road ("Montenegro Learns True", 2021). According to NPR, Montenegro's government admittedly revealed that the first section generated so much debt that it is no longer feasible to build the rest of the highway (Schmitz, 2021). The International Monetary Fund states that the county "cannot afford to take on any more debt to finish its ambitious project" (Barkin & Vasovic, 2018).

2.1 Internal Power

Montenegro's form of government is a parliamentary representative democratic republic. There exists no literature on how the Hambantota Port has impacted internal power in the country.

2.2 International Relations

Thus far, Montenegro's involvement in the BRI has not severely affected its relations with other countries. However, according to The Clingendael Institute, "The EU has voiced its concerns over the lack of transparency of the Chinese project, its economic feasibility, and its effects on the state debt of Montenegro" (Sošić, 2021). Such concern may have a small impact on Montenegro's wishes to join the

European Union, as the country is currently in the process of negotiations after applying to join in 2008 ("Montenegro").

EXECUTIVE SUMMARY

1.1 Overall Implications

BRI projects appear to significantly alleviate obstructions to economic growth in Pakistan (power shortages) and Kenya (outdated transport mechanisms). Notably, the CPEC increased FDI in Pakistan by 56%, while the SGR contributed to a 1.5% increase in Kenya's GDP a year after completion (Farooq et al., 2022; Mboya, 2022). However, the Hambantota Port drew huge losses for Sri Lanka ($568 million) and the Bar Boljare Highway must overcome great odds with regards to traffic revenue in order to reap benefits.

1.2 Social Welfare

1.2: The CPEC has produced approximately 60,000 jobs in Pakistan and has led to "better quality of life, employment opportunities and poverty reduction" (Jacob, 2017; Saad et al., 2019). Similarly, in Kenya, the SGR has increased household income, opened up travel opportunities, and created 72,000 jobs Zhu et al., 2022. In contrast, the Hambantota port created just 900 out of 83,000 jobs promised, and as for the Bar Boljare Highway, 70% of all workers were Chinese, thus producing no benefits to local Montegrins (Wignaraja et al., 2020; Barkin & Vasovic, 2018).

1.3 Debt Sustainability

All countries appear to be burdened by rapid increases in external debt levels. Ranked from least threatening to most threatening, the debt situations for the four countries are as follows: Kenya, Pakistan, Montenegro, and Pakistan.

2.1 Internal Power

The BRI does not affect internal power in Pakistan and Montenegro, but does very much so in Kenya and Sri Lanka. Presidential candidates in Kenya identify themselves as Sino-Kenya relation supporters or opponents, and use this narrative as a big part of their political campaign. Therefore, how involved a candidate wants to be with China becomes a central part of the election and an area in which citizens pay attention to. In Sri Lanka, the BRI's influence is much more dramatic: China paid millions of dollars to bolster Mahinda Rajapaksa, who was in full support of tilting away India's power over South Asia.

2.2 International Relations

The BRI has strengthened relations between China and all four countries. However, in the case of Pakistan and Kenya, involvement in the BRI has been disapproved of by the U.S.. Other countries have also expressed discouragement for certain BRI projects, such as India for the CPEC and EU for the Bar-Boljare Highway.

CONCLUSION

Overall, the BRI's implementation in Pakistan and Kenya proved valuable especially on economic and socioeconomic fronts. Sri Lanka's failure to independently maintain the Hambantota port is arguably due to the lack of strategy involved in its creation. With the Colombo port already thriving as a result of its favorable location in the Indian Ocean, expansions in this already existing port would have proved more beneficial than the construction of an entirely new facility by taking on large amounts of debt. Similarly, regarding the Montenegrin case, building a motorway in the center of the terraneous country, where very little cars pass through on a daily basis, was perhaps not very tactical considering that the country (which has a mere population of approximately 620,000) would have to take on a $1 billion debt in order to do so. However, only time and further research into the issue will tell whether the Bar Boljare highway will produce fruitful results in order to noy only solve Montenegro's debt crisis but significantly advance the economy. There are some weaknesses of this research, one strong one being that there was no evidence on how BRI projects have impacted unemployment specifically in each country, only how many jobs were created. Thus, this would be an area to look for in further discussions of the BRI. Furthermore, due to the short time frame between the Montenegrin highway being built and the creation of this research paper, there was a lack of ability to observe and understand the concrete effects of the Bar-Boljare Highway Project, especially involving criteria 1.1, 2.1, and 2.2. Some interesting areas of extended research could be 1) how China's manipulation of interest rates of BRI-related loans affects a participant country's ability to maintain projects, 2) the effects of COVID-19 on BRI projects undergoing construction, and 3) the ramifications of China's current control of the Hambantota port.

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