

Frequently Asked Questions: Belt and Road Initiative

What is the Belt and Road Initiative?

The Belt and Road Initiative (BRI) is an effort to improve regional cooperation and connectivity on a transcontinental scale. The initiative aims to strengthen infrastructure, trade, and investment links. China has presented the BRI as an open arrangement in which all countries are welcome to participate. However, an official list of participating countries does not yet exist. In the absence of an official list, this study focuses on 71 countries geographically located along the six overland corridors of the Silk Road Economic Belt and the 21st Century Maritime Silk Road (BRI corridors) as defined by China. They account collectively for over 30 percent of global GDP and 60 percent of population.

What is the goal of the WBG's BRI study?

The goal of this study is to gather data that enables policymakers in more than 70 countries along these corridors to make evidence-based assessments of how to maximize the benefits and manage the risks of participating in BRI.

- It provides evidence on how Belt and Road corridor economies could benefit from greater transport connectivity.
- It assesses the priorities and sequencing for policy reforms that could maximize the benefits of infrastructure investments
- It identifies the main risks and ways to manage them.

What is the main message of the WBG's BRI study?

The analysis shows that Belt and Road transport corridors could substantially improve trade, foreign investment, and living conditions for citizens in participating countries—but only if China and corridor economies adopt deeper policy reforms that increase transparency, expand trade, improve debt sustainability, and mitigate environmental, social, and corruption risks.

Is there a need for cooperation on common transport infrastructure?

Chapter 1 answers this question. Countries that lie along the Belt and Road corridors are ill-served by existing infrastructure—and by a variety of policy gaps. As a result, they undertrade by 30 percent and fall short of their potential FDI by 70 percent. BRI transport corridors will help in two critical ways—lowering travel times and increasing trade and investment.

What are the economic effects of BRI transport corridors?

Chapter 2 answers this question. If fully implemented, BRI transport infrastructure can reduce travel times for economies along transport corridors by up to 12 percent, reducing trade costs. They are estimated to increase trade by between 2.8 and 9.7 percent for corridor economies and between 1.7 and 6.2 percent for the world. Increased trade is expected to increase global real income by 0.7 to 2.9 percent, lifting 7.6 million people from extreme poverty (less than PPP\$1.90 a day) and 32 million people from moderate poverty (less than PPP\$3.20 a day).

How can countries leverage reform to gain from BRI?



Chapter 3 answers this question. Complementary policy reforms are essential for countries to unlock BRI benefits. Real incomes for BRI economies could be two to four times larger if trade facilitation is improved and trade restrictions are reduced. Doing business and investment reforms can ensure larger private sector participation as a result of BRI projects. Stronger labor mobility and adjustment policies would ensure that gains are more equally shared.

What are the risks from BRI and how can they be managed?

Chapter 4 answers this question. Building infrastructure is inherently risky—developing countries might not be able to service BRI-related debt, they might be left with stranded infrastructure, and local communities and the environment could be harmed. For example, an analysis that looks at all BRI debt (not just transport-related) shows that 12 of 43 low- and middle-income countries for which detailed data are available would experience a deterioration in their medium-term outlook for debt sustainability.

Mitigating these risks will require improvements in data reporting and transparency—especially around debt. It will require open government procurement and adherence to high social and environmental standards. In April 2019, at the second BRI Forum, an open and fruitful discussion began on how to mitigate the risks. Achieving the ambitions of the Belt and Road Initiative will require equally ambitious reforms from participating countries, including China.

What is the World Bank's role in the BRI?

The World Bank has, together with other multilateral development banks, signed a memorandum of understanding with China on the BRI. The MoU formalizes the World Bank's commitment to provide technical advice to ensure that the BRI can maximize potential benefits for participating countries. The World Bank can play an important role in providing clear, objective analysis of the opportunities and the risks of participating in BRI projects.

Why is the World Bank studying the economic impact of the BRI?

The discussions of BRI have largely taken place in the absence of data and evidence. The goal of the BRI report is to gather data and provide evidence to help policymakers in developing countries make informed decisions about how to maximize the gains and minimize the risks related to BRI transportation projects.

Are the World Bank's BRI studies independent?

The report is independent, representing the views of the WBG and its staff only. Background papers are prepared by WBG specialists (in few cases, in collaboration with external experts chosen by the WBG) and are subject to the standard review process for publication.

How are the BRI studies financed?

The BRI studies have been financed through the Bank's ordinary capital budget to support economic development research.

Is the World Bank financing BRI projects?



No, it is not. But many countries along the BRI corridors are clients of the World Bank Group.

Does the World Bank typically study bilateral donor initiatives?

The World Bank has played an active role in helping to shape bilateral development assistance for many decades. World Bank support and analysis has informed processes that have improved bilateral development assistance such as Aid for Trade, the International Aid Transparency Initiative, and the Paris Declaration on Aid Effectiveness. The Bank evaluates what works and what doesn't as it pertains to development assistance and helps shareholders in applying best practices in development assistance.

Providing informed analysis for client countries along the BRI corridors constitutes is important to the cause of global development and poverty reduction because of the size and breadth of the initiative—more than 70 countries are participating.