

CHINA SUGGESTS SHIFT IN BRI APPROACH AMID DEBT CONCERNS

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China has hinted at a shift in how it will pursue its signature Belt and Road Initiative (BRI) amid growing concerns about debt repayments from many partner countries because of the COVID-19 pandemic.

“We will focus on quality in the joint pursuit of the BRI”, said the annual government work report delivered on Friday by China’s Premier Li Keqiang at the start of the National People’s Congress (NPC), or Parliament.

Since 2019, the BRI has had a dedicated sub-section in the NPC report, which is China’s most important policy document. The BRI was written into the Communist Party of China’s Constitution in 2017, underlining its special status.

The report in 2019 did not mention “quality”, merely saying China “will promote the joint pursuit of the BRI”. It also mentioned then China would seek to advance infrastructure connectivity, which was omitted this year.

The NPC report is usually carefully assessed to garner changes in emphasis in Chinese policymaking. The report this year said China would focus on “achieving shared growth through consultation and collaboration” and would “work with BRI partners for mutually beneficial outcomes”.

In recent weeks, China has faced calls from countries in Asia and Africa to delay or waive debt repayments. Song Wei, deputy director at the Ministry of Commerce’s Chinese Academy of International Trade and Economic Cooperation, acknowledged last month that China was weighing how to respond to such calls.

“What China could do to help is bring projects funded by loans back to life and realise sustainable profits, instead of measures as simple as offering write-offs,” he said in an article in the Communist Party-run *Global Times*. “As always, China is open to talk with debtors on the basis of equality and mutual benefit.”

Financial assistance

Mr. Song noted that China’s financial assistance included grants, interest-free loans and preferential loans. “Interest-free loans which are offered by the Chinese government are applicable for debt relief,” he said. “The preferential loans are not applicable for debt relief and are more complex with regards to any difficult debt problems.

Simply waiving debtors’ obligations as some countries or organizations have called for is not going to be effective as a solution. If any debtors encounter difficulties to pay on time, there may be tailored plans including rescheduling or China increasing funding to help related projects resume operation and return profits.”

He suggested repayments could be solved “by multiple financial or other approaches, such as China adding grants to help bring projects back to life, conducting debt-to-equity swaps, or hiring Chinese firms to assist operation”.

According to AidData, a research lab at the College of William & Mary, China's grants and loans totalled \$354.4 billion between 2000 and 2014, of which 23% was grants while the rest were commercial loans at market or close-to-market rates.

The world's debt to China grew 10 times between 2000 and 2017, with developing countries owing \$380 billion to China, the Kiel Institute for the World Economy in Germany said in a report last year.

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