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Navigating Strategic Shifts in the Belt and Road Initiative (BRI): Lessons from Bangladesh, Djibouti and Sri Lanka Over the Past Decade

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Abstract: *This paper examines BRI 2.0-China's strategic responses to challenges encountered by the Belt and Road Initiative (BRI) partner countries over the past decade, focusing on the cases of Djibouti, Bangladesh and Sri Lanka. It assesses the benefits and drawbacks of BRI investments in these countries and analyzes how China has addressed evolving circumstances within each country. The paper explores the measures China has adopted to respond to these ongoing challenges, considering both the adjustments made and the strategic outcomes of the BRI.*

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Navigating Strategic Shifts in the Belt and Road Initiative (BRI): Lessons from Bangladesh, Djibouti and Sri Lanka Over the Past Decade

Madhuka Rukmalgama*

Contents

List of Abbreviations

AUKUS - Australia, United Kingdom, United States security pact

BRI - Belt and Road Initiative

CDB - China Development Bank

CIPE - Center for International Private Enterprise

CPC - Communist Party of China

COT - Comparability of Treatment

DSR - Digital Silk Road

EFF - Extended Fund Facility

EIA - Environmental Impact Assessment

EU - European Union

ESMS - Environmental and Social Risk Management

FOCAC - Forum on China-Africa Cooperation

GCI - Global Civilization Initiative

GDI - Global Development Initiative

GIP - Green Investment Principles

GSI - Global Security Initiative

IMF - International Monetary Fund

MoU - Memorandum of Understanding

MOFCOM - Ministry of Commerce

NBR - National Bureau of Asian Research

NPP - National People's Power

OCC - Official Creditor Committee

PGI - Partnership for Global Infrastructure

PBC - Preferential Buyer’s Credit

SCO - Shanghai Cooperation Organization

Sinopec - China Petroleum and Chemical Corporation

SLPP - Sri Lanka Podujana Peramuna

USIP - United States Institute of Peace

WHO - World Health Organization

1. Introduction

The Belt and Road Initiative (BRI) initiated in 2013, represented the largest infrastructure investment plan launched by a single country, with China committing over $1 trillion to finance developing nations. Since then, China's foreign policy has advanced significantly, reshaping global economic dynamics through expanded trade agreements, large-scale infrastructure projects and strengthened diplomatic ties (Rolland, 2019). This was to serve as a pivotal force in reshaping the geopolitical landscape, aligning global infrastructure and economic networks with China's strategic interests and vision for an alternative international order.

BRI with the theme of "Let's connect and grow together", has emerged as a pivotal component of its foreign policy and economic strategy, designed to enhance connectivity and strengthen development across participating countries. One of the main goals of BRI is to improve both land-based and maritime trade routes, which will facilitate improved connections between Asia, Africa and Europe (Yuan, 2020). The BRI supports China's economic expansion by securing new markets for its goods, services and investments, thereby fostering economic growth and diversification. Additionally, it extends China's geopolitical influence by strengthening diplomatic ties through financing and constructing infrastructure projects in various countries.

However, as it expanded across multiple countries, controversial projects emerged, drawing increased international scrutiny. Criticism intensified around China's practices and the perceived negative impact of these initiatives on host countries. In early 2017, Brahma Chellaney, a professor of strategic studies at the Centre for Policy Research in New Delhi, described BRI as "a strategy to ensnare strategically located developing countries in a 'debt trap' that leaves them vulnerable to China's influence." Echoing this critique, US Secretary of State Rex Tillerson characterized China's model of financing infrastructure projects as 'predatory economics,' leading to 'financing default and conversion of debt into equity' (Rolland, 2019).

While the Chinese government was to push back on such adverse comments from time to time, the number of countries that have joined the BRI by signing a Memorandum of Understanding (MoU) with China were to increase. According to the latest data of the Green Finance & Development Center, in February 2025, the number of countries that have joined the BRI by signing a Memorandum of Understanding (MoU) with China and have not exited the BRI is 149 (Nedopil, 2025). For some countries that are listed as having signed a MoU for the BRI, the availability of independent information is limited and partly contradictory. Some countries have not published a confirmation of signing a full MoU for bilateral cooperation under the BRI or denied it. Some countries' MoUs have potentially also expired due to their initial duration of 5 years. Some of these countries are listed as "unclear" in the following map of countries of the BRI. However, due to uncertainties on MoU, it can be said that 145 to 149 countries (including China) are members of the BRI. (Figure: 1 shows the current countries of the BRI).

Current countries of the BRI

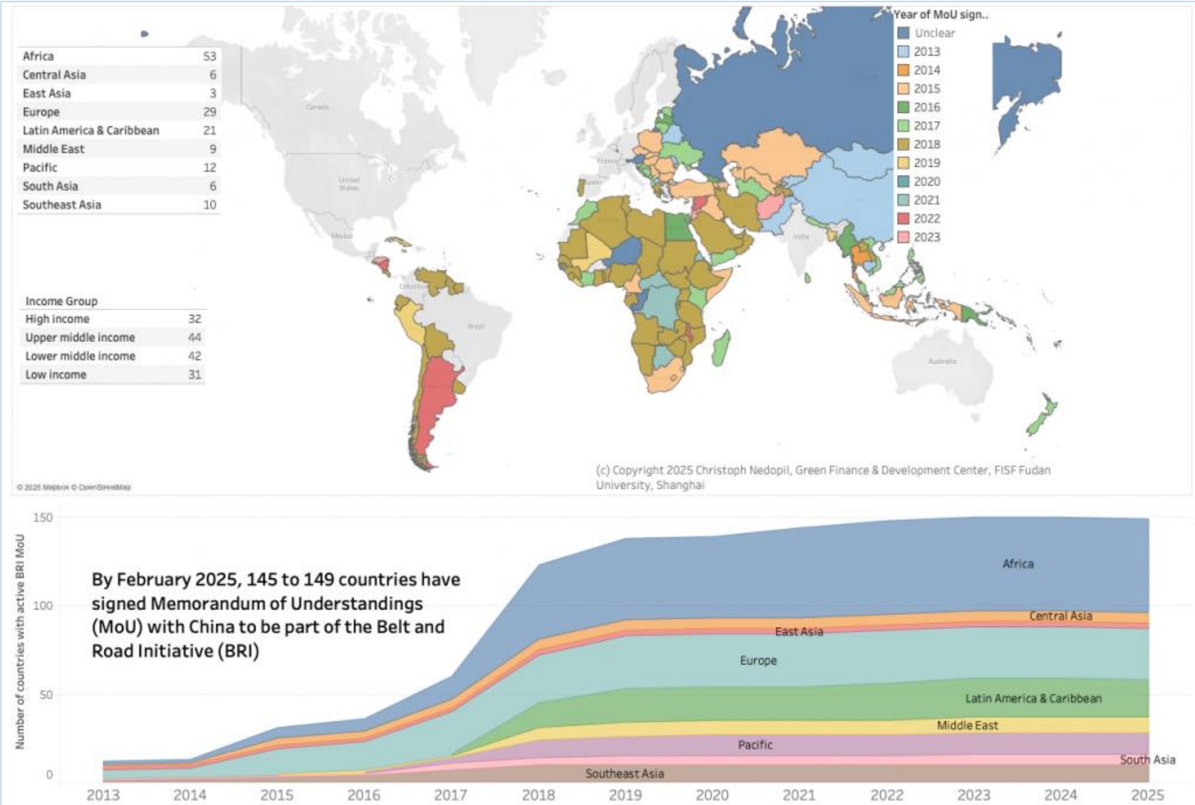

Figure: 1

Source: *Nedopil, Christoph, "Countries of the Belt and Road Initiative"; Shanghai, Green Finance & Development Center, FISF Fudan University,* www.greenfdc.org*, 2025*

2. BRI Review

Over the past decade, Beijing has hosted three Belt and Road Forums (BRFs), serving as key platforms for international cooperation under the BRI. The first BRF was held on 14 and 15 May in 2017 in Beijing, It was attended by heads of states of 29 governments, representatives from 130 countries including representatives of more than 70 international organizations, positioning China as a central actor in economic diplomacy. The forum functioned as a venue for discussions on economic collaboration and infrastructure development (Brînză, 2023).

The second BRF, convened in Beijing from 25-27 April 2019, under the theme 'Working Together to Deliver a Brighter Future for Belt and Road Cooperation,' saw participation from 36 heads of state and government, along with 5,000 representatives from various countries and 90 members of international organizations (Singh, 2019). Unlike the optimism of 2017, this forum acknowledged widespread criticisms of the BRI and pledged significant reforms, marking the emergence of what many termed BRI 2.0. President Xi Jinping emphasized a commitment to 'multilateralize' the BRI by strengthening partnerships with multilateral development banks and adopting international best practices for project development, procurement and tendering (Rana & Ji, 2019).

On 17-18, October, 2023 China hosted the 3rd Forum of BRI in Beijing to mark the 10th anniversary of the BRI. Representatives attended from all over 130 plus countries, with 20 heads of government participating in the event. It provided a platform for China to explain its own take on the BRI, announce modification to its model and make projections on the future of the project (British Council, 2023).

The 9th Forum on China-Africa Cooperation (FOCAC), held in Beijing in September 2024, revealed both continuity and change in China's relationship with Africa. Despite being less extravagant than the 2018 summit, it attracted 51 African heads of state, highlighting China's enduring appeal. The summit exposed tensions between China's geopolitical ambitions and the evolving perspectives of a diverse African continent. FOCAC also emphasized China's growing competition with the West for influence in Africa, with China expanding scholarships and training programs that promote its governance model. This positioned China as an alternative to Western development models, offering investment without stringent conditions, while African leaders, were strategically navigating relationships with multiple global powers, including China and the West, seeking to maximize their own benefits without being forced into a geopolitical rivalry (Mitter, Sevastopulo, & Yu, 2024).

Today, twelve years after the BRI's inception, the context has further shifted, prompting China to adapt its approach to address emerging challenges and ensure the long-term sustainability of its global ambitions. This shift underscores the need to examine how China has tackled these issues over the past year through new BRI initiatives and whether these efforts have proven effective.

3. Rational for the case studies: Djibouti, Bangladesh & Sri Lanka

The BRI has been characterized by both cases of success and failure. Each of these outcomes has had impact, not only on member countries, but also on China as the lending country. The selection of Djibouti, Bangladesh and Sri Lanka as case studies is designed to examine China's strategic responses to diverse challenges faced by BRI countries after a decade of the initiative. Particularly, the focus on two distinct regions, Asia and Africa highlights China's objectives and its approach to navigating regional dynamics and international concerns. These states were chosen for their unique yet comparable geopolitical significance, economic developments and socio-political challenges, offering valuable insights on the broader impact to the future of the BRI. By analyzing the measures China has undertaken to adapt and respond to these challenges over more than a decade, the study highlights the strategic shifts and adjustments that have shaped the BRI's trajectory in these regions.

Djibouti

Figure: 2
Source: *Global Village Space (GVS)*
https://www.globalvillagespace.com/strategic-importance-of-djibouti/

Djibouti's location at the intersection of the Red Sea and the Gulf of Aden positions it as a vital maritime chokepoint, essential for securing global shipping lanes and enhancing regional connectivity (Figure: 2). Djibouti exemplifies how small states leverage strategic partnerships with major powers, as seen in its hosting of China's first overseas military base, as a key node for safeguarding Chinese investments and trade routes. The infrastructure projects funded by China, such as the Addis Ababa-Djibouti railway and the Djibouti Free Trade Zone, highlight the potential economic benefits of BRI investments. At the same time it also exposes the risks of debt dependency and socio-political vulnerabilities.

Bangladesh

Figure: 3
Source: *worldatlas.com*
https://www.worldatlas.com/maps/bangladesh

Bangladesh's strategic location, connecting South and South-east Asia, is crucial for China's BRI ambitions (Figure: 3) and provides an example of a developing economy significantly dominated by Chinese investments. Chinese funded projects in the country have been central to improving trade capacity and facilitating the movement of goods and energy resources which also have been growing rapidly. Despite the economic advancements, political instability has emerged following the overthrow of Prime Minister Sheikh Hasina in August 2024, following by a student-led revolution. This has raised concerns about the continuity of Chinese investments, as shifts in governance can affect the stability of ongoing projects. While, Bangladesh continues to be one of the fastest-growing economies in South Asia, with significant infrastructure and industrial advancements, the recent political crisis presents challenges to the sustainability of this growth.

Sri Lanka

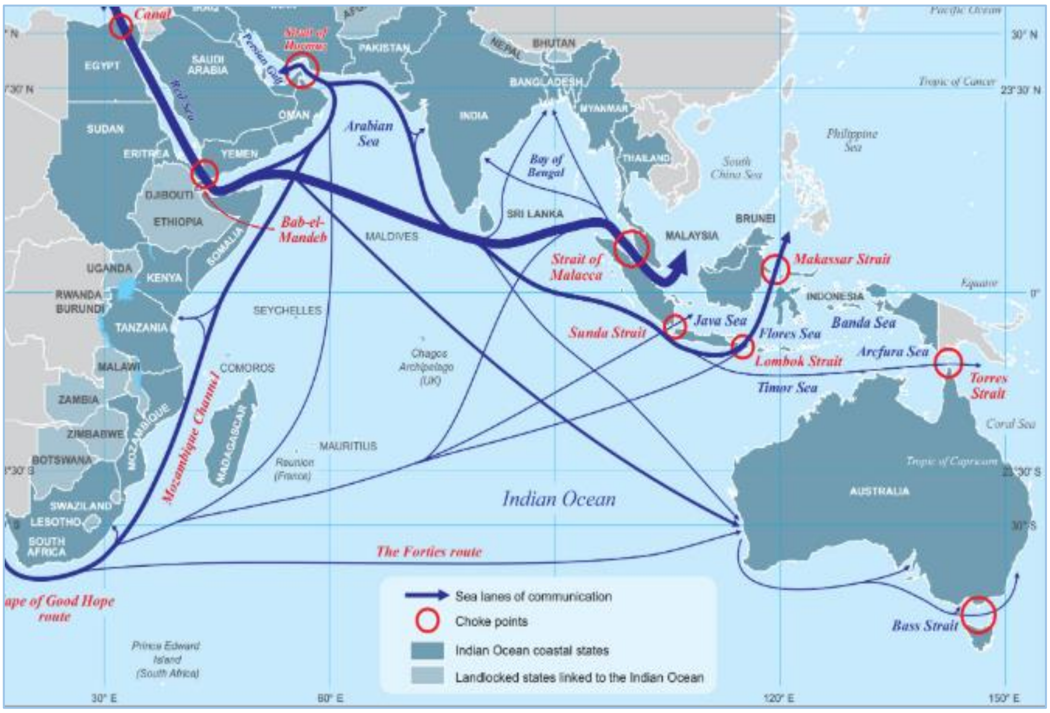

Figure: 5

Source: *Abeysinghe, A. (2021, May 17). Strategic geopolitical significance of Sri Lanka in the Indian Ocean region.*

https://www.linkedin.com/pulse/strategic-geopolitical-significance-sri-lanka-indian-ocean/

Sri Lanka, located in the Indian Ocean, is a vital maritime route for global trade which is central to China's ambitions for regional connectivity under the Maritime Silk Road (Figure: 5). China's investments in projects in Sri Lanka not only enhance its infrastructure but also facilitate trade and improve access to key global markets, positioning Sri Lanka as a key player in the BRI's vision of global connectivity. Despite Sri Lanka's economic growth, the country has faced economic challenges, including rising debt levels, particularly due to unproductive use of Chinese loans, leading to concerns over its fiscal sustainability and sovereignty. The political instability exacerbated by the economic crisis of 2022 saw mass protests against the government. This unrest served as a catalyst in the rise of the current National People's Power (NPP) government, which came to power partly because of the economic difficulties, including the unsustainable debt levels, poor governance, corruption and mismanagement of reforms by the previous administrations. Despite the political upheaval, the country continues to hold significant potential as a BRI partner due to its location at the crossroads of global trade routes. However, the evolving geo-political landscape continues to pose challenges to China's ability to navigate the political instability and to safeguard its strategic and economic interests in Sri Lanka.

4. BRI 2.0: China's recognition of issues, reassessment and response

Since its inception in 2013, the BRI has evolved into one of the worlds most ambitious and debated development initiatives. The BRI continues to gain traction despite setbacks like Italy's decision to exit the initiative in 2023 and Panama in February 2025. Most of Asia, Africa and significant parts of Latin America remain committed to the BRI, focusing on its key pillars of investment, trade, infrastructure, policy coordination and cultural exchange. With the BRI 2.0, China has addressed key issues such as debt stress, economic insecurity, problems with large scale projects, corruption and political instability and environmental and social concerns.

At the third Belt and Road Forum for International Cooperation on 17 and 18 of October, 2023, in Beijing, President Xi Jinping unveiled eight major steps which are; build a multidimensional Belt and Road, support an open world economy, carry out practical cooperation for the BRI, promote green development, advance scientific and technological innovation, support people-to-people exchanges, promote integrity-based Belt and Road cooperation, strengthen institutional building for international Belt and Road cooperation (Xinhua, 2023).

These steps are to promote high-quality Belt and Road cooperation, with a significant focus on combating corruption and enhancing transparency. Two documents, 'Achievements and Prospects of Belt and Road Integrity Building' and 'High-Level Principles on Belt and Road Integrity Building,' were introduced, alongside an integrity evaluation system for BRI-participating firms. This system, rooted in global best practices, aims to ensure compliance, mitigate corruption risks, and foster a transparent business environment. The forum also highlighted new cooperative initiatives for cross-border enforcement and integrity research with international organizations, solidifying China's commitment to "integrity-based" BRI partnerships (Kwok, 2024).

As China celebrated the 10-year anniversary of the BRI as a significant milestone, lending under BRI had decreased since 2017, with the value of new projects stagnating and deal sizes shrinking. Christoph Nedopil Wang[1], who has analysed the BRI's evolution in a joint working paper by Griffith University and Fudan University titled 'Ten Years of China's Belt and Road Initiative (BRI): Evolution and the Road Ahead,' notes that "One aspect of particular interest is how China's investment strategy within the BRI has transformed over the past decade, and the implications this holds for the near future. The decreasing deal size is a result of sovereign debt issues in many of the BRI countries that became increasingly evident already before the COVID crisis and were exacerbated by the COVID crisis as explained by Wang in his article. While in the earlier part of the BRI, average deal size was more than USD 500 million, this number dropped continuously to below USD 400 million in 2022 (Figure: 5). As data published in January 2023 by Boston University shows, China's overseas development finance (i.e., policy bank lending) shrunk from about USD 90 billion in 2016 to about USD 5 billion in 2021

[1] Dr. Christoph Nedpoi Wang is the Founding Director of the Green Finance & Development Center and a Visiting Professor at the Fanhai International School of Finance (FISF) at Fudan University in Shanghai, China. He is also the Director of the Griffith Asia Institute and a Professor at Griffith University. Christoph is a member of the Belt and Road Initiative Green Coalition (BRIGC) of the Chinese Ministry of Ecology and Environment.

(Nedopil Wang, 2023). The figures below show how the deal size of the Chinese construction engagements and investment in the BRI has decreased from 2013 to 2023.

Deal size of Chinese engagement in the BRI 2013-2023

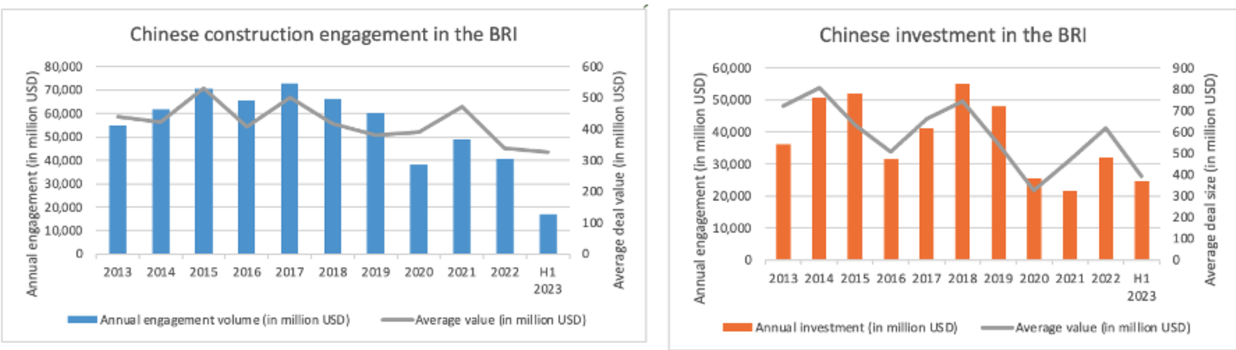

Figure: 5
Source: Green Finance and Development Center

Five dominant trends are evident: such as, the greening of the BRI, a shift from grandiose projects to smaller, mounting concerns regarding debt sustainability, an increasing presence of private enterprises, and varied international responses (Nedopil Wang, 2023).

While Wang's analysis offers a valuable foundation for understanding the broader evolution of the BRI, this study takes a slightly distinct direction. It incorporates select aspects of his findings particularly those that resonate with recurring challenges in partner countries while placing emphasis on more context-specific issues. The following section will examine China's strategic responses to these issues, offering a focused perspective that complements existing literature while contributing new insights.

4.1 Overcoming concerns regarding debt sustainability

The data based on IMF Article IV consultation reports highlights the varying levels of debt exposure among Djibouti, Bangladesh and Sri Lanka, particularly in relation to Chinese lending. These figures can be used to provide insights into each country's public debt and the role of Chinese financing within their broader debt portfolios. Based on IMF reports, as of 2022[2], Djibouti's total public debt stood at $2,453 million, all of which is classified as external debt. Notably, 54.3% of this debt was owed to China. In Bangladesh, the total public debt reached $166,655 million in 2023, with external debt accounting for $74,007 million. Chinese loans make up 7.2% of Bangladesh's external debt. Meanwhile, Sri Lanka's public debt was recorded at $98,666 million in 2023, with external debt totalling $43,323 million, of which 17.5% is attributed to Chinese lending[3] (International Monetary Fund, 2024). While Djibouti

[2] The latest data by IMF available for Djibouti was 2022, given the country's reporting delays as the IMF Article IV consultation report shows.
[3] Author's compilation based on various country specific IMF Article IV Consultation Reports.

shows a high reliance on Chinese debt with over half of its external public debt tied to Chinese financing, in contrast, Bangladesh's percentage is significantly lower. This data serves as a foundation for understanding the financial challenges faced by these countries in the context of the BRI and sets the stage for examining China's strategic responses to these challenges.

With the challenges faced in the past decade, China aimed to shift its initiatives in a responsive manner enhancing collaboration with partner countries to ensure the long-term viability and mutual benefits of the BRI. Caroline Freund, the World Bank's Director for Macroeconomics, Trade and Investment, has explained, "BRI's success depends on the implementation of policy measures in three broad categories: transparency, country-specific gaps and multilateral cooperation (Rebello, 2019). This emphasises the need of working together, for countries to benefit fully from the BRI.

The Chinese government has provided debt relief to the countries suffering from debt distress, on a case-by-case manner. Beijing has shifted from policy banks like the China Development Bank (CDB) to state-owned commercial banks for financing. According to the report in 2023, AidData, a research group based at William and Mary's Global Research Institute, from 2000 to 2021, Chinese institutions lent $1.34 trillion to 165 low- and middle-income countries. Rising global interest rates have increased debt repayments for these nations. A November report in 2023 by AidData highlighted that China has increasingly provided short-term, emergency rescue loans, with their share rising from 5% in 2013 to 58% in 2021 (Goodman et al., 2024). Beijing has begun 'paying itself' by withdrawing dollars and euros from cash collateral accounts, and requiring financially distressed borrowers to replenish these accounts in exchange for easing of repayment terms. Despite a more cautious approach to BRI lending, China's outward direct investment has grown, aiming to mitigate the risk of a 'debt trap' for both China and its borrowing partners (Goodman et al., 2024). According to Professor Toshiro Nishizawa of the University of Tokyo, "such a trend is considered desirable to reduce the risk of a double-edged debt trap that both China and BRI debtors can equally suffer. There are no winners in a debt trap situation, as the debtor, trapped with unsustainable debt, leaves its creditor with lost claims," (Zhou, 2024).

Dealing with the debt issue is crucial to China for providing BRI countries with the necessary fiscal space for future investments. As Dr. Wang explains, while debt-for-resource or debt-for-equity swaps might seem beneficial for China in the short-term to reduce the debt burden in the BRI countries, these swaps tend to undermine future domestic growth opportunities for BRI countries. Rather, Chinese relevant stakeholders together with international partners through multilateral frameworks should support green recovery by swapping part of the debt for nature and providing necessary frameworks to increase transparency and accountability of the use of funds (Nedopil Wang, 2022). Furthermore, sustainable debt instruments could be applied to raise more funds through bonds such as nature performance bonds.

China has also announced new projects under the BRI, further integrating African economies into Chinese supply chains and strengthening its long-term presence. The Forum on China-Africa Cooperation (FOCAC) in 2024 emphasized China's growing competition with the West for influence in Africa, with China expanding scholarships and training programs that promote its governance model (Ministry of Foreign Affairs of the People's Republic of China, 2024).

This highlights China's distinct approach to development, providing investment with minimal conditions. African leaders are strategically navigating relationships with multiple global powers, including China and the West, seeking to maximize their own benefits without being forced into a geopolitical rivalry. Collaboration between Chinese and Western companies is already evident in projects like Guinea's Simandou iron ore mine and Angola's Lobito Corridor As new players like Indonesia also seek to strengthen ties with Africa, the continent is diversifying its global partnerships, and both China and the West must balance competition with cooperation to effectively engage with Africa's rising influence (Mitter, Sevastopulo, & Yu, 2024).

China's financial hold on **Djibouti** raises concerns about a potential 'debt trap' that could lead to asset forfeiture, similar to Sri Lanka's Hambantota Port scenario, where a debt-for-equity swap in 2017 resulted in China taking control after Sri Lanka was unable to pay. Without valuable natural resources to offer in exchange for debt forgiveness, Djibouti's strategic Red Sea location could make it critical for China to avoid a full default, pushing for possible renegotiation or extended repayment terms instead. According to Chatham House, while Djibouti faces debt distress, some analysts argue that it is actually China that is in a 'debt trap,' as heavy lending commitments have led to complex negotiations with assertive partner countries across Africa (Vines, Butler, & Yu, 2022). This perspective emerges from the reality that, in cases like Djibouti where there are no significant natural resources to seize as collateral, China risks not recovering its loans. Without the ability to enforce debt-for-equity swaps or secure valuable assets, China may be compelled to renegotiate terms or extend repayment periods to avoid a full default. This undermines the financial sustainability of its aggressive lending model, as unpaid debts from multiple partner countries could destabilize its broader lending strategy. As a result, China may find itself trapped in a cycle of lending without guaranteed returns, calling into question the effectiveness of its approach to financing development across Africa (Vines, Butler, & Yu, 2022).

Addressing these concerns under BRI 2.0, China has focused on adjusting terms of Djibouti's negotiations to alleviate some of its debt burden. Concessional financing and moratoriums on payments, as seen in recent discussions with the EXIM bank of China, are part of China's modified lending approach under BRI 2.0. These measures are designed to provide Djibouti with a temporary financial reprieve, enabling the government to stabilize economically while sustaining key infrastructure projects essential to its strategic location on the Red Sea. In 2023, Djibouti took steps to restructure its substantial debt to China, particularly focusing on loans from the EXIM Bank for large infrastructure projects such as rail and water supply initiatives. Facing a high debt-to-GDP ratio, which reached approximately 69% by the end of 2023, Djibouti secured a four-year moratorium on payments, allowing the country to pay only 20% of its debt service obligations during this period. These measures offer immediate fiscal relief and aligns with Djibouti's ongoing effort to stabilize its public finances amidst inflationary pressures and external economic challenges, such as conflicts in Ethiopia that affect regional trade (Africa Defense Forum, 2023).

Bangladesh has relatively moderate debt exposure to BRI projects compared to some other countries. While there are concerns about debt sustainability in Bangladesh, they are not as severe as in countries like Sri Lanka or Djibouti. Therefore, it can be said that Bangladesh has been a cautious borrower and a success economy under the BRI infrastructure development. Though Bangladesh has approached BRI investments with greater caution, nevertheless Bangladesh faces considerable challenges regarding debt sustainability in connection to BRI projects. Concerns have arisen due to a substantial increase in debt-servicing costs and a reliance on non-concessional financing. Bangladesh's foreign debt reached over $100 billion by 2023, with a considerable portion dedicated to infrastructure and energy projects under the BRI (Press Xpress, 2024). As the grace periods for many of these loans have ended, Bangladesh is now required to begin principal repayments, adding pressure on its fiscal health.

In 2025, Bangladesh's economic relations with China regarding debts and loans saw efforts toward better terms. In January, a 21-member delegation, including Adviser for Foreign Affairs Touhid Hossain, visited China for 10 days (Indian Express, 2025). Amid ongoing political shifts and socio-economic challenges, the delegation emphasized that maintaining stable cooperation with China, particularly under the BRI, would support the country's economic growth. During the visit, Chinese Foreign Minister Wang Yi agreed in principle to extend the loan repayment period and consider reducing interest rates, praising Bangladesh's strong repayment record. In response to Hossain's request, he assured that China would review the possibility of lowering interest rates from 2-3% to 1%, waiving the commitment fee, and extending the repayment period from 20 to 30 years for both the Preferential Buyer's Credit (PBC) loan and Government Concessional Loan (GCL) to ease Bangladesh's financial burden and ensure the sustainability of its BRI projects (The Indian Express, 2025).

Despite these challenges, Bangladesh's economic resilience and careful management of BRI investments have helped the country avoid the kind of economic crises that have affected Sri Lanka and Djibouti. Bangladesh has ensured that its BRI projects are strategically aligned with its development goals, such as Vision 2041 (Rural Development and Cooperatives Division, 2019). The Padma Bridge Rail Link and the Bangabandhu Tunnel, for example, are projects designed to enhance connectivity and drive long-term economic benefits. Additionally, by diversifying its funding sources and maintaining a broader industrial base, Bangladesh has been able to sustain economic growth even amid global economic pressures.

Overcoming the debt issues in **Sri Lanka** with regard to BRI is mainly based on the Exim Bank of China and the CDB. According to the Ministry of Finance, Sri Lanka reached the final discussion with final debt treatment agreements with the Official Creditor Committee and Exim Bank of China on the 26th of June 2024. Sri Lanka has successfully concluded the treatment of its debt with its major official bilateral creditors, including China (Ministry of Finance, 2024). While debt relief has been provided by different creditors in different methods, in the case of official creditors, such as the Official Creditor Committee (OCC) and Exim Bank of China, debt relief is typically provided not through a haircut on the principal value of the debt but through an extension of the payment and reduction of interest rates. The Ministry of Finance states that "this debt relief reduces the payment burden for the debtor country in the near term until the economy has recovered and its payment capacity has improved in the future. To quantify this, the OCC and Exim Bank of China restructuring agreements provide debt relief of up to 92% of their respective debt service falling due during the IMF programme period." (Ministry of Finance, 2024). As a result of this restructuring, through interest rate reductions, the impact on Sri Lanka's future budget deficits will be reduced, thereby avoiding additions to the debt stock. As for the next steps in Sri Lanka's debt restructuring process, domestic regulatory steps are being finalized to implement amended agreements with the EXIM Bank of China. While domestic debt restructuring and agreements with official creditors are complete, negotiations with commercial creditors continue. Once external commercial debt is restructured, the overall process will be concluded (Ministry of Finance, 2024).

In December 2024, Sri Lanka successfully completed the restructuring of its debt with the CDB and began repayments on the restructured debt, marking a key milestone in its debt sustainability efforts. The agreement in principle was reached in November 2024 and was assessed by IMF staff as consistent with debt sustainability, meeting the comparability of treatment (COT) standards set by the OCC (International Monetary Fund, 2024). This follows a series of technical exchanges, including meetings in Colombo in May 2023 and in Beijing in October 2023, aimed at reconciling debt sustainability analysis (DSA) models and advancing discussions with the CDB. In addition to the CDB agreement, Sri Lanka finalized a Eurobond exchange in December 2024, achieving a 98% participation rate, further stabilizing its external debt position (International Monetary Fund, 2025). With these restructuring efforts, Sri Lanka continues to align its fiscal policies with the IMF's Extended Fund Facility (EFF) program while working towards restoring economic stability.

In line with these restructuring efforts, President Anura Kumara Dissanayake's official visit to China from January 14 to 17 in 2025, marked an important step that is expected to support Sri Lanka's economic recovery and enhance future cooperation under the BRI framework. The countries signed 15 cooperation documents including agreements on economic and technological development and aligning China's BRI with Sri Lanka's 2030 digital economy blueprint (Lee, 2025). During this visit Sri Lanka signed an agreement between Sri Lanka's Ministry of Energy and China National Chemical Engineering and China Petroleum and Chemical (Sinopec), a leading Chinese international petroleum corporation (President's Media Division, 2025). Sri Lanka secured a $3.7 billion investment from Sinopec to build an oil refinery in Hambantota, which the report highlights as the largest single foreign direct investment in the country's history (Kirinde, 2025). Both countries also reaffirmed their commitment to ongoing BRI projects such as the Colombo Port City and Hambantota Port, while agreeing to finalize a BRI cooperation plan to deepen policy coordination and infrastructure collaboration (Kuruwita, 2025).

4.2 From grandiose to smaller projects for sustainable economies

Amidst accusations of creating debt traps, China has pledged to focus on 'small yet smart' BRI projects backed by loans based on market operations. Post covid-pandemic, China has redefined its approach to the BRI, shifting from large-scale infrastructure projects to more sustainable and digital initiatives. The emphasis is now on 'high-quality development,' which includes green investments, digital infrastructure and public health collaborations. This shift aims to address the criticisms of debt sustainability issues associated with the earlier phase of the BRI. As Dr. Wang emphasizes in his paper "Investors in BRI projects within China and outside China should focus on smaller projects that are easier to finance and faster to implement. Particularly in infrastructure and energy investments, scalable solar and wind investments seem viable, as long as local conditions provide the relevant grids to handle renewable energy supply. With decreasing energy cost for renewable energy, we also see an opportunity to invest in the early phase-out of existing older coal projects, which would be both economically and environmentally relevant" (Nedopil Wang, 2023).

In such context, the engagement of **Djibouti** with BRI has also seen a recalibration towards smaller, renewable energy-focused projects. These include solar energy installations designed to support Djibouti's energy independence and reduce fossil fuel reliance, aligning with the sustainable development goals of BRI 2.0. For example, efforts have been made to integrate renewable energy solutions, like the Ghoubet Wind Farm, which became operational in 2023. This project marks a significant shift toward diversifying the country's energy mix away from imported fossil fuels, enhancing energy security while aligning with Djibouti's Vision 2035 of achieving 100% renewable energy (Tan, 2024). In the light of Djibouti's debt situation, these projects are structured to avoid the high costs typical of large-scale BRI developments while still providing critical infrastructure to support economic growth and sustainability goals.

In **Bangladesh**, China has emphasized smaller, sustainable BRI projects that align with local needs, reflecting the BRI 2.0 shift towards manageable, context-sensitive investments. The Karnaphuli Tunnel, for example, enhances connectivity in the Dhaka-Chittagong corridor, reducing travel time and improving logistics for 34 million people in a way that directly supports regional economic integration without excessive financial strain (Press Xpress, 2023). Additionally, as Professor Mustafizur Rahman explained to the Barta24.com, the Padma Bridge Rail Link extends the impact of the Padma Bridge by providing essential multimodal connectivity across 21 districts, fostering regional economic growth in a sustainable manner and enhancing Bangladesh's internal infrastructure without demanding extensive additional funding (Rahman, 2023).

Recent shifts under BRI 2.0 reflect a cautious approach in **Sri Lanka**, where projects now emphasize smaller-scale sustainability. For example, in 2023, China supported the expansion of solar energy infrastructure in Sri Lanka, contributing to the country's target of achieving 70% renewable energy by 2030 (Tan, 2024). These smaller-scale green projects are designed to reduce dependency on fossil fuels and provide sustainable energy sources. This shift aims to reduce financial strain, marking a departure from previous, more ambitious projects like the Hambantota port, which faced criticism for its high debt risk. In 2023, China further committed to developing sustainable infrastructure, moving away from resource-intensive projects toward those with lower environmental footprints, enhancing local resilience and resource management (Senaratne, 2023).

4.3 Green BRI and addressing environmental concerns

The BRI has raised significant environmental concerns in South Asia, particularly in countries such as Bangladesh and Sri Lanka. Critics have highlighted that several projects in these countries have resulted in substantial adverse environmental and social impacts, often due to inadequate planning and the absence of thorough environmental or social impact evaluations. These concerns stem from various factors, including deficiencies in the policymaking and regulatory processes of partner countries, shortcomings in environmental assessment practices, and issues related to China's lending strategies.

Environmental Sustainability Ranking in South Asia, 2021

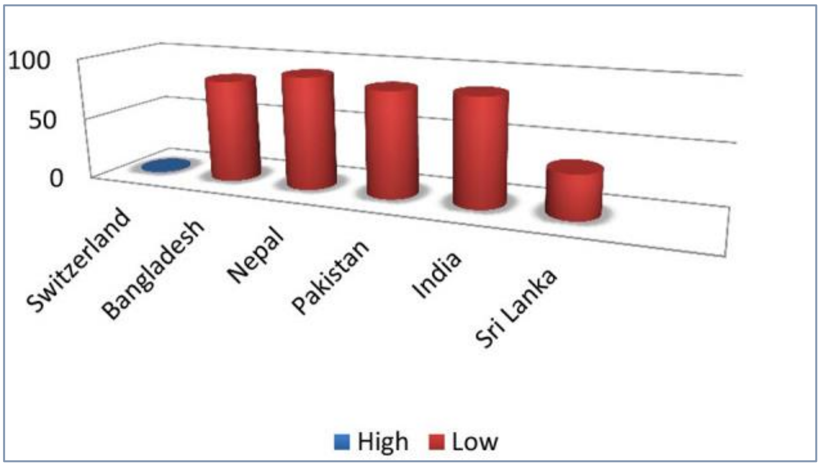

Figure: 4

Source: *Belt and Road Environmental Implications for South Asia. Frontiers in Public Health, 2022*

The chart shows (Figure: 4) South Asian Countries in the World Energy Council list ranking of 2021 are at 87 Bangladesh, 96 Nepal, 90 Pakistan, 75 India and 60 Sri Lanka. (World Energy Council, 2021). According to the WHO, 'The Triple Planetary Crisis', the framework adopted by the United Nations system describes the three intersecting aspects of the global environmental crises such as Climate change, air pollution and biodiversity loss. This has been identified as the most significant health threat of the 21st century by the WHO. (World Health Organization, 2023). Some of the BRI projects have faced significant criticism for neglecting commercial viability and overlooking potential environmental consequences such as deforestation, habitat destruction and water and air pollution.

The involvement of **Djibouti** in the BRI has brought significant infrastructure investments, especially in its ports and transport systems, positioning the country as a key strategic hub. However, the lack of strong governance and enforcement in environmental protection has allowed illicit activities, including wildlife trafficking and the illegal trade of natural resources, to persist alongside these developments. As Djibouti becomes more integrated into global trade routes through the BRI, its expanding infrastructure brings both economic benefits and unintended consequences. While BRI projects enhance connectivity and trade, they also inadvertently facilitate illicit activities, including the trafficking of fauna such as cheetah cubs and big cats, as well as the smuggling of natural resources like gold and gemstones. The Dewele border crossing, a key route linking Ethiopia to Djibouti and crucial for legitimate trade under BRI projects, has also become a hotspot for wildlife trafficking. Similarly, Djibouti's role as a transit hub for gold smuggling between Ethiopia and the Persian Gulf highlights how improved infrastructure under the BRI, while fostering economic growth, is also being exploited for illegal trade (ENACT, 2023).

Bangladesh is already ranked among the worst-affected countries globally in terms of air quality, sitting at the top of the list of the most polluted nations (Batra, 2024). BRI projects, especially in transportation and energy sectors, contribute further to this crisis by increasing emissions from coal-powered plants and other industrial activities. The country's power sector, which remains heavily reliant on non-renewable energy sources, is exacerbating the situation. One of the most concerning aspects is that new coal-fired plants under the BRI, combined with existing emissions from automobiles and industry, are significantly adding to Bangladesh's air pollution. The increased industrialization and urbanization also add stress to an already fragile environment. According to the research done in 2022 on the Belt and Road Environmental Implications for South Asia, "South Asia for environmental sustainability is at high risk because it emits numerous gases that affect air and water. The energy consumption of South Asian countries is not environmentally friendly and directly impacts climate change. Here, we showed a comparative environmental ranking of South Asian Countries" (Ali M, Faqir K, Haider B, Shahzad K and Nosheen N, 2022).

Sri Lanka, for example, although the Environmental Impact Assessment (EIA) of the Colombo Port City project indicated minimal impact from construction, concerns have been raised about the negative effects of sand mining for landfill and the disruption to marine ecosystems caused by land reclamation activities (Weerakoon & Wijayasiri, 2019 as cited in Sivaram, 2017). While the EIA of the Colombo Port City showed that there is negligible impact from the construction, some have raised concerns around negative impacts due to the mining required for landfill and for marine life due to the reclamation of land for the project (Weerakoon & Wijayasiri, 2019 as cited in Sivaram, 2017).

Research on the 'Evaluation of Post Impacts of the Second International Airport in Sri Lanka' by O.V. Peiris also found that the EIA did not adequately address wildlife behavior and that management plans were poorly implemented in the setting up of the airport in Mattala. The project failed to meet its objectives and faced several environmental issues within two years, including inadequate infrastructure, conflicts with wild elephants, bird strikes and wildlife attraction to water sources (Peiris, 2019). Sri Lanka has extensive environmental laws that cover a wide range of regulations and standards. The implementation of these laws has been criticized as inadequate. Professor Naazima Kamardeen has noted that while EIAs are a legal requirement for development projects, the Colombo Port City project commenced without comprehensive studies (Fernando, 2019).

Communities living near large-scale infrastructure projects, such as the The Mahinda Rajapaksa International Cricket Stadium, Magampura Mahinda Rajapaksa Port, Mattala

Rajapaksa International Airport, Hambantota International Conference Hall and the Mirijjawila Export Processing Zone, initially expected improvements in their quality of life. However, many have since expressed disappointment with the outcomes. Field research conducted in Sooriyawewa, Hambantota District, Southern Province, in August 2022, as part of the POS 41613 - Modern Political Ideologies course at the University of Ruhuna,[4] supervised by the author and other lecturers, revealed a significant gap between the promises of development and the actual results. This primary research, conducted by undergraduate students, documented various adverse social impacts of these projects. In particular, the findings highlighted insufficient job creation and damage to local ecosystems, both of which have intensified the socio-economic challenges faced by these communities

One of the significant aspects of BRI 2.0 is the focus on environmentally sustainable projects. China is investing in renewable energy projects, such as generating power through solar and wind power and promoting green technologies. This transition is part of China's broader commitment to global environmental sustainability and aims to align the BRI with international environmental standards. In July 2021, the Ministry of Commerce (MOFCOM), together with the Ministry of Ecology and Environment of China, issued Guidelines for Greening Overseas Investment and Cooperation and in January 2022, issued Guidelines for Ecological Environmental Protection of Foreign Investment Cooperation and Construction Projects. Within these Guideline, Chinese developers are encouraged to adhere to international or Chinese environmental standards, particularly in countries whose domestic environmental standards and governance does not meet international standards This is a formalization of a number of previous Guidances, including the 'Green Development Guidance for BRI Projects Baseline Study' and the 'Application Guide for Enterprises and Financial Institutions' backed by various relevant Chinese ministries published by the BRI Green Development Coalition (BRIGC) in December 2020 and October 2021 respectively. These guidelines call for Chinese overseas investors to apply independent environmental impact assessments (EIA) and strict environmental and social risk management (ESMS) to ensure projects and investments are minimizing environmental harm and maximizing environmental benefits. Also, the Green Investment Principles (GIP) integrate sustainability into corporate governance, requiring boards to understand environmental, social and governance risks, as well as to disclose environmental information (Nedopil Wang, 2024). By applying international standards, Chinese financial institutions can more easily raise capital in the global capital markets, accelerate co-financing with international partners and take responsibility to fulfil the goal of building a 'Green Belt and Road' (Freeman and Tugendhat, 2023).

In such context, Djibouti is advancing its renewable portfolio through projects like the Ghoubet Wind Farm, inaugurated in 2023, which strengthens its energy diversification and aligns with the Vision 2035 plan to achieve 100% renewable energy reliance. These initiatives, which incorporate green technology and nature-based solutions, demonstrate a concerted effort under

[4] This information is based on unpublished raw data collected by undergraduate students as part of the POS 41613 – Modern Political Ideologies course at the University of Ruhuna in August 2022, supervised by the author and other lecturers.

BRI 2.0 to foster environmentally sustainable development (United Nations Development Programme, 2024).

In Bangladesh, China-backed BRI projects are enhancing climate resilience, focusing on renewable energy infrastructure and sustainable water management. Bangladesh has also established a target to reduce carbon emissions by nearly 22% by 2030, and Chinese investments in solar power support this national objective.

Sri Lanka and Bangladesh are seeing an increase in renewable energy investments under this new green focus. In Sri Lanka, 2023 saw the continuation of solar projects aimed at reducing reliance on fossil fuels, while in Bangladesh, the BRI is helping to bolster climate resilience by focusing on water management and pollution control projects. These initiatives underscore BRI 2.0's emphasis on environmental responsibility, aiming to integrate green technologies that support sustainable development and align with the Paris Climate Agreement goals (Freeman and Tugendhat, 2023).

4.4 Digital Silk Road

The Digital Silk Road (DSR) represents China's strategic pivot to address global criticisms of the BRI, particularly concerning issues of debt dependency, geopolitical ambitions, and sustainability. Initially outlined in the 2015 Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road document, the DSR focuses on building cross-border optical cables, undersea communication networks, and satellite systems to enhance global connectivity (Patil & Gupta, 2024).

One key response to criticism has been the shift toward digital investments that foster economic interdependence without the heavy physical infrastructure loans that raised concerns about debt traps. Through bilateral digital cooperation agreements with over 40 countries, including 24 in the Indo-Pacific, China has invested $23 billion between 2017 and 2022 in ICT infrastructure, 4G/5G networks, and undersea cables (Patil & Gupta, 2024). This strategy allows host countries to modernize their digital infrastructure while creating opportunities for China to access large data pools and set global tech standards.

The DSR has enabled China to counter Western dominance in technology by offering cost-effective alternatives to developing nations. Companies like Huawei and Alibaba have played pivotal roles by deploying 5G networks, establishing smart city technologies, and integrating AI-driven solutions tailored to the needs of emerging economies. These initiatives not only strengthen China's influence but also reduce barriers for host countries to adopt digital solutions that are otherwise dominated by Western firms. China has also utilized the DSR as a diplomatic and technological tool to address governance concerns raised by BRI critics. Platforms like the 'Digital Silk Road Subforums' have been instrumental in promoting dialogue, sharing best practices, and addressing cybersecurity issues, thus reinforcing China's image as a responsible global partner (Cheng & Zeng, 2024).

However, challenges still persist as the DSR has faced accusations of promoting digital authoritarianism through surveillance technologies like AI-enabled CCTV networks and potential "backdoors" in undersea cable systems. These criticisms underscore the strategic complexities of the DSR as China seeks to expand its global technological footprint while addressing concerns about transparency and data security (Patil & Gupta, 2024).

The DSR exemplifies China's adaptive strategy to overcome criticisms of the BRI by offering sustainable digital solutions, enhancing economic cooperation, and leveraging technology as a soft power tool. By addressing global concerns while asserting its role as a leader in digital transformation, the DSR positions China as both a technological innovator and a strategic competitor to the West.

4.5 Enhancing transparency and combating corruption

BRI has faced significant scrutiny over issues related to transparency, political interference and lack of accountability. Senior Expert Carla Freeman and Economist Henry Tugendhat at The United States Institute of Peace (USIP) who examine why China is revamping the BRI and Freeman notes "corruption has plagued numerous Chinese projects in BRI countries, many of which are in countries where large-scale infrastructure projects are particularly prone to being exploited by corrupt officials" (Freeman and Tugendhat, 2023).

Political corruption in **Djibouti** is deeply rooted in the authoritarian regime of President Ismail Omar Guelleh, who has maintained control through five terms in office, with limited political opposition and elections marred by allegations of irregularities and lack of transparency. The ruling party's dominance extends to all significant foreign investments, including those under the BRI, where transparency in public procurement and government contracts is lacking. Corruption is further fuelled by the absence of independent regulatory bodies or watchdog organizations to monitor conflicts of interest in public projects (ENACT, 2023). This centralized control over Djibouti's economic resources by political elites has enabled widespread corruption, with allegations of embezzlement and misuse of public funds remaining unaddressed. The weak governance structure, combined with limited political freedoms, makes combating corruption a persistent challenge, eroding public trust and hindering the country's ability to implement effective reforms.

The recent resignation of Prime Minister Sheikh Hasina after anti-government protests has left **Bangladesh** in a state of political uncertainty. These protests, initially sparked by demands to reform public sector job quotas, have drawn attention to deeper issues in Bangladesh's economy, such as high inflation, slowing growth, and youth unemployment (Bajpaee, Schröder, 2024). Bureaucratic barriers also present significant challenges for foreign investors in Bangladesh, making it a less attractive destination for international investment. For China, these bureaucratic hurdles complicate the implementation of BRI projects, slowing progress and increasing costs, thereby posing a challenge to their investments in Bangladesh.

China's influence in **Sri Lanka**, particularly through the BRI, has significantly shaped the country's political and economic landscape. BRI projects, such as the Hambantota port lease and the financially struggling Mattala International Airport, placed a heavy economic burden on Sri Lanka, contributing to its unsustainable debt (Abeyagoonasekera, 2023). Several large-scale BRI investments were marred by accusations of corruption and mismanagement in the country and the decision-making processes related to these projects which were often dominated by political elites with little public accountability, transparency, raising concerns over corrupt practices and personal enrichment.

In response to these persistent concerns over corruption, lack of transparency, and governance weaknesses in many BRI partner countries, China has taken several steps aimed at improving accountability and project oversight. One such effort is the ‘BRI Monitor’, a collaborative project by five think tanks from Southeast Asia and the Pacific IDEAS (Malaysia), Stratbase ADRi (Philippines), Sandhi Governance Institute (Myanmar), Future Forum (Cambodia), and the Institute of National Affairs (Papua New Guinea) (CIPE, 20220). This initiative seeks to track the transparency of BRI-funded projects and assess their alignment with people-centered development goals. Nadège Rolland, Senior Fellow for Political and Security Affairs at the National Bureau of Asian Research (NBR), noted that the variety of case studies presented in the BRI Monitor helps broaden the discussion about Chinese investment beyond the trope of “debt trap diplomacy” (CIPE, 20220).

While these initiatives suggest an effort to respond to growing calls for accountability and responsible investment under BRI 2.0, their effectiveness and long-term impact remain open to scrutiny. Additionally, by institutionalizing anti-corruption measures and integrating integrity education in participating nations, BRI 2.0 seeks to address long-standing criticisms while fortifying its role in shaping global economic and governance standards. The future trajectory of BRI will likely be defined by these reforms, setting the stage for sustainable, transparent and equitable development.

5. BRI’s strategic path ahead

The BRI’s geopolitical implications are particularly evident in its interactions with countries like Bangladesh, Djibouti and Sri Lanka, where BRI projects are reshaping local economies and political landscapes. Djibouti, strategically positioned along the Horn of Africa, has also become increasingly dependent on Chinese funding, providing China with a foothold near one of the world’s busiest maritime corridors (Vines, Butler, & Yu, 2022). In Bangladesh, BRI investments bolster China’s influence, even as the nation balances its relationship with neighbouring India (Rahman, 2023). Meanwhile, in Sri Lanka, the economic engagement with China through BRI projects has had lasting political implications, complicating the country’s traditionally non-aligned foreign policy stance and causing concern to India in particular (Aryasinha, 2023). These examples illustrate how BRI’s reach extends well beyond infrastructure, deeply impacting the geopolitical orientations of partner countries in ways that may ultimately align them more closely with China’s global strategy.

BRI serves as a strategic counterweight by creating new standards and partnerships that could redefine global governance. Initiatives by China, such as the Global Development Initiative (GDI), Global Security Initiative (GSI) and the Global Civilization Initiative (GCI) aim to present a model of governance that contrasts with Western norms (Green et al., 2024). These initiatives are often projected in terms of ‘Chinese wisdom’ and are promoted as inclusive solutions for developing countries, challenging the legitimacy of U.S.-led institutions and shifting the center of global governance discussions. This strategic framing enables China to expand its influence without direct military intervention, as it uses BRI projects to extend its soft power in regions where Western presence has traditionally been dominant.

The address of President Xi Jinping at the APEC CEO Summit on November 15, 2024, under the theme "Keeping Abreast of the Trend of the Times and Jointly Promoting Prosperity around the World," outlined a forward-looking strategy for the BRI. He emphasized the Asia-Pacific region's pivotal role in driving global economic development amidst challenges such as unilateralism, protectionism and economic fragmentation. Reflecting on the interconnectedness of the global community, he remarked, “We are now an interdependent community with common interests and a shared future. On the other hand, the world is in a new period of turbulence and transformation. Unbridled unilateralism and protectionism and an increasingly fragmented world economy threaten to reverse the trend toward economic globalization” (Xinhua, 2024).

Three priorities outlined by Xi resonate with the BRI’s strategic direction. First, he underscored innovation as the primary driver of growth, emphasizing its role in boosting productivity and supporting capacity-building in developing countries. Second, he advocated for reforming global economic governance, a principle central to BRI’s objective of fostering equitable global partnerships. This includes enhancing the representation of the Global South and promoting fair and open economic cooperation within a robust multilateral framework. Third, he emphasized a people-centered approach to reduce inequalities and address development imbalances, aligning with the BRI’s commitment to inclusive development and the United Nations' 2030 Agenda for Sustainable Development.

5.1 International Responses

As the BRI enters its second decade, international responses have notably shifted, reflecting increasing global competition and a heightened focus on sustainability, governance, and strategic alignment. BRI 2.0 emphasizes enhanced cooperation and strategic partnerships especially in challenging economic climates. The rise of alternative global infrastructure initiatives, including the European Union’s (EU)’Global Gateway’ and the U.S.’s ‘Partnership for Global Infrastructure’ (PGI), has intensified competition. These frameworks encourage Chinese stakeholders to embrace international collaboration and align with shared standards to maintain influence in emerging markets (Nedopil Wang, 2023).

China is simultaneously constructing an alternative global architecture through organizations like the Shanghai Cooperation Organisation (SCO) and BRICS, which serve as counterweights to Western-led institutions. This aligns with President Xi Jinping’s vision of a multipolar world (McCarthy, 2023). China's diplomatic strategy has also evolved, focusing not only on flagship summits but also on expanding regional engagement in Southeast Asia and Latin America. While its narrative promotes development and multilateralism, global scrutiny remains over whether China's long-term goal is to reshape global norms or assert dominance (McCarthy, 2023).

Under President Trump’s second term, the **United States** has escalated its strategic competition with China, adopting a multidimensional approach to counter BRI 2.0. The Trump 2.0 administration significantly raised tariffs on Chinese goods reaching up to 145% before a temporary reduction to 10% and imposed stricter controls on technology transfers and e-commerce platforms (China Briefing, 2025). Reflecting a recalibrated containment strategy, the U.S. has shifted from broad decoupling to targeted restrictions in sectors like clean energy, rare earths, and pharmaceuticals (Aktar, 2025). In addition to economic tools, Washington has intensified its soft power initiatives through the Blue Dot Network and the Clean Network, which aim to offer transparent and secure alternatives to BRI-linked projects (Gupta, 2025). The U.S. has also bolstered alliances such as the Quad and AUKUS to promote a free and open Indo-Pacific and to counter China's influence in the Global South (Aktar, 2025). These policies collectively reflect the U.S.'s commitment to offering credible development alternatives rooted in democratic norms and long-term sustainability.

The response of **India** to the BRI remains firm, strategic, and multifaceted. Central to India's opposition is the China-Pakistan Economic Corridor (CPEC), which passes through Pakistan-occupied Kashmir (PoK) a region India claims as its own (Khurana, 2019). This sovereignty concern has led India to boycott the BRI and to decline endorsement at multilateral forums, including the 2024 SCO Summit in Islamabad, where India stood alone in its dissent (Bajpaee & Yu, 2025). Regionally, India has reinforced its strategic presence through development aid and infrastructure investments in neighbouring countries. In Sri Lanka, India offered over US$4 billion in support during the island's economic crisis, positioning itself as a counterbalance to Chinese investments in projects like Hambantota Port and the Colombo Port City (CSSAME, 2024). India has also invested in ports such as Chabahar (Iran) and Duqm (Oman), seeking to counter China's maritime expansion. Beyond regional influence, India has actively engaged in global coalitions like BRICS and the AIIB, while advancing its own infrastructure diplomacy through the International North-South Transport Corridor and the Asia-Africa Growth Corridor (Khurana, 2019; Bajpaee & Yu, 2025). These measures underscore New Delhi's pursuit of a transparent, rules-based development model as an alternative to China's state-led initiative.

The **European Union** has positioned its Global Gateway initiative launched in 2021 as a strategic counter to the BRI. While EU documents avoid direct references to China, the focus on democratic values, good governance, environmental sustainability, and transparency clearly signals a competing vision for global infrastructure development (García-Herrero, 2024). The initiative aims to mobilize €300 billion by 2027, targeting sectors like digital infrastructure, energy, and education. However, critics argue that the EU's reliance on complex, multistakeholder coordination slows project delivery and reduces its competitiveness compared to China's centralized model (Leffler & Costello, 2024). Analysts also highlight a lack of strategic coherence and clear benchmarks, which may limit its global appeal (García-Herrero, 2024). Geeraerts (2019) adds that Europe's relative economic decline and internal policy fragmentation weaken its ability to counterbalance China's influence effectively. Nevertheless, the Global Gateway remains the EU's flagship effort to offer a values-based infrastructure model that aligns with international norms, emphasizing reciprocity and environmental accountability (Leffler & Costello, 2024; Geeraerts, 2019).

6. Conclusion

China has measurably responded to criticisms surrounding debt sustainability, environmental concerns and governance by refining its approach through the introduction of BRI 2.0. These strategic recalibrations have led to a shift from mega-projects to smaller, greener, and more commercially viable investments. China has also engaged in debt renegotiations and encouraged international cooperation particularly with multilateral institutions and third-party investors to build credibility and reduce financial risk (Nedopil Wang, 2023). However, despite these improvements, international scrutiny remains, particularly as rival initiatives like the EU's Global Gateway and the U.S. led PGI propose value-based and transparent alternatives. This increased competition has reshaped the global development landscape, requiring China to balance its ambitions with higher standards and improved diplomacy.

A critical insight from the case studies of Djibouti, Bangladesh, and Sri Lanka is that the challenges associated with BRI cannot be attributed solely to China. While Beijing plays a central role in financing and implementing these projects, the outcomes are deeply influenced by the governance, decision-making, and institutional capacities of the partner countries. For instance, Sri Lanka's financial crisis stemmed not only from debt exposure to BRI projects but also from poor domestic fiscal management and opaque decision-making. Similarly, Djibouti and Bangladesh must strengthen institutional accountability and strategic planning to ensure BRI investments contribute to long-term development rather than economic vulnerability.

This study shows that enhancing transparency and accountability in BRI agreements is essential for ensuring their sustainability. Both China and its partner countries must adopt clearer frameworks for project financing, risk assessment, and contractual disclosure. Borrowing nations should conduct independent financial and environmental assessments and prioritize projects based on national development strategies. Concurrently, China must continue refining its debt renegotiation mechanisms and collaborate with global financial institutions such as the IMF and World Bank to align with international best practices.

Diversifying investment strategies beyond large-scale infrastructure projects towards renewable energy, digital infrastructure and human capital development can foster long-term economic resilience in BRI partner countries. Furthermore, China and BRI recipient countries should collaborate with multilateral institutions, including the World Bank and IMF, to align BRI projects with international best practices for economic and environmental sustainability.

As China continues to pursue its vision of becoming a dominant global economic power, the BRI will remain a subject of both praise and criticism. However, the long-term success of the initiative will depend not only on China's strategic recalibrations but also on the capacity of borrowing nations to engage in responsible decision-making and good governance, ensuring that development remains a mutually beneficial process rather than a source of financial vulnerability. The BRI's future lies in its ability to balance ambitious geopolitical objectives with sustainable development practices.

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