

# Russia-Ukraine War Accelerates Collapse of China's Belt and Road Global Strategy



Over the past ten years, China's Communist Party (CCP) has strategically relied on its \$4 trillion Belt and Road Initiative ([BRI](#)) to boost its image and influence with at least [149 countries](#) to date. But success has eluded its efforts, and the BRI strategy may be doomed as a result.

Consider for example the CCP's stalled attempts at pushing the BRI strategy across countries in Europe. Not anticipated were the barriers and delays created by [sanctions](#) imposed on Russia for the invasion of

Ukraine.

Before the sanctions, China used Russia as a convenient transit point for the shipment of BRI equipment and supplies into Europe. China routed its cargo into St. Petersburg Russia via the China-Europe Railway then shipped it across the Baltic Sea into central Europe. The sanctions forced China to detour its cargo around Russia and enter Europe via slower land routes across Belarus, Poland, and other countries.

China's BRI strategy was first introduced in 2013 by CCP head Xi Jinping. The strategy is in two parts: on land via the Silk Road Economic Belt which runs through Central Asia, Central and Eastern Europe to Western Europe; and on water via the "Maritime Silk Road," which runs through the South China Sea and the Indian Ocean, westward through Southeast Asia to South Asia, the Middle East, Africa, and Europe.

War-torn Ukraine, at the junction of the Eurasian continent, is an important gateway into Europe from Asia and an important source of energy, food, and military technology for China.

Other countries along the BRI delivery route, including Belarus, Poland, and Romania, have also felt the strain caused by the Russian-Ukrainian war. Belarus, for example, has been subjected to several [collateral sanctions](#) for its decision to side with Russia.

## **The BRI's Russian Dilemma**

China to Europe Railway is an important channel for overland freight transportation. It is the single most important carrier of the BRI land-

based economic belt with routes traversing west to east through Kazakhstan, Russia, Belarus, Poland, and Europe.

On [March 31](#), China's Economic Daily described how the sanctions against Russia and Belarus were forcing trains to route around these countries as well as Ukraine. As a result, shipments into Europe are being delayed while trains returning to China are [often empty](#). It is unknown how long this disruption will last.

China's participating BRI companies have noted that cargo and transportation delays are not the only problems they face. In addition, the sanctions and resulting turmoil have created logistical hardships, rising labor costs, and difficulties in settling trade agreements since Russian banks are no longer a part of SWIFT, the bloodline of the global financial system.

According to Tuo Wei, a U.S. affairs commentator, the positive impression the BRI was hoping to create in Europe was smeared on the world stage by China's alignment with Russia. This black eye has contributed to making the BRI strategy vulnerable to failure in Europe and elsewhere.

During an interview with The Epoch Times, Wei speculated that the CCP's apparent support of Russia would cause Ukraine to resist becoming a pawn of the BRI after the war, as did Lithuania.

Wei said, "Other European countries, including Germany, the Czech Republic, Hungary, Poland, Bulgaria, and Romania, may also reconsider their cooperation with the CCP and be wary of its infiltration."

## **The BRI Invites Debt and Insurrection**

Meanwhile in Sri Lanka, a key hub of the BRI's maritime route, citizens are protesting due to the worst economy since 1948. This small island country depends on trade with Russia and Ukraine for its tourism and tea industries. But the war between these countries is contributing to Sri Lanka's failing economy, and the country's economic crisis has further shifted to a political crisis.

However, Sri Lanka's failed economy didn't begin with Russia's invasion of Ukraine. It began when the CCP directly used its BRI strategy to ensnare Sri Lanka into a debt trap that has since become a political nightmare.

According to World Bank data, Sri Lanka has \$35 billion in total debt of which \$6 billion is owed to China for loans to fund BRI projects managed by Chinese companies. These projects include infrastructures such as ports, airports, and railroads. To help contain its debt with China, Sri Lanka agreed [in 2017](#) to lease its desirable Hambantota Port in the Indian Ocean to China for 99 years at the price of \$1.1 billion. The lease was extended another 99 years in 2021.

Within this year Sri Lanka is obligated to repay [\\$6.9 billion](#) of its foreign debt. But this is unlikely since its foreign reserves total only \$2.3 billion. To address this deficit, Sri Lanka asked the CCP last January to restructure its debt. But the CCP has yet to respond.

To quell escalating mass protests, the Sri Lankan government declared a national state of emergency on [April 1](#). This included halting all Internet communication and imposing a curfew on citizens in the capital.

On the night of April 3, all 26 of Sri Lanka's government cabinet

members, except the Prime Minister, resigned from office. The new cabinet was in office for less than a day before the finance minister resigned on April 7. Then on April 11, protestors in Colombo assembled outside of President Gotabaya Rajapaksa's office and demanded that he step down as well.

## **More BRI Troubles**

Indonesia became the first country to participate in the CCP's water-based "Maritime Silk Road" initiative. Although Indonesia has remained neutral in aligning with other countries, it felt pressured to comply with the CCP's growing influence in Southeast Asia and expansion in the South China Sea.

According to [a bi-annual survey](#) released on [April 5](#) by Australia's Lowy Institute, Indonesians are wary of Chinese investments. Nearly half the respondents felt that within the next 10 years, the Chinese communist regime would become the most threatening country. Sixty percent of Indonesians favored cooperating with other countries to contain the CCP's influence.

Indonesians have good reason to suspect the CCP. Their investment in a BRI [high-speed rail project](#) from Jakarta to Bandung is not producing the desired results. Under construction by a Chinese state-owned company, the initial enthusiasm for this 142-kilometer high-speed rail line has evaporated due to lengthy delays and cost overruns that exceed \$2.47 billion.

The CCP's original cost estimate for this BRI project was \$5.5 billion with a break-even point of 26 years. The amended estimate suggests this project will cost \$7.79 billion with a break-even at 40 years. Based

on this data, it's safe to say the BRI strategy is not boosting the CCP's image or influence in Indonesia.

According to [February's](#) Nikkei Asia report, China has spent over \$7 billion on the Indonesian rail line and is still pumping money into the venture. If this project is canceled, China is likely to lose more money than Indonesia. But the CCP's mounting problems with the BRI strategy are clearly obvious elsewhere.

Kazakhstan is a key hub of the BRI's overland route, and since all three of China's Central Asian gas pipelines run through this country, it is an important source of energy.

Since January, gas prices in Kazakhstan have soared to unaffordable levels and the country has plunged into social unrest. Discontent among the people has also been [fueled by](#) rising wheat and flour prices caused by a drought and the suspension of grain imports from Russia.

Nationwide protests have wreaked havoc on Kazakhstan's fragile economy and financial markets. The country's inflation rate is rising rapidly, its central bank has raised the benchmark interest rate to [9.75 percent](#), and the tenge currency continues to depreciate rapidly.

As of Feb. 28, the exchange rate of the tenge to the U.S. dollar had fallen to 496:1, down sharply from the 433:1 reported at the time of the Jan. 7 turmoil. This prompted Kazakhstan's Financial Supervisory Authority to [suspend](#) the tenge's trading and bank exchange services to stop offering price quotes.

Although Kazakhstan could potentially benefit from a BRI project, success is unlikely. Not because of Kazakhstan's financial difficulties, but because China has already established an unfavorable reputation

there. Chinese oil and mining companies operating in the region have [been exposed](#) for bribing local officials, blamed for environmental pollution, and accused of provoking land disputes with the Kazakhstan people.

*Ellen Wan has contributed to this article.*

