

# Necessary and sufficient conditions for the BRI success

Yongjun Chen<sup>1</sup> | Chenglong Guo<sup>2</sup>

<sup>1</sup>Research Institute for Dual Circulation Development of the Greater Bay Area, Guangdong University of Finance & Economics, Guangzhou, China

<sup>2</sup>Business School, Renmin University of China, Beijing, China

## Correspondence

Chenglong Guo, Business School, Renmin University of China, 59 Zhongguancun St, Haidian District, 100872 Beijing, China.  
Email: [dragon\\_519@139.com](mailto:dragon_519@139.com)

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## Abstract

This paper presents a general theoretical framework for understanding the Belt-and-Road Initiative (BRI). We begin with an introduction to the connotations of the BRI and a review of the initiative's main achievements since its inception. From these achievements, we identify the existence of a potential match between supply and demand in jointly building the BRI to be the foremost necessary condition for win-win cooperation for participating countries. Several features of China's contemporary economic structure are shown to provide the huge potential of supply that matches the massive demand of many Belt-and-Road countries for infrastructure development. To unleash the full potential of the BRI, a series of sufficient conditions must be met so that supply and demand interact in a virtuous manner. In the first stage of jointly building the BRI, the key to turn the initiative's potential into reality is to develop the “Five Links” of policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond. Now that the BRI has entered the high-quality development stage, we demonstrate that China has taken or needs to work on policy measures in 10 areas to ensure the continuing and sustainable success of the BRI construction.

## KEYWORDS

BRI, necessary conditions, sufficient conditions, win-win cooperation

## JEL CLASSIFICATION

F1, O1

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# 1 | BASIC CONNOTATION OF THE BRI

In 2013, China's President Xi Jinping proposed the initiative of jointly building the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” for international economic cooperation (National Development and Reform Commission, 2015). Hereafter, “the Belt-and-Road Initiative” (BRI), with its connotation inherited from the ancient term “Silk Road,” which describes the historical Eurasian trade routes on land or via sea, has become a hallmark of China's global influence in a new era.

The BRI is a product of prudent consideration of the major changes in both the international and domestic environments for China's development when the world is entering a new century full of unprecedented challenges. It is one of the most important policy innovations since the leadership succession at the CPC's 18th National Congress held in November 2012. Promoting high-quality “Belt-and-Road” development has become an integral part of China's visionary plan to achieve “the long-range objective of socialist modernization by 2035” (Central Committee of the CPC, 2020). In his keynote speech at the Boao Forum for Asia held in April 2021, President Xi Jinping promoted the importance of the BRI to a new level, as a “road to poverty reduction” and a “road to growth,” which will make a positive contribution to the common prosperity of mankind (Jinping, 2021). As explained by Wang Yi, China's Foreign Minister, the core function of BRI is “to strengthen all-round connectivity with infrastructure construction as the main line, to tap new momentum for world economic growth and create a new platform for international regional economic cooperation” (Wang, 2019). Several features of the BRI have become perceptible.

First, the BRI is an international regional economic cooperation initiative, not a geopolitical tool (Zhang, 2014). On the one hand, China's economy and the world economy are highly interrelated. Promoting the BRI is a need for China to further expand and deepen its opening up to the outside world, reflecting its determination to integrate deeply into the world economic system. On the other hand, against the background of the contemporary slow growth of the global economy, rising protectionism, and increasing uncertainties in the international environment, the BRI is a need to strengthen mutually beneficial cooperation with countries along the Belt and Road for common development. With the BRI, China demonstrates its willingness to assume more responsibilities and obligations within its capacity, making greater contributions to the sustainable and balanced global economic development, and injecting new growth impetus into the world economy.

Second, an important medium for the BRI cooperation is infrastructure construction. According to estimates made by the Asian Development Bank and the World Bank, there is a massive demand for infrastructure development in countries along the Belt and Road while the shortfall of required investment is also very large (World Bank, 2019). Infrastructure construction projects expand investment-driving capacity for the regional economy and form the basis for international cooperation for Belt-and-Road countries. The Chinese government has clearly made infrastructure connectivity a priority for the BRI (National Development and Reform Commission, 2015). Since its inception, the BRI has taken the construction of infrastructure connectivity as its starting point and focus. Many major projects have been built jointly with countries along the Belt-and-Road routes. China's state-owned enterprises alone have invested in the construction of more than 3000 major projects in the Belt-and-Road countries, with a considerable amount of investment in infrastructure construction. This has effectively improved the infrastructure in the countries involved (Hu, 2021).

Finally, the purpose of the BRI is to tap new momentum for the world economic growth and create a new regional platform for international economic cooperation. The last wave of globalization since the 1980s has brought prosperous development to the world. Many developing countries, however, are facing various barriers to globalization. Shortage of capital, backward technology, and limited market size have kept these countries from integrating

themselves into the global value chain and benefiting from globalization. When they try to join the global value chain, they often find themselves trapped in a risky and helpless situation, that is, at the “low-end embedding” or even “low-end locking” in the global system of division of labor. The accumulation of the above-mentioned problems has led to the stagnation or even reversal of economic globalization. It is against the backdrop of urgent need to restructure and optimize the global value chain that China is promoting “a high-quality development by jointly building the BRI.” With the launch of the BRI, the Chinese government has pledged to build an equal and open regional platform for international economic cooperation following the principles of extensive consultation, joint contributions, and shared benefits. By actively engaging in substantive docking and cooperation with other countries to jointly build the BRI on the basis of mutual respect and trust, China has helped more developing countries to integrate themselves into the global value chain of division of labor, thereby promoting the healthy and sustainable development of economic globalization (Dai & Song, 2021).

## 2 | ACHIEVEMENTS OF JOINTLY BUILDING THE BELT AND ROAD

Since its inception in 2013, the BRI has aroused widespread interests in the international community and received active participation and support from many countries and international organizations around the world (Guo, 2018). It has become the most extensive and largest platform for international cooperation and the most popular international public product in the history of China and the world. So far, the joint efforts to build the Belt and Road have made achievements in reaching the five major goals envisaged by China's vision and action plan for the BRI, namely, policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond (National Development and Reform Commission, 2015).

First, *policy coordination* has been built and expanded. The BRI and its core concepts have been written into many official documents of the United Nations, the G20, the APEC, and other regional/international organizations. The issues these documents have covered include international collaboration and cooperation in land and maritime connectivity, investment, trade, finance, science and technology, humanitarian aids, and poverty alleviation. A series of important agreements have been reached to expand the benefits of developmental achievements. Since 2017, several rounds of the Belt and Road Forum for International Cooperation have been successfully held in-person or online. The Second Forum held in Beijing April 25–27, 2019, the largest so far, was attended by 37 heads of state or government, more than 6000 guests from over 150 countries and 92 international organizations, and resulted in a total of 283 constructive outcomes in six categories (Belt and Road Forum, 2019). Under the BRI framework, participating members have actively engaged in dialogues on policy coordination, which established and developed a multilevel, multifield, and multimodality policy dialogue mechanism. These efforts have led to a policy dialogue platform that is widely participatory, effective, and fruitful. As of August 2021, China has signed 206 cooperation documents with 140 countries and 32 international organizations to build the BRI (Xinhua News Agency, 2021a). Cosigners of the BRI include countries across Asia, Africa, Europe, Oceania, and Latin America.

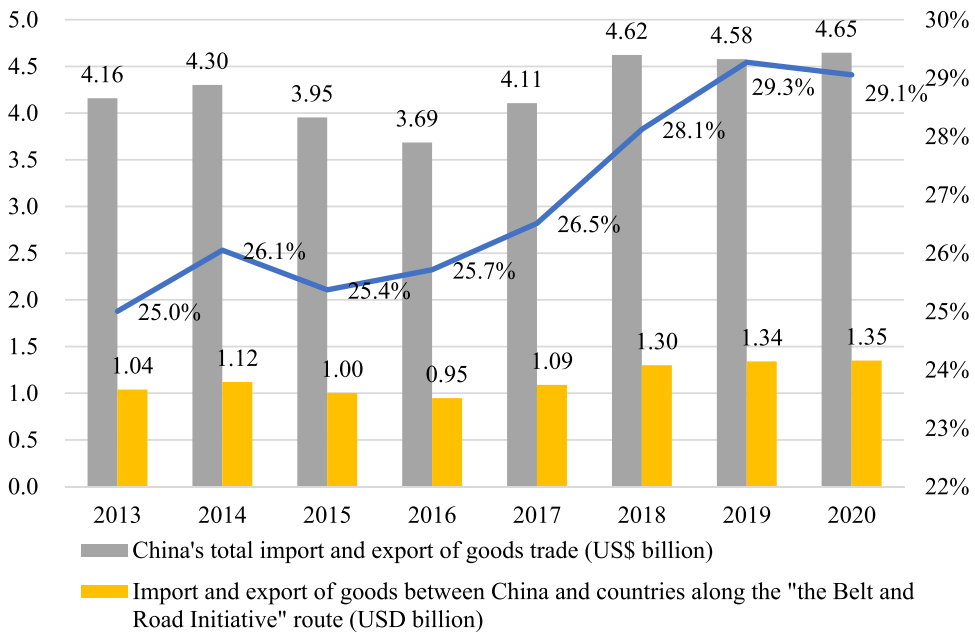
Second, *facilities connectivity* has been steadily improved. On the basis of the conceptual framework of the “Six Corridors and Six Roads, Multiple Countries and Ports,” the BRI has made substantial progress in building a series of landmark projects. The extensive cooperation between China and Belt-and-Road countries in the fields of ports, railways, highways, electricity, aviation, and communications has effectively enhanced infrastructure construction and facility connectivity in these countries. As a result, the transportation and travel time along

the Belt-and-Road routes has been significantly shortened and trade costs have been substantially reduced. Tremendous potentials for trade and investment are being released, continuously providing new momentum for economic growth and prosperity (World Bank, 2019). An outstanding case is the China–Europe Railway Express, a trans-Eurasia railway system launched in 2011. As of December 2021, the Express had opened 82 operational routes, connecting 200 cities in 24 countries from Asian coast to Western Europ (Shi, 2022). In 2020, the annual number of trains run by China–Europe Railway Express exceeded the 10,000 thresholds for the first time, reaching 12,406 trains in total (Xinhua News Agency, 2021b). The transcontinental railway played an important role in providing reliable and low-cost transport services for maintaining global industrial value chains across Eurasia continent, especially at a time when other means of transportation were severely disrupted by the outbreak of COVID-19 pandemic.

Third, Belt-and-Road areas have moved closer to achieving *unimpeded trade*. Thanks to closer policy coordination and improved facilities connectivity, the total import and export of merchandise trade between China and the other Belt-and-Road countries increased from US\$ 1.04 trillion in 2013 to US\$ 1.35 trillion in 2020, with a cumulative total of over US\$ 9.2 trillion in the first 8 years of the BRI. The share of trade with countries along the Belt-and-Road routes in China's total foreign trade increased year by year, from 25% in 2013 to 29.1% in 2020 (Figure 1).

Meanwhile, trade in services between China and the other BRI countries is developing steadily, with rapid growth happening in tourism services, high value-added outsourcing services, Chinese traditional medicine services, and project construction services. For instance, by 2016, China had become the largest source of tourists for the BRI countries with the annual number of Chinese traveling to BRI countries exceeding 10 million person-visit (CTRIP, 2017).

Fourth, great progress has been made in *financial integration* between China and the other Belt-and-Road countries. Chinese enterprises' direct investment in the Belt-and-Road countries

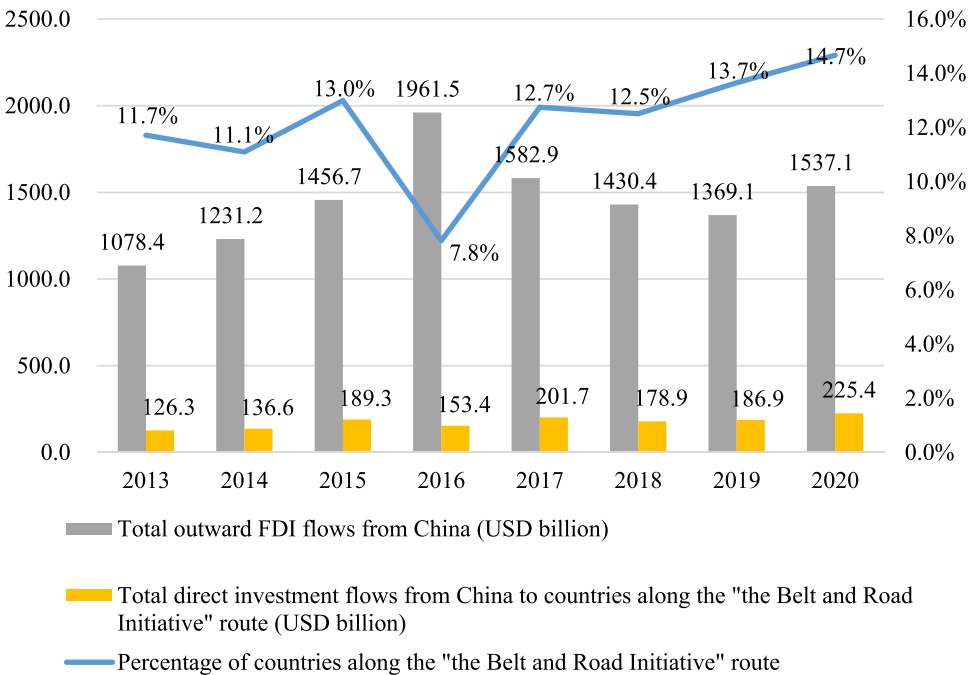


**FIGURE 1** China's merchandise trade with the world and the Belt-and-Road Countries, 2013–2020. BRI, Belt-and-Road Initiative. *Source:* National Bureau of Statistics, China BRI Trade and Investment Development Research Report 2021.

increased from US\$ 12.63 billion in 2013 to US\$ 22.54 billion in 2020 (Figure 2). Over the first 8 years of the BRI, China's cumulative direct investment in the other Belt-and-Road countries reached about US\$ 140 billion. The proportion of China's total outward direct investment that went to the Belt-and-Road countries during the same period remained stable at around 12%. In the other direction, the cumulative number of new enterprises established in China by the other Belt-and-Road countries reached 27,000, and the cumulative investment actualized from these countries was about US\$ 60 billion.

In terms of financial platform construction, China has led the establishment of Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank to meet the financial needs of Belt-and-Road countries. China has also set up its own state-owned fund, the Silk Road Fund, to foster investment in the Belt-and-Road countries. By the end of 2020, the AIIB had invested in 108 projects and approved a cumulative total of US\$ 22.02 billion in infrastructure investment (Asian Infrastructure Investment Bank, 2022).

Fifth, building *people-to-people bound* has been fruitful. China is actively organizing important people-to-people events with the other Belt-and-Road countries, such as cultural years, art festivals, film and television exchanges, and the Silk Road Book Project. The Chinese government has established the Silk Road Scholarship Program to help young people from the other Belt-and-Road countries to study in China. According to statistics, among international students coming to China, the proportion of students from the Belt-and-Road countries has been increasing year by year, reaching 54.6% in 2019 (Cheng & Zhang, 2020). A number of platforms for cooperation in science and technology have been launched, including the BRI Union of National Scientific Organizations, the BRI International Seminar on Science, Technology and Innovation, and the BRI Memorandum on Science, Technology and Innovation Cooperation. These platforms have enhanced the cooperation of the Belt-and-Road countries to address common challenges they face, such as climate change, natural



**FIGURE 2** China's outward direct investment to the world and the Belt-and-Road countries, 2013–2020. *Source:* Statistical Bulletin on China's Outward Foreign Direct Investment, 2013–2020.

disasters, and health issues. In addition, China's investment in the other Belt-and-Road countries has created new tax revenues and employment opportunities for these countries and promoted local economic development. By the end of 2020, China had invested nearly US\$ 40 billion in overseas economic and trade cooperation zones built in the Belt-and-Road countries, generating more than US\$ 4.4 billion in taxes and fees to host countries and creating 330,000 local jobs (Bai, 2021). During the COVID-19 pandemic, China has done its utmost to prevent and control the pandemic itself, while actively cooperating with many countries and international organizations, including those along the Belt-and-Road routes, in the fight against the pandemic. Until now, China has provided emergency assistance to 150 countries and 13 international organizations to combat the pandemic. It has exported pandemic prevention materials to more than 200 countries and region (China.com, 2021).

From the impressive achievements of the BRI over its first 8 years, we can establish a general theoretical framework for understanding the Initiative: To achieve the goal of the BRI to tap new momentum and build a new platform, a combination of “necessary” and “sufficient” conditions have to be met in concrete terms. The CPC leadership, with Xi Jinping at its core, has architected the BRI with Chinese wisdom by assessing the domestic and international situations to ride the trends of regional and global cooperation, and to meet the development needs of countries in the Belt-and-Road regions. For the success of the BRI, China has proceeded with perceptions of necessary and sufficient conditions in the contemporary and long terms.

### **3 | POTENTIAL MATCH BETWEEN SUPPLY AND DEMAND IS THE FOREMOST NECESSARY CONDITION FOR THE BRI SUCCESS**

Existence of a potential match between supply and demand in jointly building the Belt and Road is a necessary condition for the BRI to achieve the win-win cooperation. On the supply side, China's huge industrial capacity needs to find effective markets for its products. After experiencing over three decades of rapid economic growth, China has risen to be “the world factory” and the second-largest economy on earth. In recent years China's economy has entered the stage of the so-called “new normal,” characterized by slowing growth of domestic investment and consumption. That slowdown is exacerbated by plateauing of China-made exports to mature markets in the rich, industrialized West. China now seeks to transform its growth pattern from the past export-oriented one that heavily relies on foreign market (or the so-called “international circulation”) to a new, more balanced pattern of “dual circulation,” in which the “internal circulation” (of domestic market) is expected to play a mainstay role, complemented and supported by the “international circulation” (Yu, 2020). While making efforts to sell domestically, the Chinese industries are seeking new markets abroad beyond the industrialized West for their products so as to better utilize the huge production capacity built over years.

China's manufacturing industry, especially in the construction of infrastructure projects, has become capable of leading the world on many technological fronts. For example, in high-speed railway construction, high-speed train manufacturing, nuclear power generation, and high-voltage electricity transmission, the Chinese industries boast a global advantage in production costs as well as in technical performance. In addition, China has accumulated rich experience in infrastructure construction, embedded in a workforce with excellent management competence, engineering capacity, and workmanship. Low construction costs and high service quality make China's infrastructure construction packages highly competitive, particularly suitable for and attractive to countries which are underdeveloped and lack of local industrial resources.



China also has the financial resources to fund the BRI projects. Until recently, China had followed a growth pattern of “international circulation” that featured an export-oriented economy, which led to the accumulation of a large trade surplus. For many years China's foreign exchange regime required compulsory settlement and sale of all foreign exchange earnings to the Central Bank. That arrangement has led to building up of a large amount of foreign exchange reserves for China. With its huge foreign exchange reserves, China is keen to search for sound investment opportunities, of which jointly building the Belt and Road can potentially bring in many financially sound projects. China's large foreign reserves thus serve as a financial precursor for jointly building the BRI projects. In a nutshell, China's economic structure enables it to have not only the production capacity and technological competence but also the financial capital for being a capable supplier to the construction of the BRI projects.

On the demand side, according to estimates by the Asian Development Bank, between 2016 and 2030, the annual capital needs for infrastructure investment by 45 developing economies in the Asia-Pacific region amount to US\$ 1.7 trillion (Asian Development Bank, 2017). In the context of the BRI, the Eurasian maritime and land Silk Road economic belt connects the economically prosperous spheres of East Asia at one end and more developed Western Europe at the other. Most countries of Central Asia, West Asia, South and Southeast Asia, and Central and Eastern Europe along the belt in between are in the early stages of industrialization, with weak economic institutions and underdeveloped infrastructure. For these countries, investment in infrastructure has positive spillover effects in favor of regional economic development, leading a necessary path to industrialization and modernization. Infrastructure connectivity is also essential for developing countries to integrate themselves into the global economy and share the benefits of globalization, unleashing the dynamism of economic growth.

It is worth noting that infrastructure investment is characterized by large investment costs and long investment cycles, and that the funds to be raised by developing countries are often limited through channels of their own financial institutions, international financial market, or international organizations, like, the World Bank or the Asian Development Bank. That implies a large gap in investment funds, thus creating a huge demand for more funding resources. In the period 2016–2020, in 25 of the ADB member economies where data was available for assessment, the infrastructure investment gap (between the investment needs and the actual investment) was estimated to be equivalent to 2.4% of gross domestic product in these economies (Asian Development Bank, 2017).

China's abundant production capacity, large foreign exchange reserves, and engineering competence and technological advantages provide the huge potential of supply that matches well the massive demand of developing countries along the Belt and Road for infrastructure construction. The match between supply and demand in this context is the economic basis and a necessary condition that makes the BRI work.

The basic model of cooperation can be illustrated by a hypothetical case of cooperation between China's supply and an Asian country's demand for the construction of infrastructure projects as follows. China provides a favorable low-interest-rate loan of, say, \$ 10 billion to an Asian country for the infrastructure projects. This country uses this loan to pay for Chinese infrastructure products and services. The Chinese companies involved in the projects make use of their (otherwise excess) production capacity to supply the infrastructure products and services, earning average profits in the process. Since infrastructure has a long-term effect on economic development, the Asian country can use Chinese capital funds, technology, and production capacity for developing local infrastructure, laying the material foundation for future industrialization and development. The country is expected to use the proceeds from the projects and increased government tax revenue brought in by improved infrastructure to repay the initial low-interest-rate loan in the future. This is a “win-win” situation. This model is equally suitable for China's cooperation with other Belt-and-Road countries, most of which

badly need infrastructure for development and can benefit greatly from their participation in jointly building the BRI.

This basic “win-win” model for China and other cooperating countries can also be extended to a “multilateral win-win” model with the participation of European and North American countries. In the backdrop of economic stagnation in recent years, the major European manufacturing countries such as Britain, France, and Germany can make use of their technological advantages to participate in jointly building the Belt and Road. Through participation in the construction of projects, they can gain access to the vast markets in Asia and Africa, promoting economic growth at home. For the same reason, the “multilateral win-win” model also applies to North American countries, that is, the United States and Canada. Strong market demand, technology spillover, and business “co-opetition” will stimulate economic-structure upgrading and technological innovation in these countries. For China and developed Western countries, mutual respect and trust in geopolitical relations are necessary for them to benefit from jointly building of the Belt and Road by complementing their technological and comparative advantages.

As can be seen from the above two cooperation models, matching supply and demand in the BRI projects is necessary to create a win-win cooperation and benefit-sharing mechanism for all participating countries. From the Chinese perspective, taking a leading role in the BRI is conducive to China's transformation from the past export-oriented growth pattern of “international circulation” to a new, more balanced pattern of “dual circulation.” The huge gap in financial capital needed for infrastructure projects in the Belt-and-Road countries suggests great investment opportunities for China's large foreign exchange reserves. Engaging in BRI projects brings opportunities to fully utilize China's excess production capacity built over years, especially since the massive wave of domestic fixed capital investment in years after the 2008 global financial crisis. Actively undertaking the BRI project abroad creates more opportunities for Chinese enterprises' outward investment and extends their “go-out” horizons. That will help smooth the transformation of China's industrial structure by stabilizing demand for its output. Opening new markets and new opportunities for the international division of labor in the Belt-and-Road countries will facilitate the upgrading of China's industrial structure along the global industrial value chain and thus will raise long-term growth potential of the Chinese economy.

For the Asian and African developing countries along the Belt and Road, the BRI helps them obtain China's funding in terms of low-interest-rate loans to finance the construction of domestic infrastructure, which is to be built with the assistance by the Chinese technology, engineering capacity, and workmanship. Improved infrastructure and enhanced connectivity will make it easier and more effective for local economies to integrate themselves into the global economic system via active participation in cross-border trade and investment, unleashing economic growth that helps achieving development goals.

As for the developed countries in the West, participation in the BRI creates opportunities to ride on the jointly building BRI projects initiated and coordinated by China, bringing access to the vast markets along the Belt and Road. “Co-opetition” with Chinese enterprises will bring into play the Western countries' competitive advantage in technology and business. The process will enhance these countries' economic growth by stimulating their industrial upgrading and technological innovation.

Finally, jointly building the Belt and Road can contribute to the rebalancing of the world economy. The world economy has long suffered from glut of industrial production and weak aggregate demand. The BRI offers an opportunity to enhance cross-border connectivity, improve the level of trade and investment cooperation, and promote international cooperation in production capacity and equipment manufacturing. It is essentially a way to generate new demand and achieve rebalancing in the world economy by increasing effective supply (Jinping, 2017). Especially when the world economy undergoes the doldrums of the postpandemic



uncertainties, it makes sense if the huge production capacity and construction capacity built over the business cycle can be made use to meet the urgent needs of Belt-and-Road developing countries for industrialization and infrastructure building. When the world economy is haunted by a recessionary gap, generating demand for investment in BRI projects is likely to have multiplier-effects on global aggregate demand.

Therefore, the economic essence of the BRI is to create and realize shared benefits for its participating members. These shared benefits are manifested at the microlevel in win-win cooperation and multilateralism, and at the macrolevel in contributing to rebalancing the global economy. To reap these benefits, it is necessary to launch an open cooperation at the national level and carefully organized and execute a rigorous and detailed division of labor at the microlevel of doing business across national borders.

#### 4 | VIRTUOUS INTERACTION BETWEEN SUPPLY AND DEMAND ENGENDERS THE SUFFICIENT CONDITIONS FOR THE BRI SUCCESS

The discussions above suggest that a potential match between demand and supply for the BRI projects is a necessary condition for the success of the Initiative. To unleash the full potential of the BRI, a series of sufficient conditions must be met so that supply and demand interact in a virtuous manner.

In his first speech that put forward the initiative of jointly building the Silk Road Economic Belt in 2013, President Xi Jinping propose the development of the “Five Links” as the key to unlock the potential of the initiative. “To turn this [the proposed initiative] into a reality, we may start with work in individual areas and link them up over time to cover the whole region” by developing the five links, explained by Jinping (2013). These links are, namely, *policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond*. In the Chinese government's vision and action plan for the BRI promulgated in 2015, these five links are officially identified as the major goals or key areas for international cooperation in jointly building the Belt and Road (National Development and Reform Commission, 2015). As reviewed in Section 2, positive achievements have been made in making these five links. These achievements kicked start virtuous interaction between supply and demand, creating a good foundation for continuing BRI success in the future.

With these early achievements, the BRI has entered the high-quality development stage. The focus of the work of the BRI has been adjusted and changed accordingly. In the *Proposal of the Central Committee of the Communist Party of China on Drawing Up the 14th Five-Year Plan for National Economic and Social Development and Long-range Objectives for 2035*, the CPC leadership makes “promoting high-quality ‘Belt and Road’ development” one of the main tasks for the country's 14th Five-Year Plan (2021–2025) to achieve the long-range objective of socialist modernization by 2035 (Central Committee of the CPC, 2020). Guided by the *Proposal*, the Chinese government, in its *Outline of the People's Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035*, specifies action plans to promote high-quality “Belt-and-Road” development (State Council, 2021) in the following four areas:

- (a) Strengthen the linkage of development strategies and policies, by promoting the alignment of strategies, plans, and mechanisms and strengthening the linking of policies, regulations, and standards.
- (b) Promote interconnectivity and interoperability of infrastructure, by enhancing the four-in-one connection of land, sea, air, and cyber links, building a connectivity framework featuring “six corridors, six routes, and multiple countries and ports,” and on this basis,

developing a connectivity network dominated by the New Eurasian Land Bridge and other economic corridors.

- (c) Deepen pragmatic economic, trade, and investment cooperation, by promoting the optimization and upgrading of trade and investment cooperation with countries participating in the BRI and actively developing Silk Road e-commerce.
- (d) Build a bridge for mutual learning among civilizations, by deepening humanistic cooperation in the fields of public health, digital economy, green development, S&T education, and culture and art, strengthening interchanges between parliaments, political parties, and nongovernment organizations, intensifying exchanges between women, young people, the disabled, and other groups, and forming a diversified and interactive humanistic exchange pattern.

Pushing forward in the above areas will facilitate virtuous interaction between supply and demand of the BRI projects, as long as all participating parties adhere to the principles of extensive consultation, joint contributions, and shared benefits. It is also important for the BRI cooperation to be guided by a vision of green development, openness, and clean governance, and driven by efforts for practical cooperation, security assurance, and common development.

On the basis of the principles outlined above, China has taken or needs to work on the following policy measures to advance virtuous interactions between supply and demand in jointly building the BRI.

1. Building a higher level of the open economic system and enhancing the level of openness to the outside world in general. Jointly building the BRI can be leveraged to make China's economy more open for trade and investment. A more open Chinese economy will be a more welcome supplier to BRI projects. Specifically, efforts should include China's active participation in the RCEP, endeavor to join the CPTPP, building a free trade port in Hainan, hosting the Shanghai Import Expo, and so forth.
2. Formulating a special national plan for the construction of the BRI, as part of the 14th Five-Year Plan and longer-term planning. It is imperative to systematically review China's experience with the development of the BRI since its inception, objectively assess the achievements as well as lessons learned, scientifically determine the key directions of future efforts and carefully work out practical action plans. The total scale of nonequity investment by China in the construction of the BRI during the 14th Five-Year Plan period should be limited to about US\$ 100 billion, with investment in digital economy and green development projects accounting for no less than 40%. Rather than expanding the scale, it is better for China to consolidate the existing projects and maintain their steady progress so as to demonstrate the quality-brand of BRI projects.
3. Making China's attempt for "dual circulation" complementary to the BRI. The BRI can help building China's dual domestic and international circulation, and in turn the formation of the dual domestic and international circulation can provide a new platform with mechanisms that support jointly building the BRI. The urgent task is to build new international industrial chains that are conducive to the formation of China's dual domestic and international circulation. To do that, China has been carrying out supply-side reforms to expand its domestic consumption and promote innovation at home. At the international front, it is important for China to maintain a good geopolitical environment favorable to trade, investment, and restructuring industrial value chains along the Belt and Road.
4. Promoting the formation of industrial value chains along the Belt and Road by establishing subregional forums in China's Xinjiang, Fujian, Hainan, and other domestic regions under the umbrella of the BRI International Cooperation Summit Forum. These subregional forums will also promote the diversified patterns of people-to-people bonds,

including exchanges of research on BRI experiences, leading to the development of high-quality projects.

5. Enhancing the level of digitization of interconnectivity. Innovation is the key to sustain economic growth. Digital connectivity facilitates information flows and generates digital data, which are crucial for innovation and technological progress. Both China and the other Belt-and-Road countries will all benefit tremendously from jointly building the Digital Silk Road and the Innovation Silk Road.
6. Building a diversified investment and financing platform for the BRI in line with the high-standard practice of the international capital market. China has accumulated valuable experience in successful projects, such as the BOT approach adopted for the construction of power plants in Pakistan and the participation of cartels in the operation of these projects. Multilateral and national financial institutions should be welcomed to participate in jointly financing the BRI projects. Cooperation in the third-party market should be encouraged to achieve shared benefits among the multiple participating parties.
7. Establishing an open and transparent mechanism for releasing information on project construction. According to a research report jointly by KPMG, National Development and Reform Commission, and China International Contractors Association (KPMG et al., 2019) the main challenge facing national infrastructure projects in the BRI is the perceived lack of opportunities for financially viable, risk-controlled, reasonably priced and profitable projects by investors. To address this issue, governments, enterprises, international multilateral organizations, and professional institutions evolved in the BRI need to cooperate to strengthen institutional capacity building, establish risk management systems, innovate and broaden financing channels, and maintain effective government-enterprise cooperation platforms to promote financing and implementation of the BRI projects, so as to build a platform that can help attract international private capital to participate in infrastructure construction and operation in Belt-and-Road countries. It is important for China's policy makers to incorporate these recommendations and introduce specific policies.
8. Introducing reputable third-party organizations to participate in the evaluation of debt sustainability of the countries where BRI projects are built. Since 2017, finance ministries of 28 countries (including China) have endorsed the *Guiding Principles on Financing the Development of the Belt and Road*, which aims to work together to build a long-term, stable, sustainable financing system that is well-placed to manage debt risks. On April 25, 2019, China's Ministry of Finance officially released the *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative*, which is formulated on the IMF/World Bank Debt Sustainability Framework for Low Income Countries, as well as the national conditions and development stages of BRI countries (Ministry of Finance, 2019). The financial institutions of China and other BRI countries are encouraged to use this framework to conduct debt sustainability analysis and manage debt risks according to the risk rating results, as an important reference for lending decisions. The introduction of the third-party assessment by reputable financial institutions into this procedure will make the debt sustainability assessment more credible so as to effectively dispel the false accusation that the BRI would lead to a "debt trap."
9. Establishing a coordinating organization to form a pluralistic and interactive mechanism for humanistic exchange. There have been a wide range of humanistic exchanges between China and other Belt-and-Road countries, but little coordinating mechanism has been there. China's educational institutions have taken the lead in humanistic exchanges with the BRI countries. For example, Xiamen University at Kuala Lumpur has set a precedent for Chinese universities to set up overseas branches. China's Renmin University set up a Sino-French Institute in Suzhou. If China establishes a coordinating mechanism for humanistic exchanges with the Belt-and-Road countries, such exchange programs will form a

multifaceted synergy and better match the demand of high-quality development for the BRI.

10. Strengthening the soft power of the BRI. Soft power is an important booster for jointly building the BRI. China needs to make more efforts to conduct theoretical research on the BRI, communicate to the public about the vision and concepts of the BRI, and disseminate and explain the global-public-good nature of the BRI. The CPC's propaganda department should make an easy-to-read booklet, *Face to Face with the BRI*, to educate the public why China launches the BRI, why the BRI can be a win-win cooperation for all participating countries, what role China plays in jointly building the BRI, and what businesses, workers, consumers and general public can benefit from building the BRI. Readings like such a booklet should be disseminated to all those involved in the BRI construction, enabling them to tell the story of BRI from a global perspective. Meanwhile, the Party and the government should encourage think tanks and research institutions to solicit ideas and suggestions from the public for improving government's BRI programs and policies.

## 5 | CONCLUSIONS

In this paper, we present a general theoretical framework for understanding the BRI by sense of economics. Through a review of the initiative's official connotation and main achievements since its inception, we identify the existence of a potential match between supply and demand in jointly building the BRI to be the foremost necessary condition for win-win cooperation for participating countries. We demonstrate several features of China's contemporary economic structure, which engender huge potential of supply that matches the massive demand of developing countries along Belt and Road for infrastructure development. To turn this potential into reality, it is necessary to meet a series of sufficient conditions to create and maintain virtuous interactions between China and the other Belt-and-Road countries through practical and effective action plans and policies. This is the key to understand why the BRI may work, and how it can gain support from the general public and the international community (Zhou, 2021).

### AUTHOR CONTRIBUTIONS

**Yongjun Chen:** Conceptualization, methodology, supervision, writing—review and editing, project administration, and funding acquisition. **Chenglong Guo:** Data curation, formal analysis, investigation, resources, validation, visualization, and writing—original draft.

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### CONFLICT OF INTEREST

The authors declare no conflict of interest.

### ETHICS STATEMENT

Not applicable.

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