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An Analysis of the Economic and Policy Impacts of the Belt and Road Initiative on Participating Countries: A Case Study of Pakistan, Djibouti, and Sri Lanka

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Abstract: The project, which the Chinese Government calls BRI, was launched in 2013 to promote global connectivity alongside economic development through long-term infrastructure projects in Asia, Europe and Africa. This paper assesses how the growth of BRI has impacted several beneficiary countries through case studies in Pakistan, Djibouti and Sri Lanka. In Pakistan, CPEC stimulated economic growth by promoting infrastructure development. The port development in Djibouti was facilitated by BIS funds, transforming the city into a major trading hub. In Sri Lanka, the Hambantota port project illustrates the problems of increasing debt and political constraints. This comparison of BRI projects in different countries reveals a range of achievements, but also challenges common to the public sector, such as debt management, economic dependency and the strategic implications of foreign investment. recommendations for optimizing BRI performance include strategic planning and diverse partnerships include. This study highlights the complex dynamics of large-scale international development initiatives between states and their relevance for participating countries.

Keywords: Belt and road initiative, economic impact, infrastructure development, debt management.

1. Introduction

The Belt and Road Initiative, which China proposed in 2013, is probably the most ambitious global development strategy so far in the 21st century. The initiative aims to increase global trade and spur economic growth by investing in infrastructure projects that enhance connectivity across Asia, Europe, and Africa. Underpinned by investment in road and rail infrastructure, ports, and energy, the BRI overtly aims to reestablish a Silk Road for the modern world, one that will help achieve economic integration, ensue regional development, and deepen international relations.

While the BRI has consolidated, the fitful pace of its progress among the participating countries is determined by their individual economic and strategic preoccupations. This paper examines three specific case studies-Pakistan, Djibouti, and Sri Lanka-that bring forth various outputs of BRI projects and their implications in a wider perspective.

In Pakistan, the CPEC is now the cornerstone of BRI within South Asia. Basically, CPEC refers to a set of infrastructure projects aiming toward the improvement of trade routes, enhancement of

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transportation networks, and stimulation of economic activities of Pakistan. The project is likely to remain critical in transforming the economic scenario of Pakistan, having impacts on all possible subjects encompassing job opportunities, regional development, and bilateral relations with China.

It is also positioned on the Horn of Africa, an emerging international trade center, under the patronage of its BRI port development projects. Enhancements in Djiboutian ports and logistics infrastructure have transformed this country into an important node in global trade networks by improving economic prospects and enhancing geopolitical significance.

The Hambantota Port project in Sri Lanka provides an important case study on the economic and policy implications of large-scale BRI investments at a national level. Taking into consideration that most of the infrastructure of the Hambantota Port was highly funded by Chinese investment, it gives insight into the opportunities and challenges presented by such projects that can impact national economic growth, the level of debt, and policy independence.

This paper will, therefore, present in detail the case studies of such analysis, which evaluate how the implementation and consequences of BRI projects have affected economic growth, employment, regional development, and international relations. The paper carries out a cross-comparison between the experiences of Pakistan, Djibouti, and Sri Lanka to tease out common themes and divergent outcomes that together present both successes and challenges for countries engaging with the BRI. The review will also analyze broader lessons and strategies for the maximum benefits of BRI involvement while mitigating risks.

2. China Pakistan Economy

The China-Pakistan Economic Corridor is one of the flagship projects under the Belt and Road Initiative by China, which began in 2013. It is symbolic of an ambitious infrastructure and development project meant to enhance connectivity between China and Pakistan, covering major investments in roadways, railways, energy projects, and in the development of Gwadar Port and Karakoram Highway. Emphasizes that CPEC primary aim is to facilitate trade and economic growth through significant improvements in infrastructure connectivity and logistical efficiency) [1].

The economic impact of CPEC on Pakistan has been substantial. The development of critical infrastructure under this initiative is expected to significantly boost Pakistan's economic growth by reducing transportation costs and improving trade efficiency. note that these investments are particularly crucial for addressing Pakistan’s persistent energy shortages and supporting industrial expansion [2]. This increased connectivity is apt to unleash new economic opportunities and fire further industrial growth, attracting a lot of foreign direct investment that would help reshape the economic profile of Pakistan and, in the process, give it a quantum jump in the comity of world economies.

Infrastructure projects, comprising the construction of highways, railways, and power plants associated with CPEC, are expected to play a key role in reducing the cost of doing business in Pakistan. Improved infrastructure can lead to more efficient supply chains and reduced operational costs for businesses, contributing to overall economic growth [3]. By streamlining transportation and logistics, CPEC aims to create a more conducive environment for trade and investment.

CPEC has also had a significant impact on employment in Pakistan. The construction and operational phases of various projects have led to substantial job creation. The construction and operational phases of these projects have provided direct employment to thousands of workers and indirect employment through supply chains and related services [4]. This is especially the case for labor-intensive projects such as infrastructure development and energy, which highly demand jobs both in direct and indirect manners. Besides, the SEZs to be developed under CPEC will provide still better opportunities by attracting new enterprises and encouraging industry activities.

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The impact of CPEC extends to regional development, particularly in less developed areas such as Balochistan and Khyber Pakhtunkhwa. The improvement in infrastructure and the creation of economic zones are designed to promote balanced regional development, reduce economic disparities, and stimulate local economies [5]. CPEC aims to achieve regional balance through infrastructure improvement and new economic opportunities, which, in turn, would lead to a reduction of regional imbalances and thus present inclusive economic development. It is also planned to make a stimulant for the locals in these places, improving access to the markets and adding value in their socio-economic development.

Role in strengthening China-Pakistan relations. The initiative has reinforced bilateral relations by enhancing economic cooperation and creating opportunities for collaboration in other areas such as security and technology [6].

The successful implementation of CPEC projects is likely to deepen the strategic partnership between China and Pakistan, fostering closer economic and political ties. This strengthened relationship is expected to contribute to regional stability and create new avenues for cooperation in various sectors.

Despite its considerable benefits, CPEC faces several challenges. These include concerns over debt sustainability, project delays, and geopolitical tensions. The large-scale investments and loans associated with CPEC have raised questions about Pakistan's ability to manage debt and ensure the long-term viability of the projects [7]. Highlight that the substantial loans and investments required for CPEC projects have led to concerns about debt burdens and financial sustainability. Delays in project implementation and geopolitical factors may impact the overall success of CPEC. These challenges be crucial for ensuring the continued success and equitable distribution of benefits from CPEC.

Future outlooks for CPEC will depend on effective project management, transparent governance, and strategic planning. Ensuring that the benefits of CPEC are widely distributed and addressing the socio-economic challenges associated with project implementation will be key to maximizing its long-term impact [8]. The ability to manage debt effectively, overcome logistical and administrative hurdles, and achieve balanced regional development will determine the future success of CPEC and its contributions to Pakistan's economic growth and development.

3. Evolution of Djibouti as an International Trade Hub

Djibouti has rapidly emerged as a significant international trade hub, largely due to its strategic location at the crossroads of major shipping routes connecting the Red Sea to the Indian Ocean. This transformation has been heavily influenced by infrastructure development projects under China's Belt and Road Initiative (BRI), which aim to enhance global trade connectivity.

3.1. Strategic Location and Infrastructure Development

Djibouti's geographical location is crucial for international shipping. This is because it is adjacent to the Bab el-Mandeb Strait, one of the busiest maritime hubs in the world. This favorable location makes it a prime candidate for development projects to improve trade routes. The development of the Port of Djibouti is a key part of this development, with Chinese investment playing a role in financing it. The expansion and modernization of Djibouti's port facilities have significantly enhanced its capacity to handle large volumes of cargo, positioning it as a key player in global trade [9].

The construction of new port facilities, such as the Doraleh Container Terminal, has played a crucial role in transforming Djibouti into a major maritime hub. The Doraleh Container Terminal, with its advanced handling capabilities, has increased the port's throughput and efficiency, attracted

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international shipping lines and boosted trade volumes [10]. This development has been instrumental in enhancing Djibouti's role in regional and global trade networks.

4. Economic Impact and Regional Integration

This transformation of Djibouti into a trade hub has brought immense economic impacts. Increased port capacity and efficiency translate an increase in the volume of trade, hence contributing to economic growth and development. Djibouti's port expansion has stimulated economic activities not only within the country but also in the surrounding regions, facilitating cross-border trade and regional economic integration [11]. The improved trade infrastructure has created numerous job opportunities and supported local businesses through increased trade activities.

Further, Djibouti plays its role as a trade hub, hence increasing its integration in regional economic networks. The port is important for landlocked neighboring countries, like Ethiopia, who use the facilities in Djibouti for their imports and exports. Djibouti's strategic location and port facilities have made it an essential gateway for landlocked countries in the Horn of Africa, fostering regional trade and economic cooperation [12].

4.1. Challenges and Future Prospects

While these achievements have been made, there is still much to be done in Djibouti's quest to become a global trade hub. In this regard, issues such as addressing political instability, regional security concerns, and environmental sustainability will be paramount to ensuring that its long-term trade infrastructure thrives. While the development of port facilities has brought significant benefits, Djibouti must navigate geopolitical tensions and environmental challenges to maintain its competitive edge and sustain growth [13].

Further development of Djibouti in future years will be pegged on how well the country meets challenges while promoting strategic advantages. The investments in infrastructure will go hand in glove with political stability and environmental concerns to sustain and grow the role of the country as a hub for global trade.

4.2. Economic and Policy Impact of Hambantota Port on Sri Lanka

The Hambantota Port project in BRI has turned out to be one of the best examples of demonstrating the impact huge infrastructure investments have on the economy as well as the general policy landscape of a nation. This port is developed in the southern part of Sri Lanka, using major investment from China; hence, it has been a prime focus of discussions on economic benefits, policy implications, and impacts on Sri Lanka's economy at large. The Hambantota Port was envisioned as major economic driver for Sri Lanka, aimed at boosting the country's maritime trade and economic growth. The economic impact has been mixed. The port has the potential to enhance Sri Lanka's status as a key maritime hub due to its strategic location along major shipping routes. The Hambantota Port's development is expected to increase trade volume and attract international shipping lines, which could potentially boost Sri Lanka's overall trade performance [14]. On the other hand, the port's actual economic impact has faced challenges. The port has struggled with low operational volumes and financial sustainability issues. Despite the ambitious plans, the Hambantota Port has faced difficulties in attracting sufficient commercial traffic, leading to concerns about its profitability and return on investment [15]. The high operational costs and lower-than-expected throughput have raised questions about the port's economic viability.

The Hambantota Port project had big financial issues attached to it. It was mainly financed by loans from Chinese institutions, which raises a host of questions about debt sustainability. The substantial debt incurred for the port's development has heightened concerns about Sri Lanka's debt levels and the potential long-term economic implications of such financial commitments [16]. The high debt service obligations have strained Sri Lanka's fiscal resources and raised questions about the long-term economic benefits of the project relative to its financial costs. In 2017, Sri Lanka leased the Hambantota Port to a Chinese company for 99 years as part of a debt restructuring agreement. This move was intended to address the financial difficulties associated the port but has also sparked debate about sovereignty and control. The lease agreement has been a point of contention, with critics arguing that it compromises national sovereignty and raises concerns about the long-term strategic implications of foreign control over critical infrastructure [17]. The Hambantota Port project has had significant policy implications for Sri Lanka. The port's development has influenced the country's foreign policy and economic strategies, particularly in relation to China. The Hambantota Port project has deepened Sri Lanka's economic ties with China, leading to increased Chinese influence in Sri Lankan domestic and foreign policy [18]. The project has prompted Sri Lanka to navigate complex geopolitical dynamics, balancing its relationship with China while managing domestic concerns about debt and economic impact.

Additionally, the Hambantota Port has highlighted the need for improved project planning and risk management in large-scale infrastructure projects. The challenges faced by the Hambantota Port underscore the importance of thorough feasibility studies, realistic financial projections, and effective risk management strategies in the planning and execution of major infrastructure projects [19].The lessons learned from this project may inform future infrastructure investments and policy decisions in Sri Lanka and other countries. The future of the Hambantota Port will depend on its ability to overcome current challenges and realize its potential as a key trade and economic hub. Addressing operational inefficiencies, improving financial management, and maximizing the port's strategic advantages will be crucial for enhancing its economic impact and ensuring long-term success. With effective management and strategic planning, the Hambantota Port could still play a significant role in Sri Lanka's economic development and regional trade dynamics. Cross-National Comparison of Economic and Policy Changes [8].

So far, the BRI has been affecting several participant countries on different significant aspects, including in Pakistan, Djibouti, and Sri Lanka. This inter-country comparison undertakes an assessment of changes in economic and policy aspects these countries have gone through as a result of participation in BRI, underpinning both similarities and differences in experiences and results. In Pakistan, the China-Pakistan Economic Corridor (CPEC) has been a major driver of infrastructure development, leading to improvements in transportation and energy sectors. The development of infrastructure under CPEC has contributed to increased economic growth and regional integration in Pakistan [20]. However, Pakistan also faces significant challenges related to debt sustainability and project management. Djibouti is looking to capitalize on its geographic location to develop its port facilities to further cement its role in modern international trade. The recent modernization of the Dorale Container Terminal has significantly boosted Djibouti's trade volume and regional importance. The modernization of port infrastructure has positioned Djibouti as a pivotal player in global trade networks [10]. Yet, Djibouti contends with political and environmental challenges that impact its economic gains.

Sri Lanka's Hambantota Port project, while intended to be a major economic catalyst, has encountered difficulties. The project has struggled with low operational volumes and high financial burdens. The Hambantota Port has faced difficulties in attracting sufficient commercial traffic, leading to concerns about its profitability and return on investment [15]. The financial challenges have been exacerbated by a lease agreement with a Chinese company, raising issues of sovereignty and financial control. A general trend in these countries is to look to infrastructure development as another means of stimulating economic growth. Significant investments have been made to facilitate connectivity and trade in these countries, with mixed results. Infrastructure projects under the BRI

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are designed to stimulate economic activity and integrate regional markets [20]. Despite these investments, Pakistan and Sri Lanka face significant debt-related challenges, with Sri Lanka's Hambantota Port lease highlighting concerns about national sovereignty and control.

The policy implications of BRI projects extend beyond economic effects, influencing geopolitical dynamics and national strategies. In Sri Lanka, the Hambantota Port lease has sparked debates about the impact of foreign investments on national autonomy. The lease agreement has been a point of contention, reflecting broader concerns about the impact of foreign investments on national autonomy [21]. Pakistan and Djibouti also navigate complex geopolitical and policy adjustments in response to their BRI projects. Regional integration is another notable impact, with Djibouti enhancing its role as a trade gateway for neighboring landlocked countries, while Pakistan's CPEC aims to improve regional connectivity. Djibouti's port infrastructure supports broader regional economic integration, benefiting neighboring economies [22]. Sri Lanka's port developments aim to bolster maritime trade routes, although the financial sustainability of such projects remains a concern.

In short, the economic and policy impacts of BRI projects in Pakistan, Djibouti, and Sri Lanka, among other participating countries, share certain similarities, but also face challenges unique to each. While infrastructure investments have indeed spurred economic growth and regional integration, there is a common set of challenges related to debt sustainability, financial management, and policy implications. Each country's experience underscores that careful planning, risk management, and alignment with national interests are essential to ensure maximum benefits from BRI investments.

5. Conclusion

The Belt and Road Initiative is a driving force that is changing the economic landscape of countries where infrastructure development and strategic investments are taking place. Numerous case studies from countries such as Pakistan, Djibouti and Sri Lanka demonstrate the transformative role of the Belt and Road Initiative in improving connectivity, jump-starting economic growth and changing geopolitical dynamics. Similarly, while the CPEC project has brought many benefits to Pakistan, including infrastructure development, job creation, and regional development, it has also brought challenges of debt sustainability and geopolitical tensions. Djibouti's location at the crossroads of three continents - Asia, Europe and Africa - has made it an important hub for global trade networks. The modernization projects introduced in its ports have been a major economic success, but the drawbacks in terms of political stability and environmental sustainability remain. Sri Lanka's Hambantota port best illustrates the interplay between economic benefits and their political consequences, particularly with the risks posed by high debt levels and weakened national sovereignty. The impact of the BRI in these different countries tells a common story of economic opportunities hampered by issues of fiscal governance and strategic autonomy. The country experiences highlight the need for careful planning, robust risk management and a strategic approach.

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