Since its introduction by Chinese President Xi Jinping in 2013, the "one belt, one road" initiative – an ambitious plan to revitalize the ancient Silk Road overland and maritime trade routes linking East and West – has attracted considerable attention. And for good reason: The project, which involves more than 60 countries and quite a few international organizations, implies unprecedented opportunities – and challenges. The original Silk Road, established more than 2,000 years ago, was a critical network of trade routes that promoted economic, political, and cultural exchange among Asia, Africa, and Europe. China's new "Silk Road Economic Belt" and "Twenty-First Century Maritime Silk Road" will do the same, with newly built or upgraded infrastructure facilitating the flow of trade, investment, culture, and ideas – and thus supporting shared economic growth.

From China's perspective, the logic behind the strategy is clear. With its sources of GDP growth coming under increasing strain, China must continue to make progress in opening up the economy. That means building mutually beneficial relationships with neighboring countries, which can benefit by taking over some of China's lower-value-added activities. That promises to boost their own growth while creating space for the Chinese economy to move up the value chain, where productivity and wages – important determinants of consumption – are higher.
China has already laid the groundwork for these relationships, strengthening economic cooperation and trade with countries along the "belt and road." It has also spearheaded the creation of multilateral institutions – notably, the Asian Infrastructure Investment Bank – to support the investment projects.
China's comparative advantages, including a global financial center in Hong Kong and a regional financial center in Shanghai, reinforce its leadership role. Add to that the recent surge in fast-growing, innovative companies – such as Huawei, Alibaba, and Wanda – and China is well placed to implement Xi's ambitious vision.
But it will not be smooth sailing. Like any cross-border initiative, the "one belt, one road" initiative will require wise diplomacy to manage

relationships with diverse countries and careful planning to scale up effectively.
Each country along the "belt and road" faces a unique combination of risks and challenges. Many face macroeconomic risks, owing to exchange-rate volatility, large debt burdens, and non-diversified, unsustainable economic structures. On the microeconomic level, risks include, for example, weak banking sectors.
Governance failures, ranging from corruption to inefficient implementation of reforms, also pose a serious challenge, as do social and political tensions (and, in some areas, the threat of terrorism). And one must not forget the ever-present risk of natural disasters, exacerbated by climate change.
Then there are the complex and varied laws, rules, and regulations shaping the business environment in each country. Of course, it is virtually impossible for Chinese enterprises to understand fully each environment before entering it. But any violation could put a company's entire operation and investment at risk.
The challenges may be complex, but the formula for navigating them is simple. First and foremost, there can be no corruption, which would not only hurt the "one belt, one road" initiative, but would also undermine China's ability to pursue other cross-border initiatives in the future. Second, no infrastructure project should be pursued without careful consideration of both its financial costs and benefits and its ecological impact, such as air pollution and destruction of ecosystems. Finally, all projects must be transparent and include effective checks and balances.
To reinforce this approach, the provision of financing for "belt and road" projects must adhere strictly to market rules. Given the scale of most investments, project finance – which is based on projected cash flows, rather than its sponsors' balance sheets – will prove highly useful, as will effective risk-sharing mechanisms.
Furthermore, sponsors should look beyond a project's construction to the achievement of its long-term objectives, such as ensuring profitability and managing its lasting impact on the local community and the

environment. Consultants, lawyers, auditors, NGOs, and other entities with international experience can play a vital role in all of these efforts. There are also practical steps that can be taken to mitigate specific risks. For example, to minimize the risks associated with operating in an unfamiliar regulatory and legislative environment, businesses should establish links in advance with a local entity to guide their activities.

China, as the leading promoter of the "one belt, one road" initiative, must take steps to ensure that businesses act responsibly. The central government will have to regulate and coordinate sub-national governments effectively, while working to ensure that competition is fair and constructive. At the same time, China should implement a well-designed training program that provides officials at all levels of government and entrepreneurs with basic information about operating abroad. And it should do more to spur the involvement of Hong Kong – which possesses major advantages in finance and logistics, information accessibility, talent recruitment, and implementation of the rule of law – in the initiative. Last but not the least, the central government needs to strengthen the guidance of crisis management and exit strategies. Realizing the "one belt, one road" initiative will not be easy. But China has all of the tools it needs to succeed. As long as it uses them in a way that is clean, green, and transparent, China and its neighbors will reap vast rewards.