

CHINA'S BELT & ROAD INITIATIVE: VISION VS. IMPLEMENTATION

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BRI and China's vision

- * WHAT: China's new international development strategy that will connect China to the larger Asian region as well as Europe and Africa through connectivity of
 - * Policy (policy coordination)
 - * Facilities (infrastructure)
 - * Trade (markets)
 - * Finance (investments, loans, grants, AIIB)
 - * People (social, cultural links)
- * One Road One Belt
 - * Silk Road Economic Belt (China, Central Asia, Russia, Europe)
 - * 21st century Maritime Silk Road (eastern China, South China Sea, Indian Ocean, Mediterranean, North Africa, Europe) + (SCS-South Pacific and China-Europe via Arctic)
- * 6 Economic Corridors
- * 65 countries & 3 intl orgs, 4.4 billion people, \$21 trillion trade

Who?

Region	Country	Land area (sq. km thousand, 2014)	Population (million, 2014)	GDP (current US\$ billion, 2014)	Household consumption (current US\$ billion, 2013)
East Asia	China	9,388.2	1,364.3	10,354.8	3,424.7
	Mongolia	1,553.6	2.9	12.0	7.0
Southeast Asia	Brunei	5.3	0.4	17.1	3.6
	Cambodia	176.5	15.3	16.8	12.0
	Indonesia	1,811.6	254.5	888.5	521.6
	Laos	230.8	6.7	12.0	7.3
	Malaysia	328.6	29.9	338.1	167.5
	Myanmar	653.1	53.4	64.3	N/A
	Philippines	298.2	99.1	284.8	199.4
	Singapore	0.7	5.5	307.9	110.8
	Timor-Leste	14.9	1.2	1.4	1.1
	Thailand	510.9	67.7	404.8	218.7
	Vietnam	310.1	90.7	186.2	112.1
South Asia	Afghanistan	652.9	31.6	20.0	16.4
	Bangladesh	130.2	159.1	172.9	109.3
	Bhutan	38.1	0.8	2.0	1.1
	India	2,973.2	1,295.3	2,048.5	1,111.3
	Maldives	0.3	0.4	3.1	N/A
	Nepal	143.4	28.2	19.8	15.1
	Pakistan	770.9	185.0	243.6	186.7
	Sri Lanka	62.7	20.6	78.8	N/A
Central Asia	Kazakhstan	2,699.7	17.3	217.9	117.5
	Kyrgyzstan	191.8	5.8	7.4	7.1
	Tajikistan	140.0	8.3	9.2	9.5
	Turkmenistan	469.9	5.3	47.9	N/A
	Uzbekistan	425.4	30.8	62.6	21.6

Region	Country	Land area (sq.km thousand, 2014)	Population (million, 2014)	GDP (current US\$ billion, 2014)	Household consumption (current US\$ billion, 2013)
Europe	Albania	27.4	2.9	13.2	10.0
	Armenia	28.5	3.0	11.6	9.7
	Azerbaijan	82.7	9.5	75.2	30.8
	Belarus	202.9	9.5	76.1	36.3
	Bosnia and Herzegovina	51.2	3.8	18.3	15.3
	Bulgaria	108.6	7.2	56.7	34.8
	Czech	77.2	10.5	205.3	103.7
	Croatia	56.0	4.2	57.1	34.9
	Estonia	42.4	1.3	26.5	12.9
	Georgia	69.5	4.5	16.5	11.5
	Hungary	90.5	9.9	138.3	70.3
	Latvia	62.2	2.0	31.3	18.6
	Lithuania	62.7	2.9	48.4	29.2
	Macedonia	25.2	2.1	11.3	7.7
	Moldova	32.9	3.6	8.0	7.4
	Montenegro	13.5	0.6	4.6	3.6
	Poland	306.2	38.0	545.0	319.1
	Romania	230.0	19.9	199.0	118.7
	Russia	16,376.9	143.8	1,860.6	1,097.4
	Serbia	87.5	7.1	43.9	34.3
	Slovakia	48.1	5.4	100.2	55.5
Slovenia	20.1	2.1	49.5	26.2	
Turkey	769.6	75.9	798.4	582.9	
Ukraine	579.3	45.4	131.8	130.6	
B&R countries total		49,901.2	4,521.4	23,319.9	10,404.0
Share of B&R countries in world total		38.5%	62.3%	30.0%	24.0%

Source: World Bank database, accessed on 27 January 2016, compiled by the Fung Business Intelligence Centre. The countries are grouped based on World Bank's classification by region.

WHY:

* Economic

- * Put excess production capacity and funds to profitable use
- * Help develop Western part of China
- * Access to markets and resources
- * Fresh impetus to globalization and open economy in the face of growing protectionism and deglobalization

* Political

- * Shore up domestic support for Xi Jinping (amid anti-corruption drive and slowing economy)
- * Platform for China to take leadership in the provision of global public goods
- * Counter to China Threat Theory

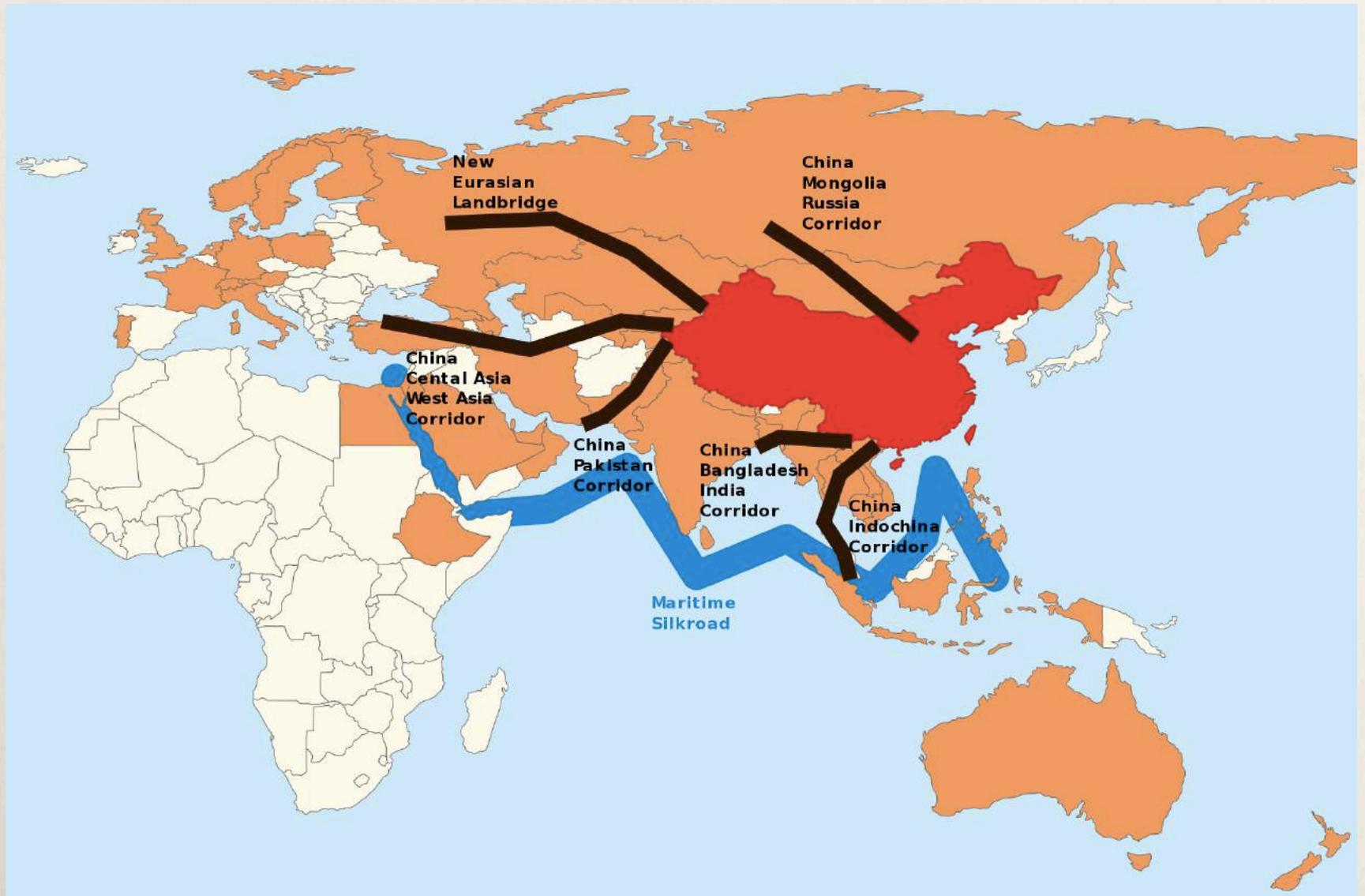
* Strategic

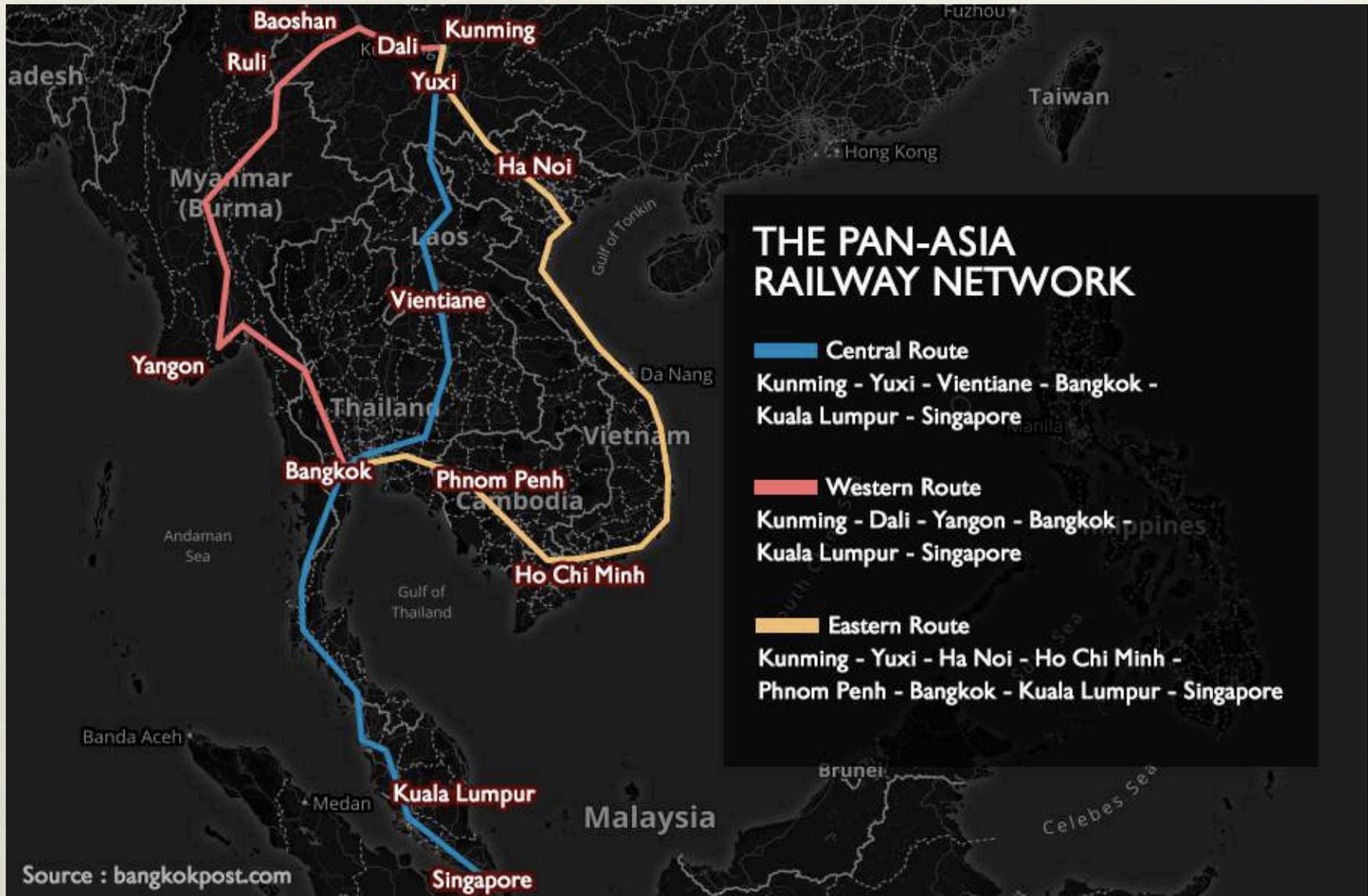
- * Avoid Malacca dilemma; make the South China Sea irrelevant in developing transport and trading links in the region
- * Access to ports and airports reduces need for overseas air and naval bases
- * Compete with US influence and counter its perceived containment efforts against China

* HOW:

- * \$900 billion in the next five years, mainly for infrastructure development (12 x the size of Marshall Plan)
- * Financing through AIIB, Ex-Im Bank of China, Bank of China, Silk Road Fund
- * “Win-Win” approach, “inclusive”, “consultative”
- * Docking of pre-existing bilateral projects
- * Bilateral implementation mode also described as economic “hub-and-spokes”, “center-periphery”
- * Promoting participation of Chinese enterprises
- * Multi-level, multi-stakeholder (including local governments, NGOs, think tanks)







Responses

- * Support
 - * 29 heads of state and government at Belt and Road Forum in Beijing (May 2017)
- * Qualified support
 - * Japan's Abe: "It has potential. We hope the initiative will contribute to regional and global peace and prosperity by adopting ideas held by all in the international community. We want to cooperate in that respect."
- * No support (thus far)
 - * India (boycotted BRF, in part due to China-Pakistan Economic Corridor)
 - * United States (but some interest by private sector and analysts)

Potential Benefits	Hypothetical Costs/risks
Financing for infrastructure	Debt trap, corruption, unfavorable terms; may open or spin off to unintended areas
Technology	Incompatible systems
Access to China market	Lack of capacity to absorb demand from China (e.g. agri products) may lead to distortions and imbalances
Connectivity with other countries	
Reduce dependence on certain donors	Increased economic dependence on China
Development of ports and airports, energy	Security vulnerability
Improved political ties with China	Support for Chinese geopolitical position and “grand strategy”

Implementation issues

(host country perspective)

- * Debt trap; (e.g. Myanmar, Sri Lanka, Pakistan)
- * Will projects generate enough income and benefit to provide for repayment of debts over time? (e.g. Laos, Cambodia)
 - * White elephants (Rajapaksa airport in Sri Lanka)
- * Win-win, but will China benefit more even if both sides pay for the costs?
- * China's apparent unwillingness to concede on costs, interest rates, and land rights shows emphasis on profits rather than political and geostrategic gains

- * Bilateral approach not necessarily most efficient for connectivity, (e.g. Thailand-Laos railway, Singapore-Kunming Railway)
- * Compensation for people that need to be moved for infra projects
- * Employment: will Chinese labor get the jobs rather than host country workers?
- * Environmental implications
- * Corruption, governance issues especially with local government involvement
- * May create political pressure to speed up implementation through use of special/emergency powers

Implementation issues

(Chinese perspective)

- * Policy continuity especially when leaders change
- * Political backlash (e.g. criticism from media and civil society) that may arise from involvement in corruption
- * How to navigate through competing channels of influence, with many gatekeepers offering shortcuts
- * Bureaucratic red tape and poor understanding of legal framework
- * Security risks in conflict areas through which infrastructure will pass

Update: China's "Vision for Maritime Cooperation under the Belt and Road Initiative"

- * Priorities: “green development, ocean-based prosperity, maritime security, innovative growth, and collaborative governance”
- * Areas: port industry, ocean shipping, logistics, informatization, and human resources
- * Major routes: Fujian, Guangdong, and Guangxi Zhuang Autonomous Region
- * Maritime public services and products: maritime disaster prevention and mitigation, tsunami warning center in the South China Sea, etc...
- * “Uphold the existing international ocean order”, cooperation on maritime navigation security, non-traditional security issues such as crimes on the sea.

- * Marine resource utilization, joint surveys, inventories and banks for marine resources, technical assistance for sustainable use
- * Industrial parks for maritime sectors, economic and trade cooperation zones, marine tourism routes
- * International and regional shipping centers, pairing of sister ports and forging port alliances
- * Facilitating maritime transport, customs cooperation, mutual recognition of customs regulations, and mutual assistance in law enforcement.

Conclusion

- * BRI is a dynamic concept, its success is not predestined nor inevitable
- * Need for strategic policy on China (and BRI)
 - * Driven by Philippine agenda, not China's, having in mind that our geographic isolation means we are among least connected
 - * Conduct cost-benefit assessments in view of economic and security objectives (how can BRI serve both?)
 - * Identify win-win areas as well as vulnerabilities

- * Don't stay out of the game, engage but avoid bandwagoning
- * Continue to diversify sources of support in order to minimize risks of dependency on China
- * Due diligence ("eyes wide open"), uphold good governance principles
- * Learn lessons from the past
 - * NBN-ZTE, Northrail, JMSU – emphasize good governance, delink economic from pol-security relations
 - * Scarborough Shoal, Mischief Reef –need to pursue capability-building, smart diplomacy, alert defense