# An introduction to the strategic implications of the Belt and Road Initiative of China

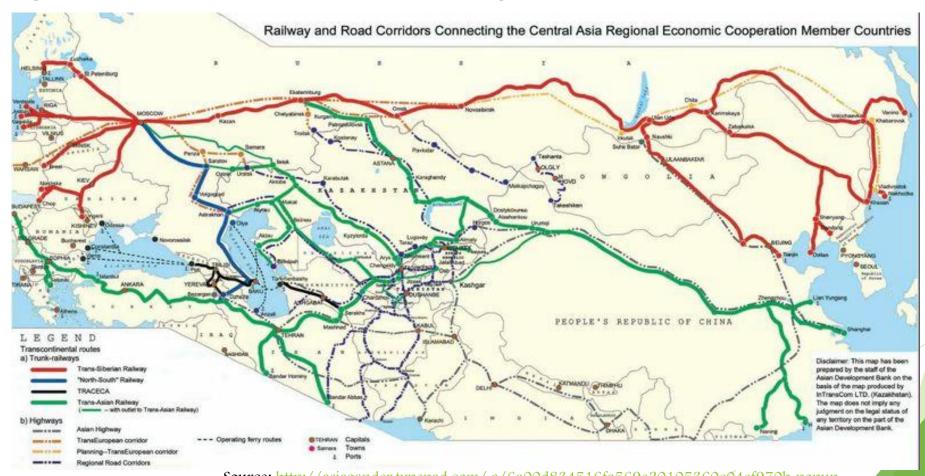
Thomas M. H. Chan,
One Belt One Road Research Institute,
Chu Hai College, Hong Kong,
January 2022

## The BRI has not been a new policy proposal by the Chinese in 2013

Historically the Afro-Eurasian trade routes have been in operation for thousand years, if not more. With the political unification of China and economic integration that promoted economic development and growth, China had become the main source of manufacturing for overseas markets in the form of silk and silk textiles. Subsequent technological and production development had made porcelain and tea the hottest Chinese products for the world market. The demand for Chinese commodities stimulated the exploration of silver to serve as international currency for import substitution and export oriented economic development of other countries in imitation of the Chinese goods and for the enormous global and regional markets created by the trading activities initiated by China.

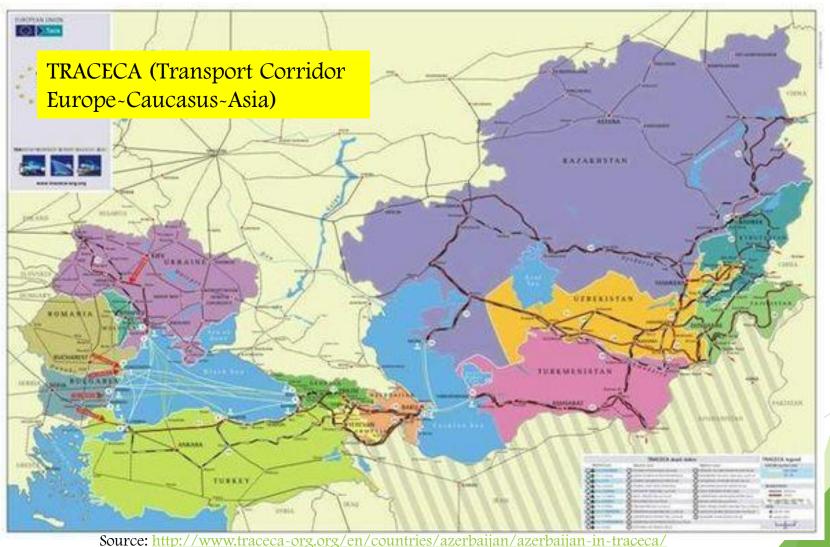
The Silk Road has been an inappropriate and inadequate term to describe the trading and production activities unleashed in the Afro-Eurasian connectivity. It has not just been about silk, nor one way trade from China, nor dominated and monopolized by China. It has rather been a multi-faceted and multi-directional connectivity and exchange of all the countries and communities along the various trade routes of the Silk Road. China might make the initiative, But the success had been a collective effort of all those involved directly or indirectly.

The Cold War had consolidated the great power struggle between Russia and Britain of the 19<sup>th</sup> century that blocked the Silk Road, but its demise in the 1990s has removed the blockade. Subsequently there have been many international attempts to revive the Silk Road. For example, the plan of the Central Asia Regional Economic Cooperation (CAREC) Program of the 1990s

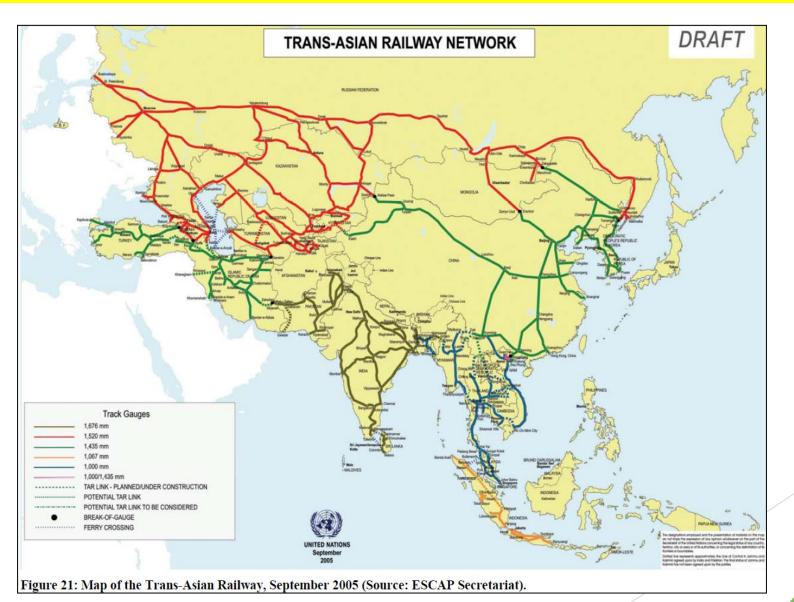


Source: http://asiagander.typepad.com/.a/6a00d834516fa569e20105360e04ef970b-popup

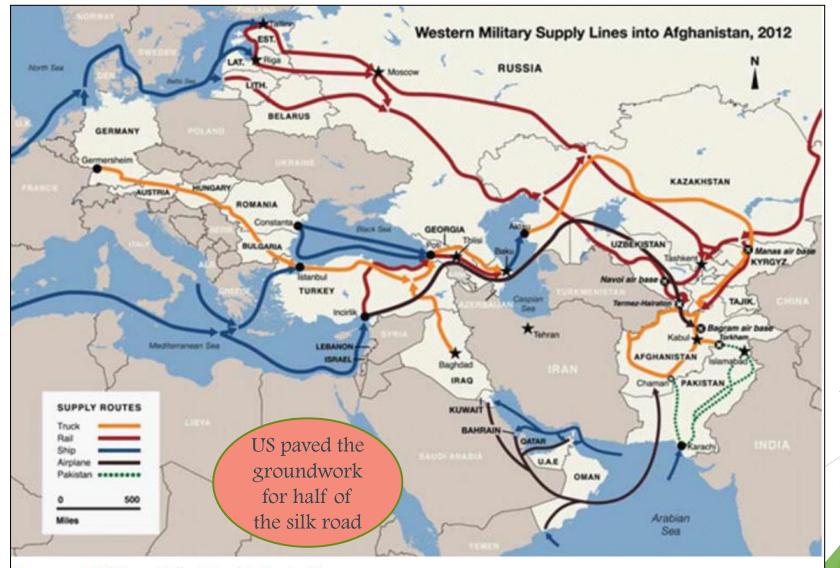
TRACECA ~ financed by the European Union and aimed at the development of the transport corridor from Europe, crossing the Black Sea, Caucasus, the Caspian Sea and reaching the Central Asian countries (first initiated in 1993 with 13 members since 2009)



# 2005 updated version of trans-Asian railway network by UNESCAP (first initiated in 1999)

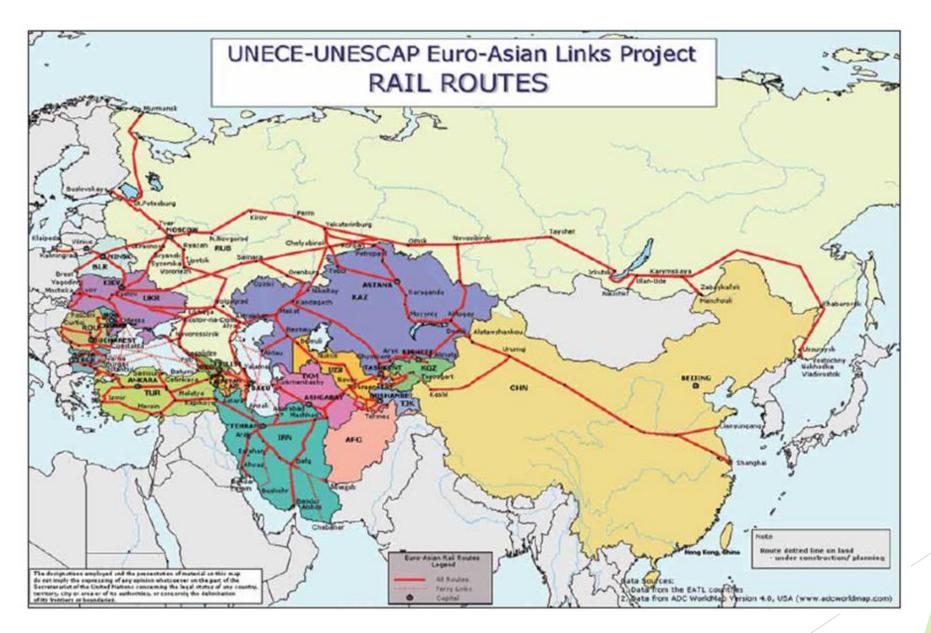


Source: Economic and Social Commission for Asia and the Pacific, *Toward an Asian Integrated Transport Network*, Monograph Series on Managing Globalization, No.1, United Nations, 2005, p.105 US military silk road – the northern distribution network and other routes of military logistics of supplies to Afghanistan since the late 2000s



Source: Graham Lee,
The New Silk Road
and the Northern
Distribution Network:
A golden road to
Central Asian Trade
Reform? Open Society
Foundation (New
York, USA),
Occasional Paper
Series, no.8, October
2012

Source: Uchikawa/Talbot Graphic Design.10



Source: ECE and ESCAP, Joint Study on Developing Europe Asia transport Links, UN, 2008

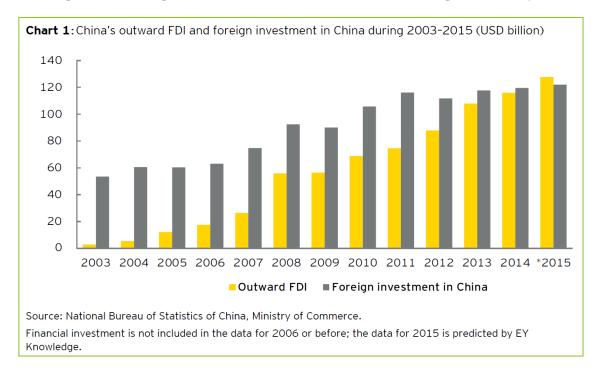
# The main difficulties for the revival of the historical Silk Road (Plans on the drawing board could not be realized)

- 1. Lack of regional and international collective efforts to coordinate and invest in the reconnecting and upgrading of the broken infrastructure neglected over centuries;
- 2. Lack of common political commitment and economic interests of countries to revive the multi-national trade routes;
- 3. Political conflicts and instability along the old routes and economic backwardness created over centuries of isolation and underdevelopment that have become almost unsurmountable obstacles to reconnection;
- 4. US unsuccessful hegemonic quest for domination of Eurasia has led to protracted wars and disturbances in Afghanistan, Iran, Iraq, Syria and other Central Asian, Caucasian and Middle East countries even after the demise of the Cold War. It has brought destruction, hostilities and capital flights instead of investment, construction and trade.
- 5. Centuries of conflicts and isolation have not been conducive to increase understanding and trust among communities and countries along the routes. Without confidence and trust and lack of effective communication, resistance has been created against any cross border cooperation and exchanges.

China comes in the right time

In the 21st Century China has been transforming itself: becoming the largest GDP (in PPP), manufacturing output, exports and foreign exchange reserve in the world and a net outward FDI

A major indicator is China has been investing outward and also shifting from fuels & minerals to other manufacturing & service sectors – exporting capital, management & technology graduating from the rank of developing country

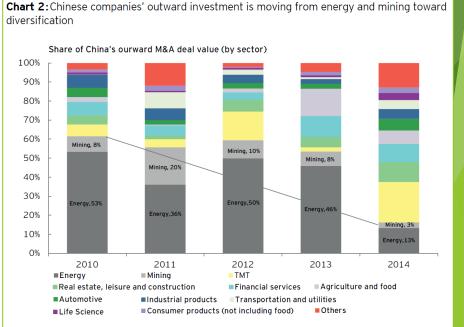


Sources: EY, *Riding the Silk Road: China Sees Outbound Investment Boom*, March 2015 & <a href="https://www.quora.com/Will-China-still-be-the-worlds-manufacturing-center-in-2030">https://www.quora.com/Will-China-still-be-the-worlds-manufacturing-center-in-2030</a>

World manufacturing ranking							
Rank	1993	2003	2013	% of world			
1	USA	USA	China	23.2			
2	Japan	Japan	USA	17.2			
3	Germany	China	Japan	7.8			
4	China	Germany	Germany	6.3			
5	France	Italy	Korea	3.1			

	2016
China	24.4%
EU 28	19.2%
North America	17.4%

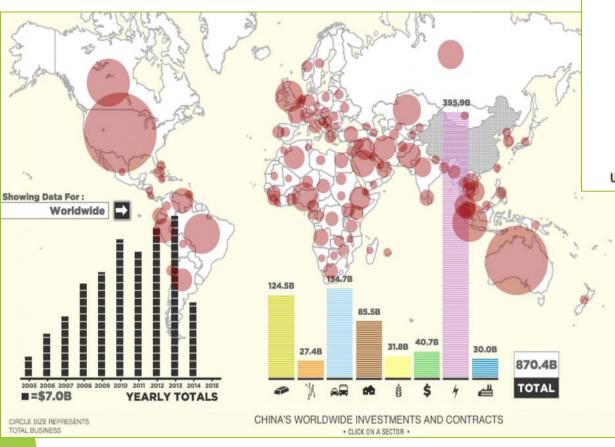
Source: UNIDO, International Yearbook of Industrial Statistics, 2017

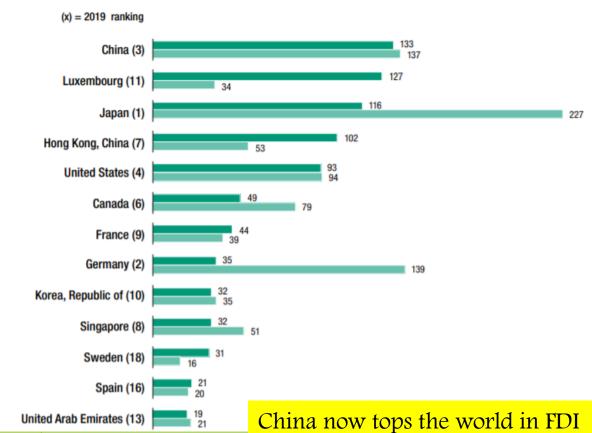


Source: MergerMarket, EY Knowledge analysis

China now accounts for one-quarter of total bank lending to emerging countries and is the largest official creditor, surpassing the World Bank or the IMF

China has become capital exporting county ~ overseas investment by end 2014





Source: Heritage Foundation, quoted in http://business.fin

http://business.fin ancialpost.com/bu siness-

insider/china-hascrossed-a-majorinvestment-

threshold-that-isgoing-to-changethe-entire-world China now tops the world in FDI outflows – figures in 2019 & 2020

Source: UNCTAD, World Investment Report, 2021.

#### China started the Belt and Road Initiative in late 2013 by President Xi

## China's Action plan on the Belt and Road Initiative

(by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, 28 March 2015)

The Silk Road Spirit - "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit"

Embraces the trend toward a multipolar world, economic globalization, cultural diversity and greater IT application, and is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation.

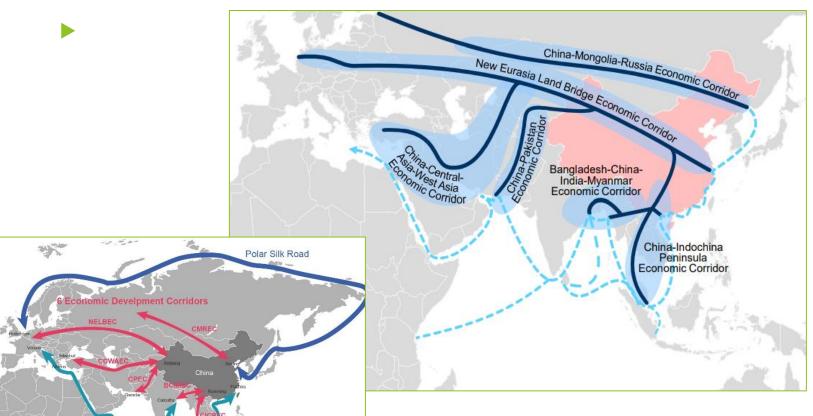
Seeks new models of international cooperation and global governance: set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries

#### 5 major goals:

- policy coordination,
- ▶ facilities connectivity,
- unimpeded trade,
- financial integration, and
- people-to-people bonds.

Make full use of existing multilateral cooperation mechanisms and attract more countries and regions to participate in the Belt and Road Initiative.

Vision for Maritime Cooperation under the Belt and Road Initiative (National Development and Reform Commission and the State Oceanic Administration, 20 June 2017) Initially there were only 6 corridors overland plus the Maritime Silk Road in 2013, but in 2018 China has added Arctic routes.





Source: Zhang Chun, China's "Arctic Silk Road", China Dialogue Ocean, 10 January 2020.

# Joint Communique of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation 27 April 2019, Beijing, China

- The ancient Silk Road contributed to the strengthening of the connectivity and the expansion of the world economy in the spirit of promoting peace and cooperation, openness, inclusiveness, equality, mutual learning and mutual benefit. We look forward to restoring and rejuvenating such spirit.
- As cooperation partners, we appreciate the progress already made and important opportunities created in the Belt and Road cooperation, especially the outcomes in areas such as development policy synergy, increased infrastructure investment, economic corridors, economic and trade cooperation zones, industrial parks, finance and trade cooperation, innovation and technology, maritime cooperation, business-to-business ties, people-to-people and cultural exchange.
- Such cooperation will be based on extensive consultation, joint efforts, shared and mutual benefits, open, green and clean and will pursue high standard, people-centered and sustainable development.

#### Economic corridors and other projects catalyzed and supported by connectivity by 2019

- ▶ (1) Addis Ababa~Djibouti economic corridor, including the development of industrial parks along the economic corridor
- (2) Agua Negra Pass International Tunnel
- ▶ (3) Baku-Tbilisi-Kars new railway line and Alyat free economic zone in Baku
- ▶ (4) Brunei-Guangxi economic corridor
- ▶ (5) China-Central Asia-West Asia economic corridor
- ► (6) China-Europe Land-Sea Express Line
- (7) China-Indochina Peninsula economic corridor, including Laos-China economic corridor
- (8) China-Kyrgyzstan-Uzbekistan International Highway
- ▶ (9) China-Laos-Thailand Railway Cooperation
- ► (10) China-Malaysia Qinzhou Industrial Park
- ▶ (11) China-Mongolia-Russia economic corridor
- ▶ (12) China-Myanmar economic corridor
- ▶ (13) China-Pakistan economic corridor
- ▶ (14) Eastern Economic Corridor in Thailand
- ▶ (15) Economic corridor in Greater Mekong Subregion
- ▶ (16) the EU Trans~European Transport Networks
- ► (17) Europe-Caucasus-Asia International Transport corridor and TransCaspian International Transport Route

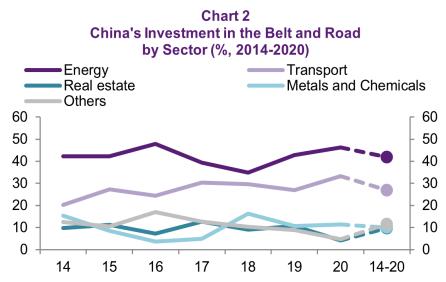
Source: Joint Communique of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation, 27 April 2019, Beijing, China

- ▶ (18) the Industrial Park "Great Stone"
- ▶ (19) International North~South Transport Corridor (INSTC)
- ▶ (20) the Lake Victoria-Mediterranean Sea Navigation Line-Linkage Project (VICMED)
- ▶ (21) the Lamu Port-South Sudan-Ethiopia Transport corridor
- (22) Malaysia~China Kuantan Industrial Park
- ▶ (23) the Nepal-China Trans-Himalayan Multi-dimensional Connectivity Network, including Nepal-China cross-border railway
- ▶ (24) New Eurasian Land Bridge
- ▶ (25) the New International Land-Sea Trade Corridor of the China- Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity
- ▶ (26) Northern Corridor Trade Route in Africa linking the maritime port of Mombasa to countries of the Great Lakes region of Africa and Trans-Africa Highway
- ▶ (27) North-South Passage Cairo-Capetown Pass-way
- (28) the Port of Piraeus
- ▶ (29) Port Sudan~Ethiopia Railway Connectivity
- (30) Regional Comprehensive economic corridors in Indonesia
- ▶ (31) the Suez Canal Economic Zone
- ▶ (32) Transcontinental shipment of cargo using the capacities of the Northern Sea Route
- ▶ (33) Transoceanic fiber optic cable
- ▶ (34) "Two Corridors and One Belt" Framework
- ▶ (35) Uzbekistan-Tajikistan-China International Highway

#### China's BRI investments

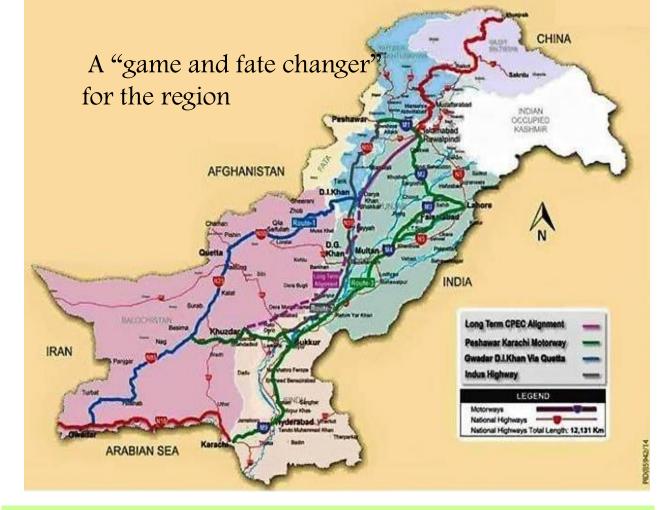
Source: Natixis, China Ministry of Commerce





Source: Natixis, American Enterprise Institute

- A report by AidData, a research lab at the College of William and Mary, found China had loaned \$843 billion to finance more than 13,000 projects to 165 countries over 18 years. Of the recipients, 42 countries carry debt to China exceeding 10 percent of GDP, including Cambodia and Laos. Most loans were tied to the BRI.
- According to the American Enterprise Institute, signed BRI contracts were worth \$46.54 billion by 2020, with ASEAN grabbing the lion's share of 36 percent.



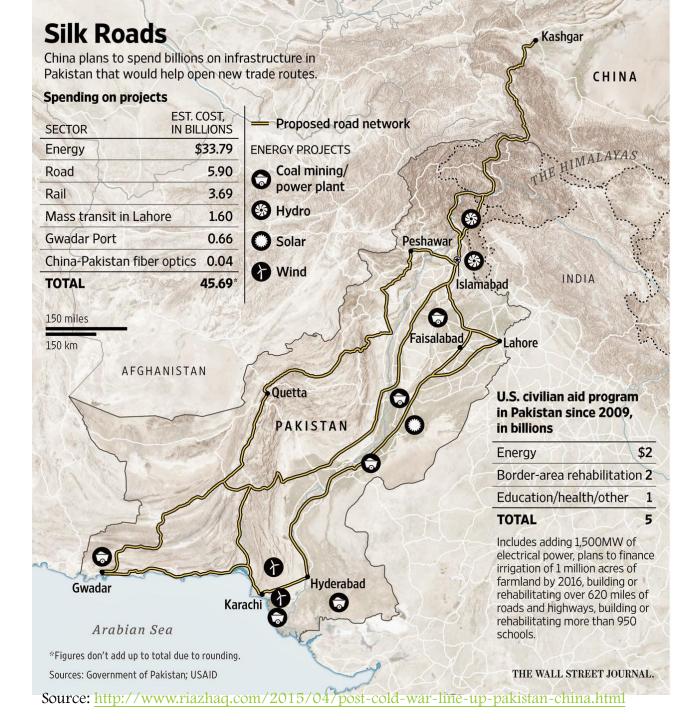
"The Chinese are not just offering to build much-needed infrastructure but also make Pakistan a key partner in its grand economic and strategic ambitions. The project will also open trade routes for Western China and provide China direct access to the resource-rich Middle East region via the Arabian Sea, bypassing longer logistical routes currently through the Strait of Malacca." from Guardian, (quoted in Lal Khan, The China Pakistan Economic Corridor, Daily Times (Pak), December 06, 2015)

The two governments of China and Pakistan have a Long Term Plan for China-Pakistan Economic Corridor (2017-2030)

Source: Saleem Shahid, China-Pakistan corridor: NP criticises centre for not taking Balochistan govt on board, *Daw*n, May 27, 2015

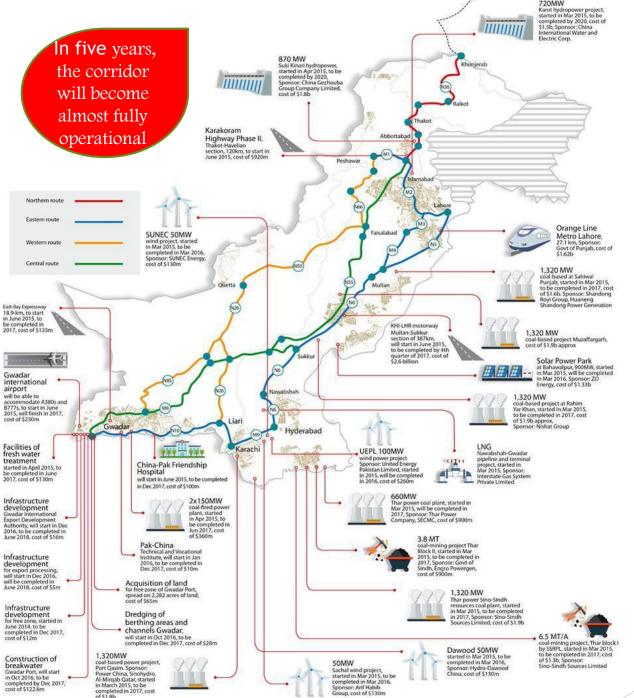


Source: Afshan Subohi, China-Pakistan corridor: Visibility of the game changer, *Dawn*, April 27, 2015



"1+4" cooperation structure with the CPEC at the center plus the Gwadar Port, transport infrastructure, energy and industrial cooperation.

breaking of 5 power projects, including Zonergy \$1.5 billion, 900 mw solar power plant, the largest plant in the world located in Bahawalpur to be completed by the end of 2016; the \$1.65 billion Karot hydropower plant, the first investment project of the Silk Road Fund; & the \$2.085-billion Port Qasim coal-fired power plant, the first started project in the energy sector under the CPEC framework, . to start operation by the end of 2017.

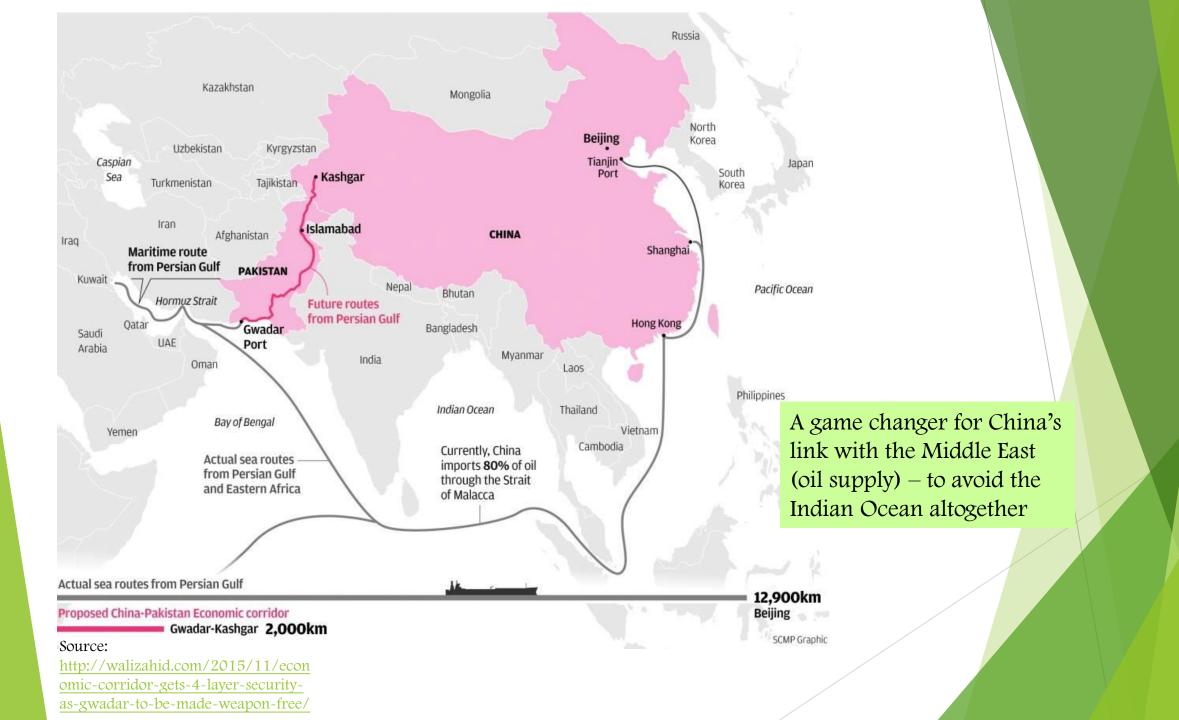


The Pakistani government has also proposed 29 industrial parks and 21 mineral economic processing zones in all four provinces.

32,000 security personnel (including over 500 Chinese) will guard over 14,321 Chinese workers engaged in some 210 small and mega projects in Pakistan.

Source: China-Pakistan Economic Corridor projects pick up pace, July 11, 2015, 28
November 2015 updated,

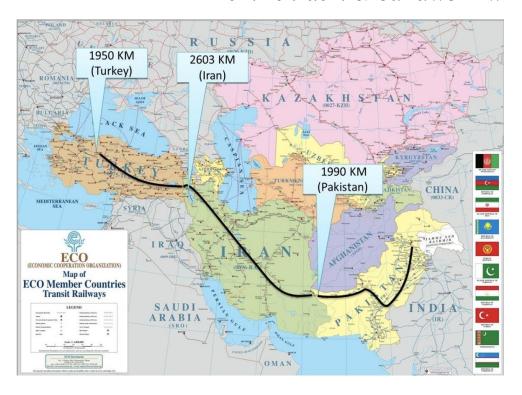
http://walizahid.com/2015/07/china-pakistan-economic-corridor projects-pickup-pace/



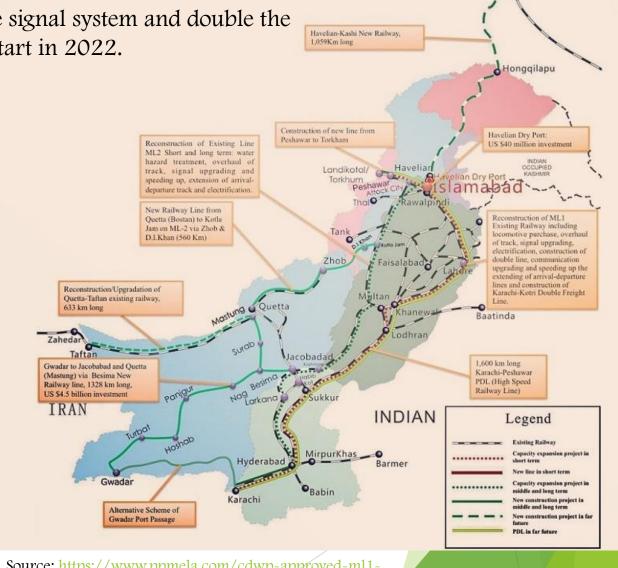
## Geo-political implications beyond Pakistan

- It allows not only Pakistan, but also the region as a whole to be increasingly self-sufficient, reducing its reliance on the West through enhanced intraregional interdependence. Regional self-sustenance would be further enhanced if China and Pakistan were to grant numerous Central Asian states' wish to join the CPEC initiative. Omar Alam (Fellow at the European Institute for Asian Studies), China-Pakistan Economic Corridor: Towards a New 'Heartland'? published by the LSE South Asia Centre on 16 November 2015.)
- If Chinese money and Chinese influence can return Pakistan to those rates of growth, then this will not only help to stabilise Pakistan and create a barrier to violence there. It will also mark China's arrival as a truly great ~ and positive ~ force on the world stage. By focusing on aggrandising its land~based influence in Eurasia through CPEC and a revamped Silk Road, China may finally validate Mackinder's assertion that "trans-continental railways are now transmuting the conditions of land~power, and nowhere can they have such effect as in the closed heart-land of Euro-Asia". The continental connectivity web that China seeks to establish in Eurasia would largely be safe from meddling by part of the US, whose naval forces dominate global sea~lanes. ~ Anatol Lieven (professor at Georgetown University in Qatar), The China-Pakistan corridor: A fate-changer? 16 Nov 2015, jazeera.com

ML~1 project at an estimated cost of \$6.8 billion on the 90:10% cost sharing basis by the China and Pakistani side. It will upgrade and modernize the signal system and double the entire track. Groundwork will start in 2022.



The Istanbul-Tehran-Islamabad train was launched in 2009 and plans to revive in 2021. Pakistan wants to connect this line with China's Belt and Road network through Pakistan's ML-1 railway line, the largest component of the China-Pakistan economic corridor.



Source: <a href="https://www.ppmela.com/cdwp-approved-ml1-project-of-7-2-billion-usd-for-2nd-phase-of-cpec/">https://www.ppmela.com/cdwp-approved-ml1-project-of-7-2-billion-usd-for-2nd-phase-of-cpec/</a>

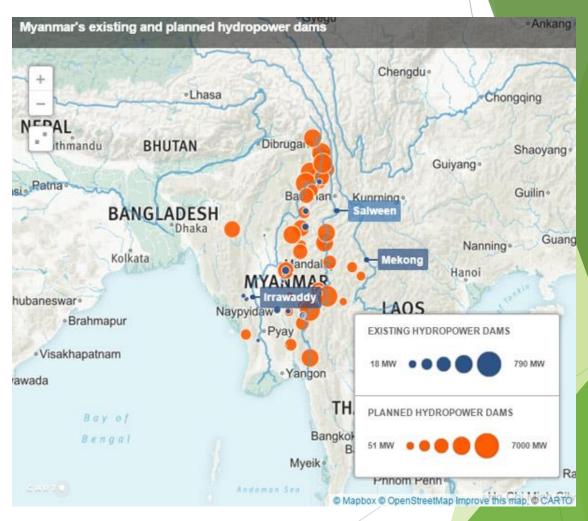
#### CHINA Myitsone dam Kunming INDIA KACHI Kokang SHAN LAOS RAKHINE Naypyidaw Sittwe THAILAND Kyaukphyu MYANMAR ✓ Oil/gas pipeline Bay of Proposed railway Bengal ◆ Dam projects Mine Dawei projects 300 km

Economist.com

The gas pipeline has in operation since 2013, and the oil pipeline 2017

#### China-Myanmar Economic Corridor

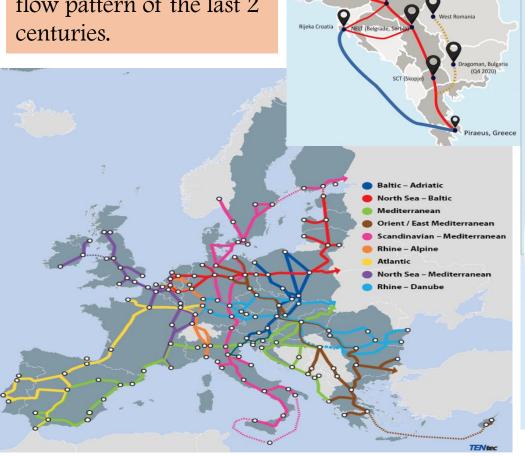
China's main trade route to the Indian Ocean



Source: Beth Walker, In Myanmar, government efforts to push large dam projects have met with a flood of resistance, *Scroll.in*, Mar 17, 2017

It leads to the revival of the Mediterranean trade at the expense of the Northern European ports, a reversal of trade flow pattern of the last 2 centuries.

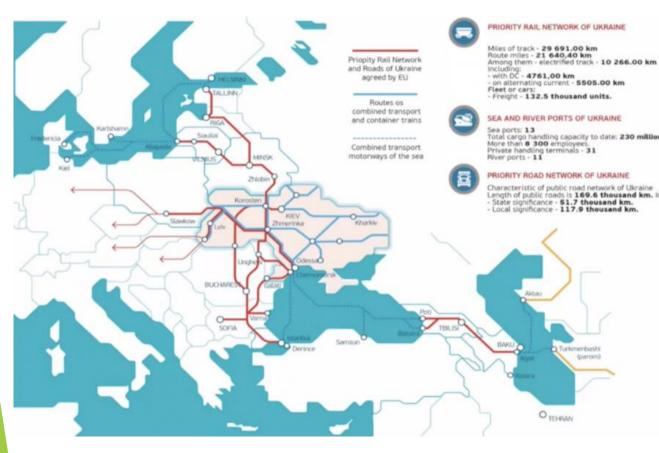
## Land Sea Express route – the Balkan Silk Road





Source: Nikos Papatolios, From sea to land, rail transforms transport through the Balkans, *Railfreight.com*, 5 March 2021

Ukraine has proposed an intercontinental rail transport "functioning as a bridge between is part of many corridors, including Pan-European transport corridors, the Organisation for Cooperation of Railways corridors, the extended TEN-T network and the Transport Corridor Europe-Caucasus-Asia (TRASECA).



Source: Nikos Papatolios, Does Ukraine have the key to more rail freight flows? *RailFreight.com*, 21 September 2021

#### Viking train route from Lithuanian Railways

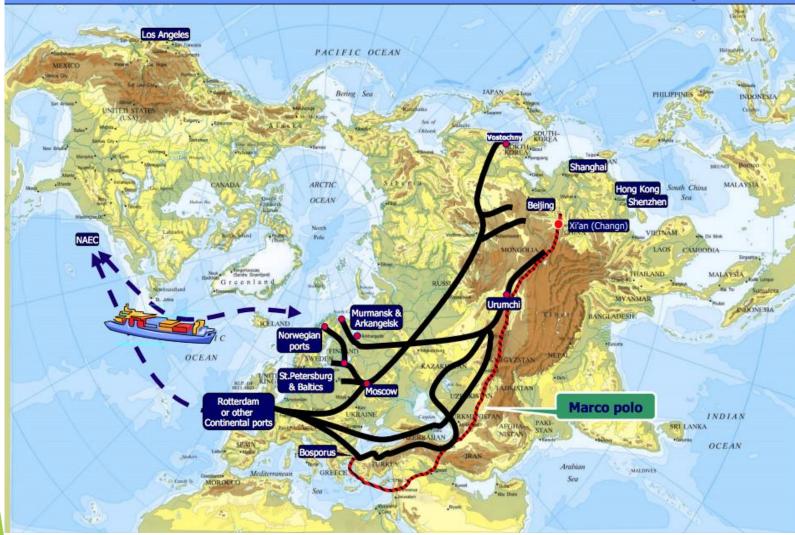


Source: Nikos Papatolios, Lithuania-Ukraine sea-rail cooperation, *RailFreight.com*, 22 March 2021.

Guangzhou – Odessa first train started in May 2021

# Main EurAsian Railway Connections -global trade lanes





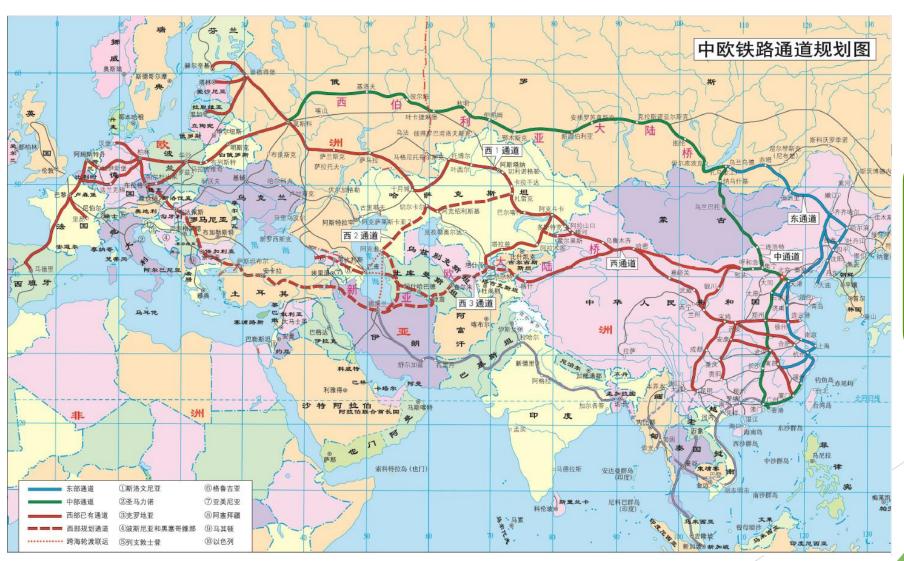
A northern sea lane (the Nordic Silk Road) that uses ports of St. Petersburg, Kaliningrad, and those on the Baltic Sea and Norway and Finland would shift the trade routes to the north of Eurasia and cover not only northern Atlantic coast of Europe but also could extend to the east coast of North America.

Source: Majorie van Leijen, From Atlantic to Pacific by rail and still fresh, RailFreight.com, 27 September 2019

#### Medium- & long-term railway development plan to 2030



# The emergence of the Eurasian iron silk road by 2016 China's development plan (2016~2020)

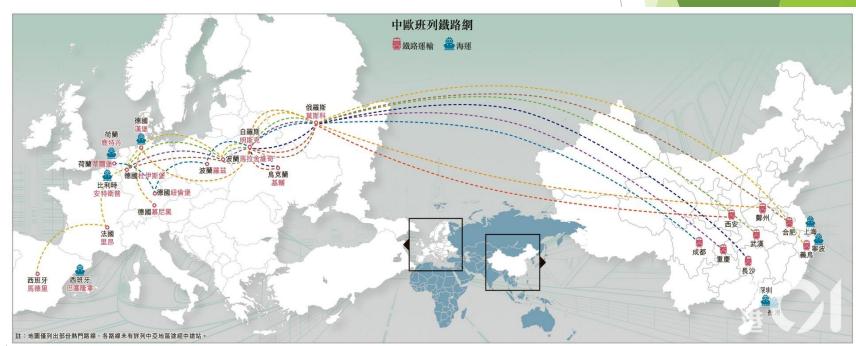


The target of 5000 trains per year by 2020 was surpassed in 2018

Source: 中欧班列建设发展规划 (2016—2020年)

The rapid growth of the transport volume of the China Europe Express freight trains testifies the growing popularity of the Eurasian trade under the framework of BRI. In 2020 China-Europe rail volumes reached 1.14m teu, up 56% from the previous year. There are also China-Central Asia Express freight trains and other freight train services by countries that do not transit through China, like those of Japan and Korea entering directly the Russian railway system to reach Europe.

Year	No. of trains
2011	17
2012	42
2013	80
2014	308
2015	815
2016	1,720
2017	3,673
2018	6,300
2019	8,255
2020	12,400 (+50%)
2021 Jan-Aug	10,052 (+32%)



Source: China State Railway Group Co., Ltd.

The upgraded Connecting Europe Facility (CEF) programme, agreed between Parliament and Council in March and worth €30 billion for 2021 to 2027, will fund transport, energy and digital projects with an EU added value.

- The CEF is structured around three pillars, with around €23 billion going to transport projects, €5 billion for energy projects and €2 billion for digital projects. Around €10 billion allocated to cross-border transport projects will come from Cohesion Funds and will help EU countries complete previously-identified missing transport links. €1.4 billion will be designated to fast track the completion of major missing cross border railway projects, to be selected by the Commission on a competitiveness basis.
- In the digital sector, CEF will support the development of projects of common interest such as safe and secure very high capacity digital networks and 5G systems, as well as the digitalisation of transport and energy networks.
- The programme will also aim to make energy networks more interoperable and ensure that projects funded are in line with EU and national climate and energy plans.



#### Transport plan



Source: http://www.terminalmortara.it/eng/corridoi.htm

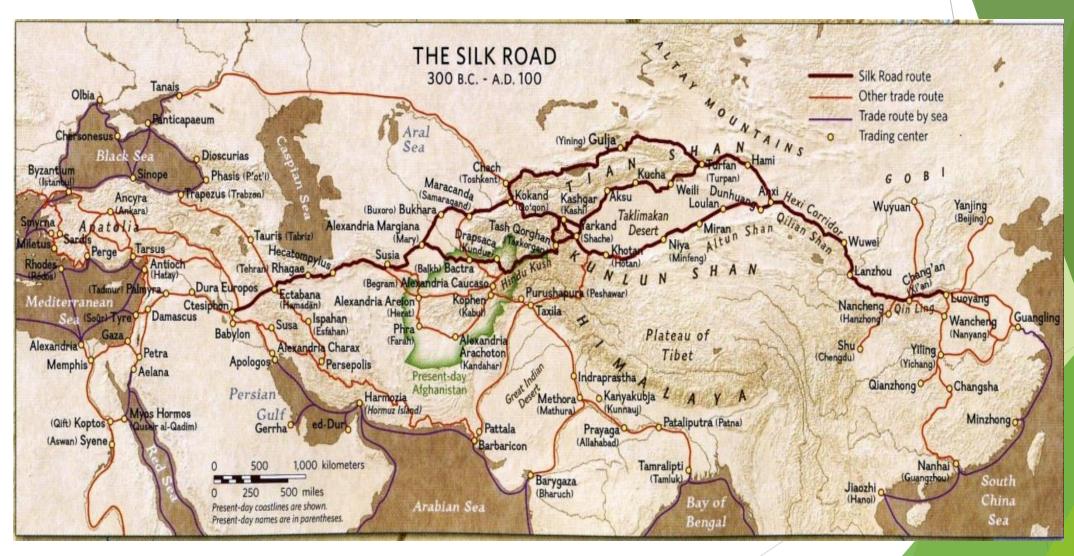
## Summary

After 9 years, the Belt and Road Initiative is no longer an initiative.

- 1. The Chinese government has set up an internal organization to push through projects and coordinate its policies and investments, and the BRI has become an essential component of its Five-year Plan system.
- 2. Many countries involved directly or indirectly have either actively taken part in some of the projects that are regional and national with their own funding and planning or oriented domestic development towards the international enterprise of the BRI.
- 3. Even great powers like the European Commission, the USA and Japan have been mobilized by the Chinese efforts in competition to increase funding and engagement with countries that have increasingly been brought under the Chinese influence of the BRI, not for political alliance with China but more for conversion to Chinese model of development infrastructure investment-led, emphasis on manufacturing for exports, free trade and globalization but with a gradual process of trade and financial liberalization, and avoid over reliance on FDI from MNCs and advanced countries to instead focus on domestic capital accumulation through savings.

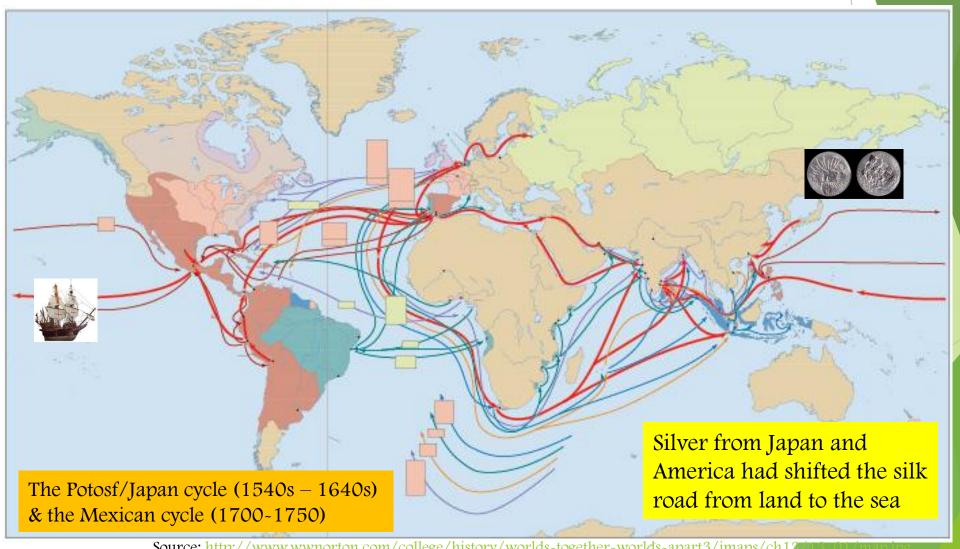
#### Appendices:

Historically the Silk Road was always multi-modal and spread in network fashion by merchants more than by governments and empires



Source: <a href="https://philebersole.files.wordpress.com/2014/10/silk-road-map1.jpg">https://philebersole.files.wordpress.com/2014/10/silk-road-map1.jpg</a>

Global silver trade – the triangular trade of Macau/Canton/Guangzhou – Manila – Nagasaki to cross the Pacific Ocean to Peru and Mexico: silver in exchange for Chinese silk products & China wares etc. & involved all countries along the routes even with the trans-Atlantic direction.



Source: http://www.wwnorton.com/college/history/worlds-together-worlds-apart3/imaps/ch13

## 一帶一路碩士課程網上講座

Programmes	Speakers	Date	Time	Language
課程	講者	日期	時間	語言
Master of Social Sciences in International Business Management for Belt and Road Countries 社會科學碩士 (一帶一路國家國際工商管理)  Master of Social Sciences in International Relations for Belt and Road Countries 社會科學碩士 (一帶一路國家國際關係)	<ol> <li>Prof. Oleksandr ROGACH</li> <li>Prof. Oleksandr PIDCHOSA</li> <li>Prof. Svitlana ANDRUSHCHENKO</li> <li>Prof. Darya GLUKHOVA</li> </ol>	14.1.2022	16:00-17:00	English 英文

Zoom Meeting Link 網上會議連結

https://zoom.us/j/99945994004#success