



CHINA'S BELT AND ROAD INITIATIVE

A Metaphor for China's Past, Its Present and Its Future



Daniel Laprès
23 September 2019

THE STORY OF SILK

Propagation of Silk

5000 BC	Discovery of silk
3630 BC	Oldest piece of silk in existence
1070 BC	Piece of silk found on Egyptian mummy
331 BC	Alexander the Great marveled by silk clothing worn by Darius
200 BC	Silk production technique reaches Korea
300 AD	Silk production technique reaches India
550 AD	Silk moths smuggled to Byzantine
1100 AD	Silk production begins in Italy

A stylized Chinese character for 'Tian' (天) in dark blue. It consists of a horizontal top bar, a vertical stem, a second horizontal bar, and two curved lines extending downwards and outwards from the stem.

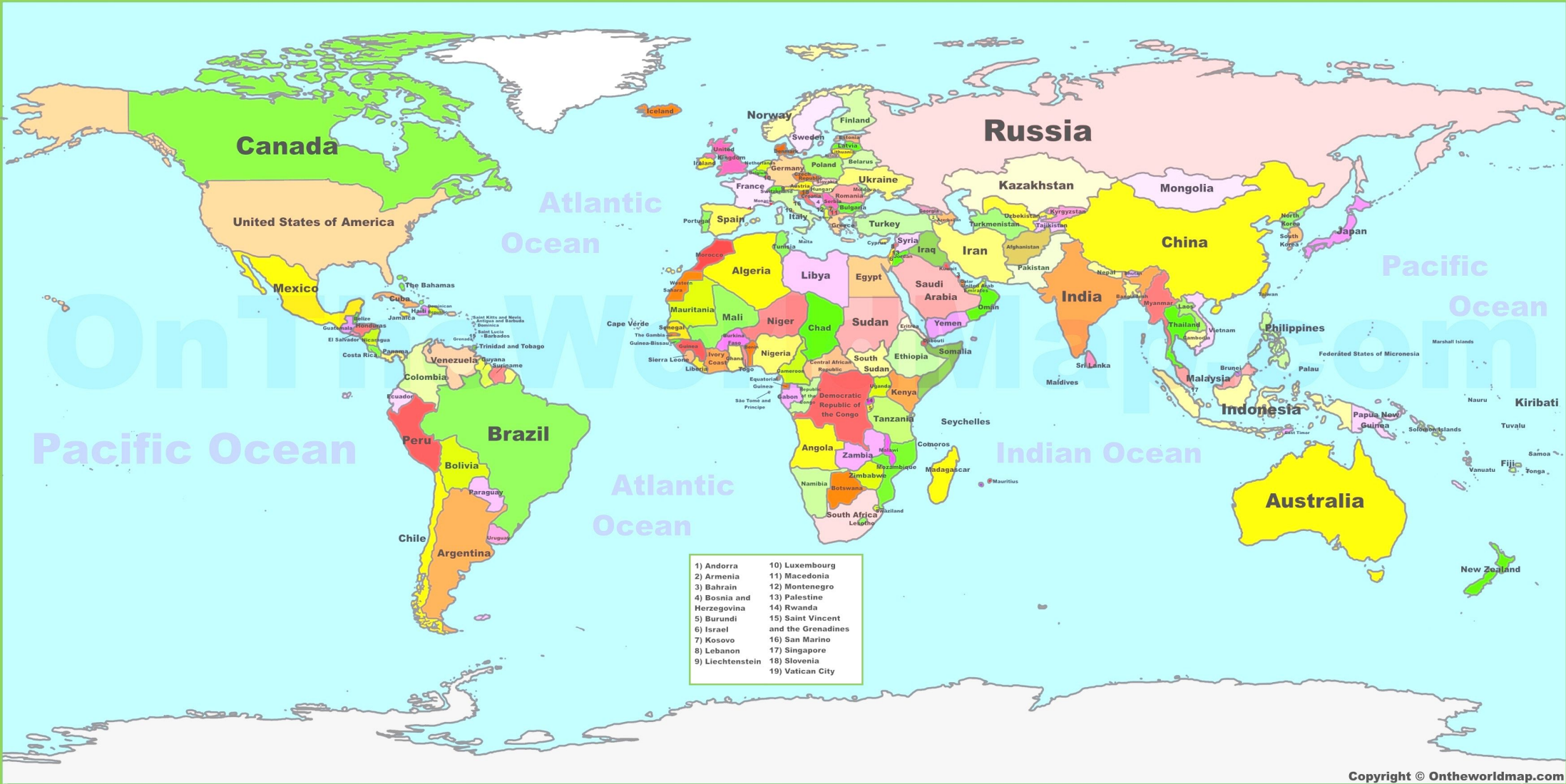
Tian

A stylized Chinese character for 'Xia' (下) in dark blue. It consists of a horizontal top bar, a vertical stem, and a diagonal line extending downwards and to the right from the stem.

Xia

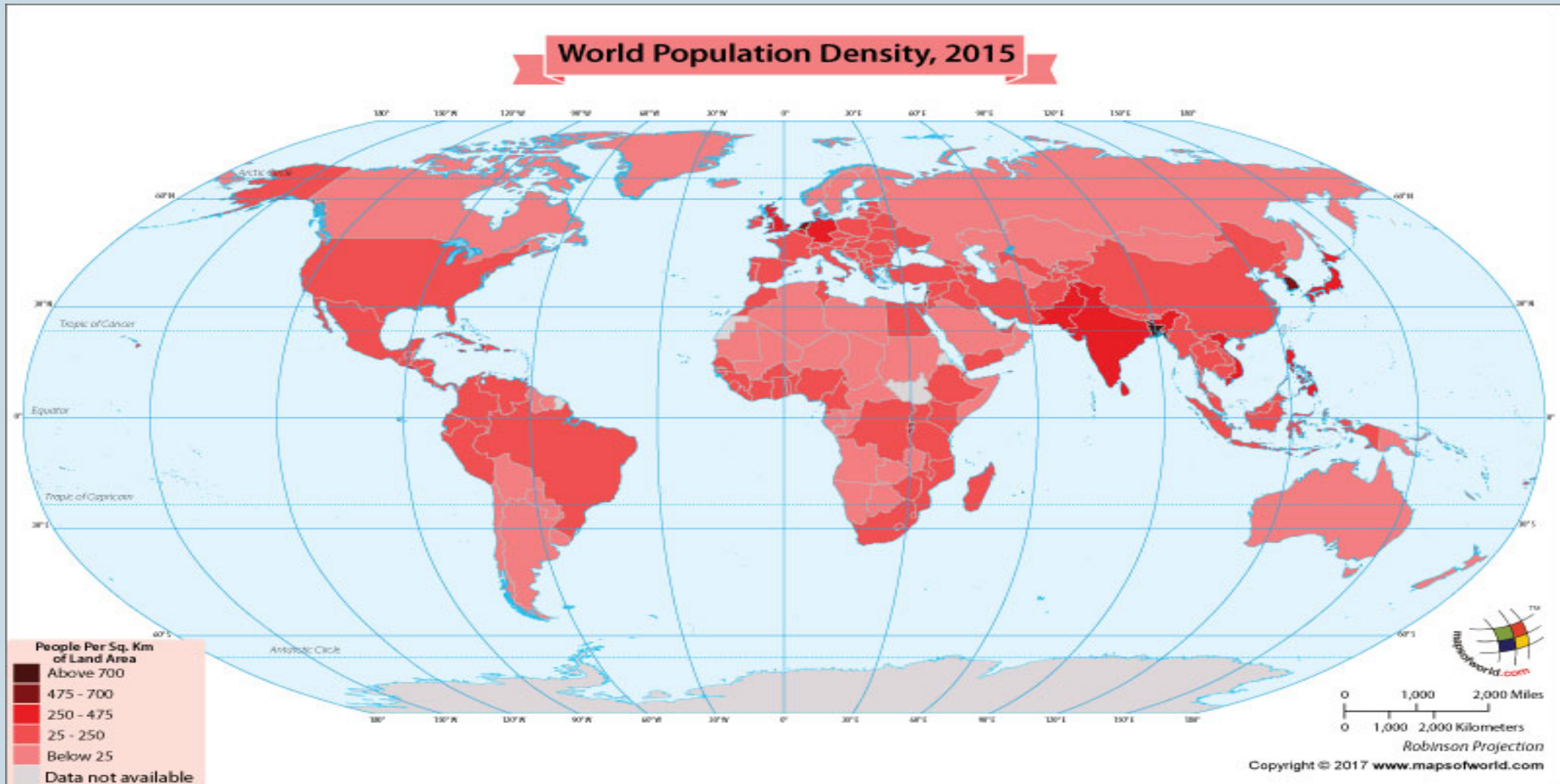
Eurasia – The Bridge

The BRI is Intended to Lay a Bridge between China and Europe.

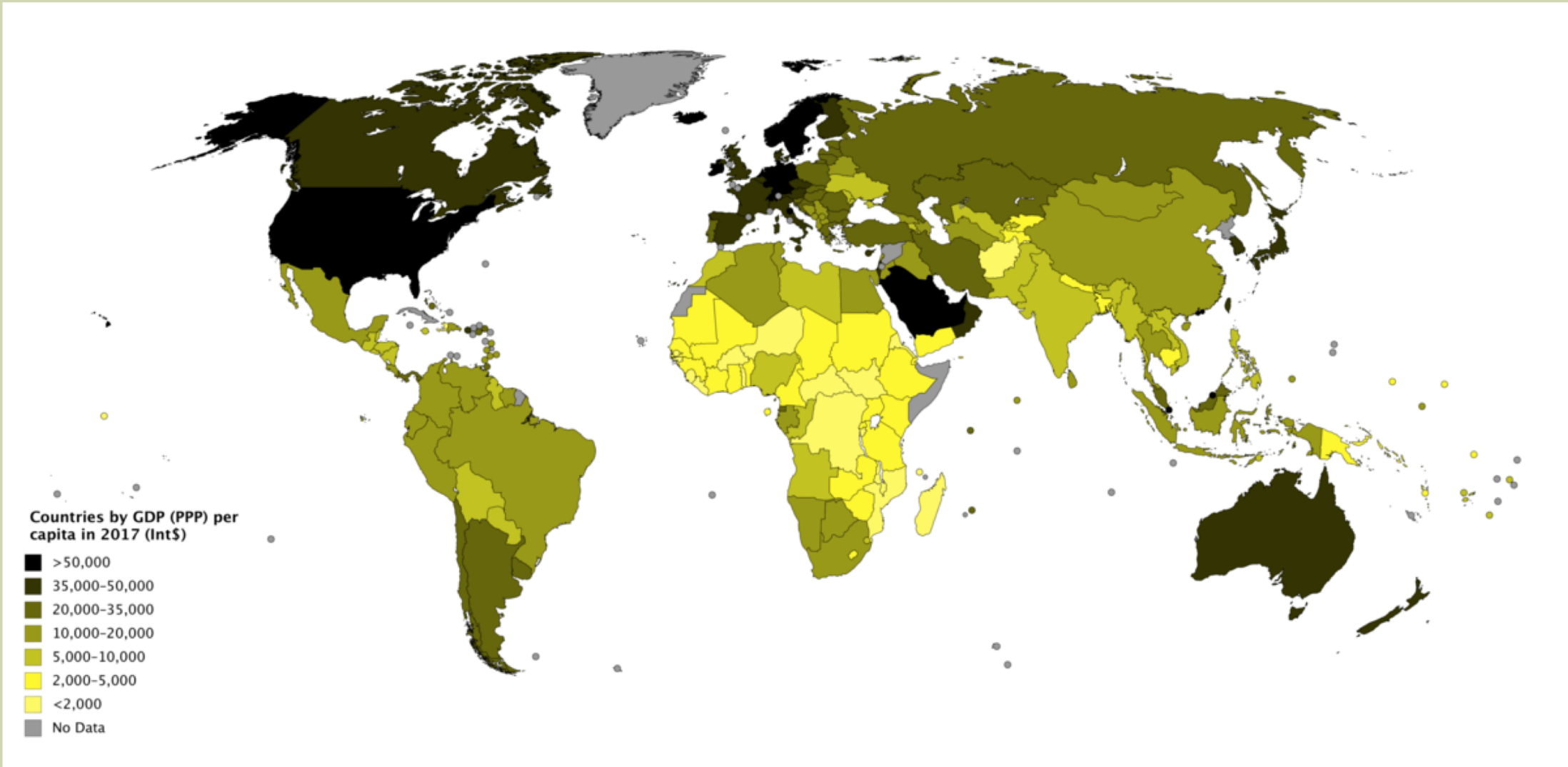


Eurasia's Population Density

Between the densely populated East Asia and Eastern Europe, Central and Western Asia are vast areas of thin population.

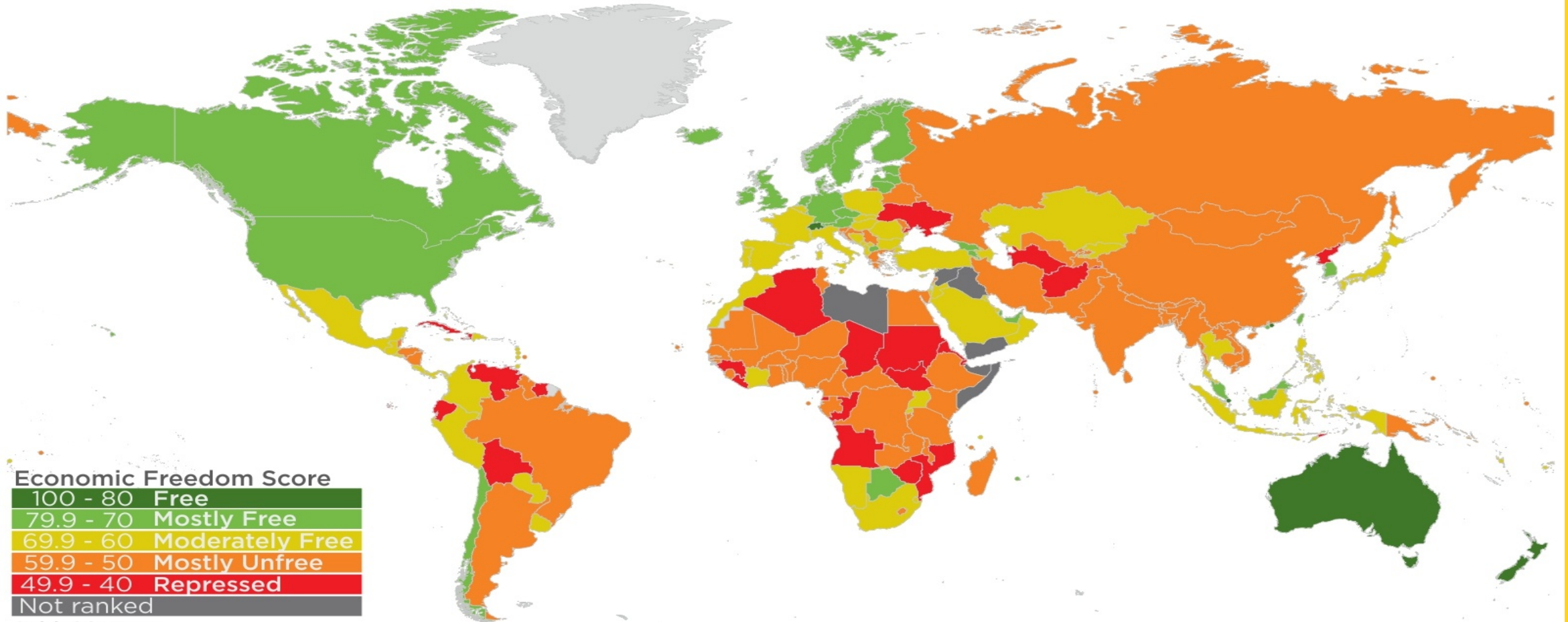


The Countries of Central and Western Asia Are Quite Poor



The Countries of Eurasia Do Not Enjoy a High Degree of Economic Freedom

2017 Index of Economic Freedom



Article & Sources:

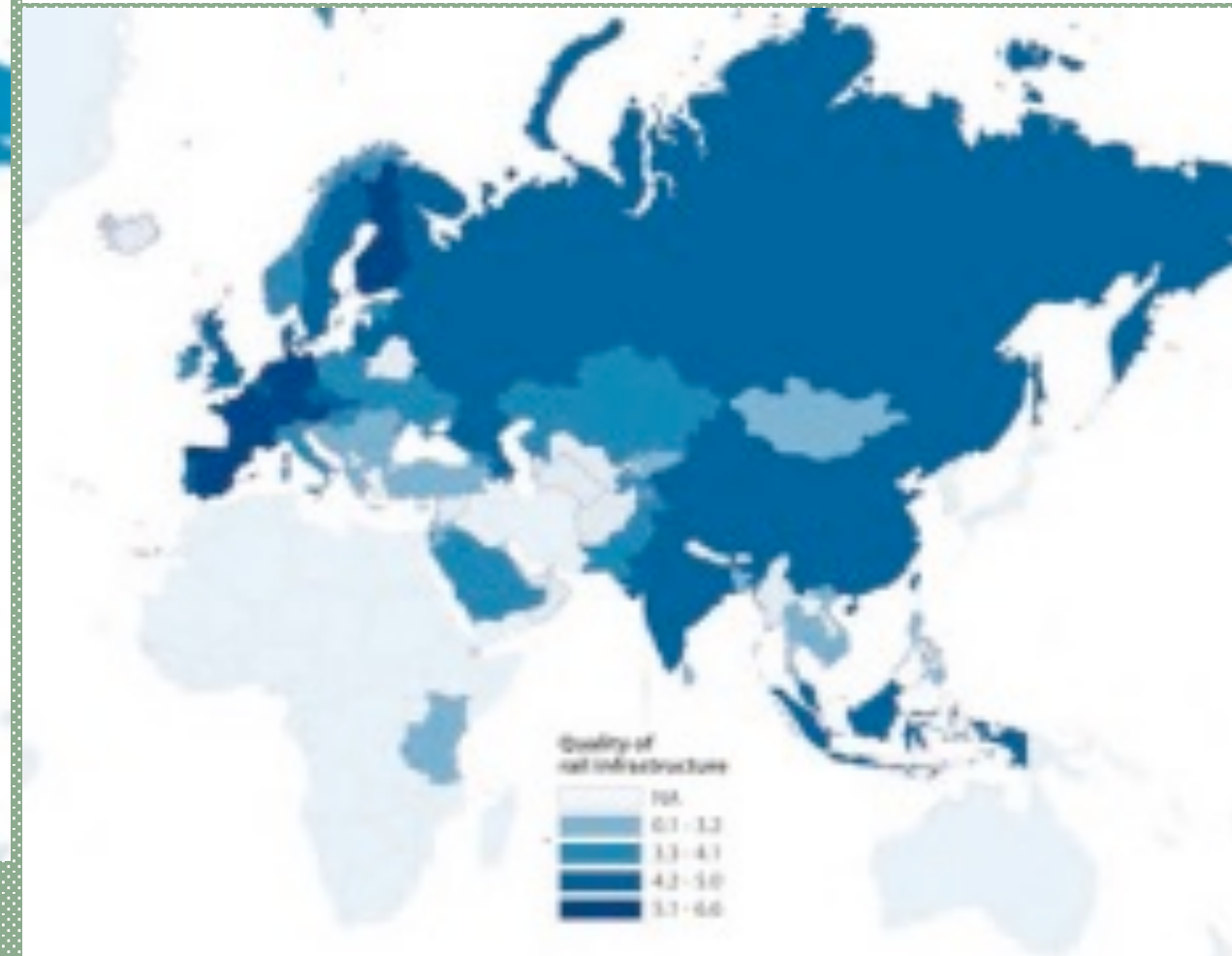
<https://howmuch.net/articles/economic-freedom-gdp-per-capita>
<http://www.heritage.org/>
<http://www.imf.org>

Quality of Land Infrastructure

Quality of road-infrastructure



Quality of rail-infrastructure



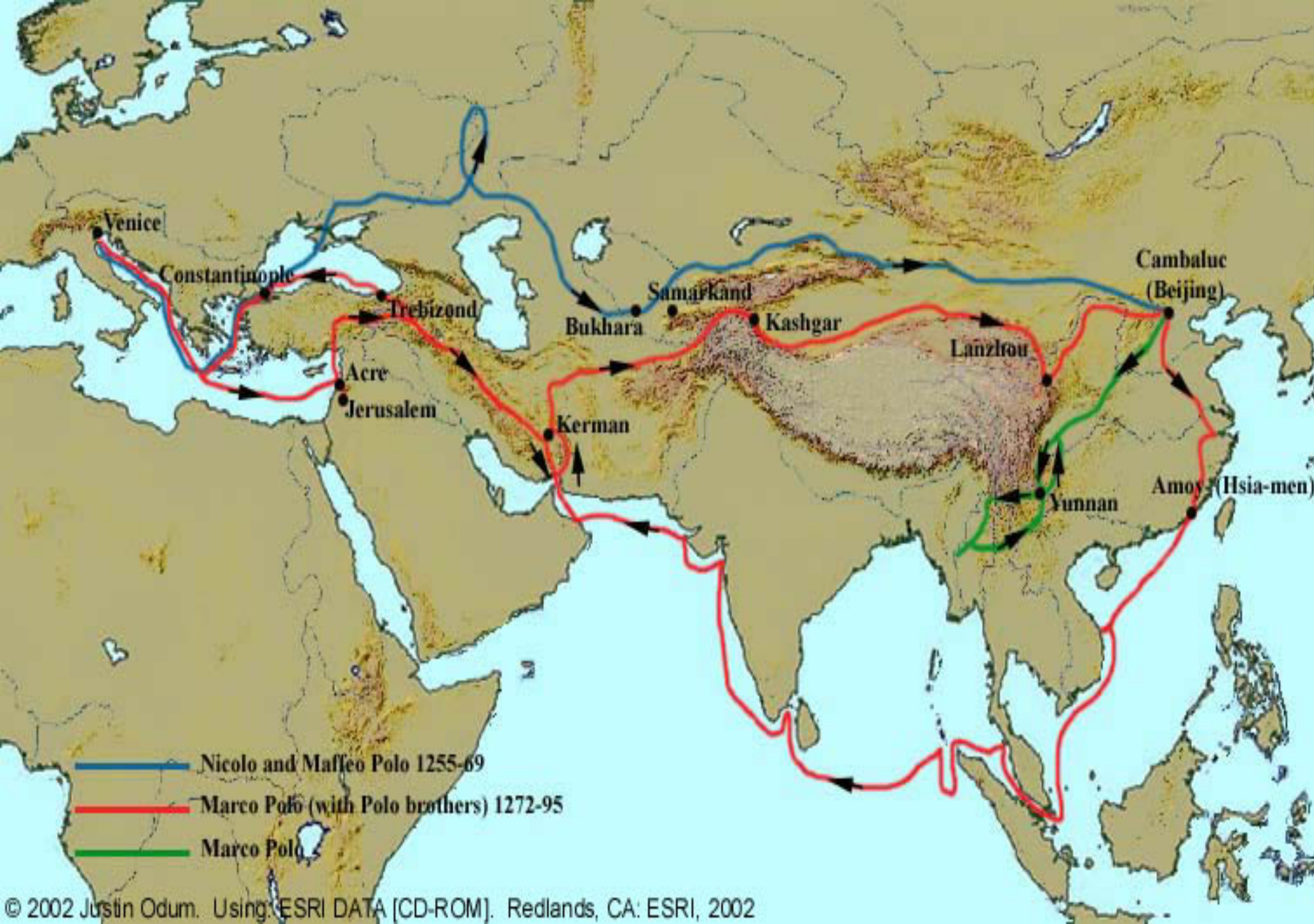
Source: World Economic Forum 2018. Note: Western European countries are included as comparators because most BRI infrastructure projects are on the Eurasia transport network, and a network is only as good as its weakest link.



The Original Silk Road



Map of the Mongol Empire at Its Height



Marco Polo - His Itineraries

- Nicolo and Maffeo Polo 1255-69
- Marco Polo (with Polo brothers) 1272-95
- Marco Polo

The Original Maritime Silk Road



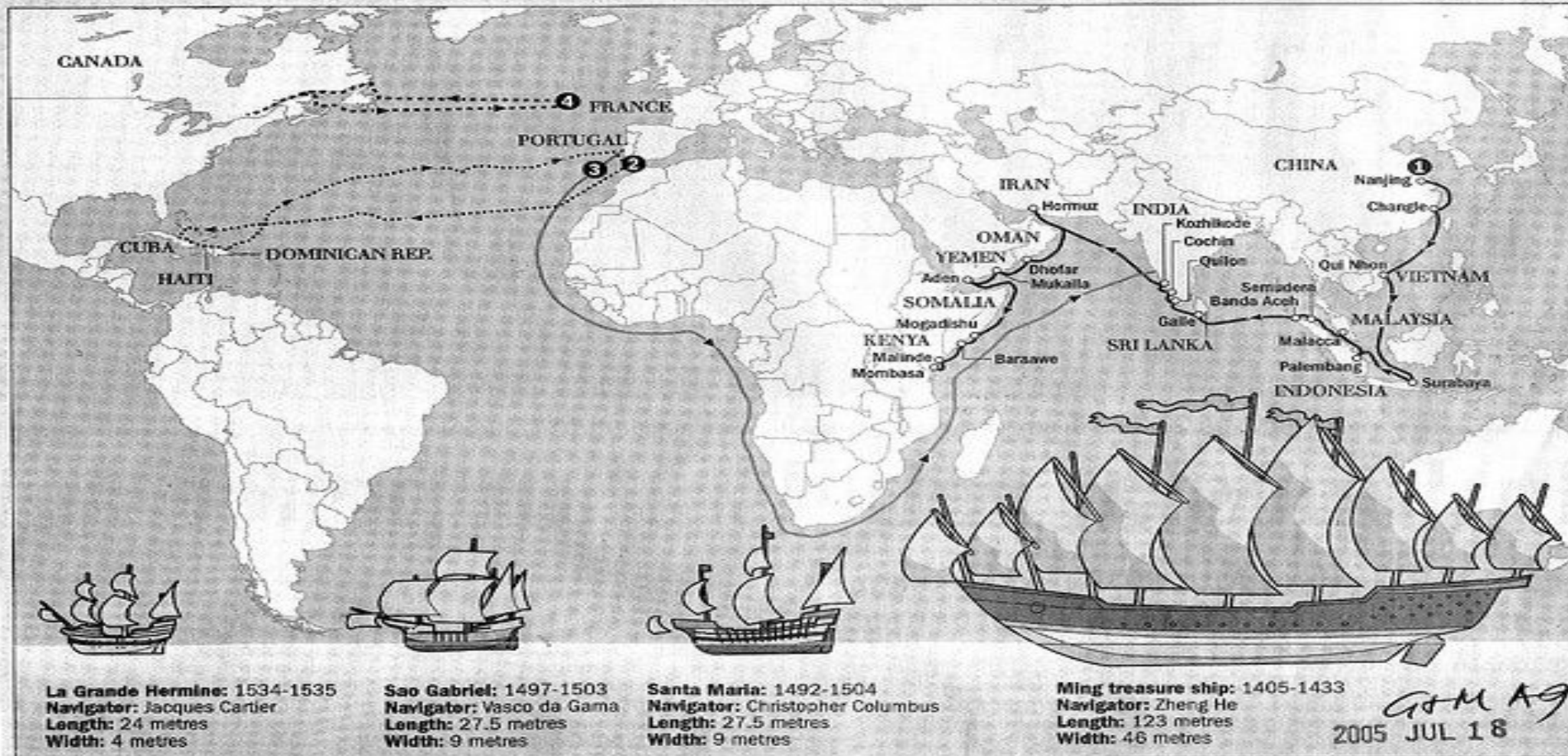
Comparing the Ships of Zheng He and Columbus

To boldly go where no man has gone

Fifty-seven years before Christopher Columbus left on the voyage that would take him to the Americas and 62 years before Vasco de Gama sailed around the horn of Africa to India, Chinese explorer Zheng He had already covered all of south Asia's coastline and part of east Africa in a fleet of vessels that would have dwarfed the later explorers' ships.

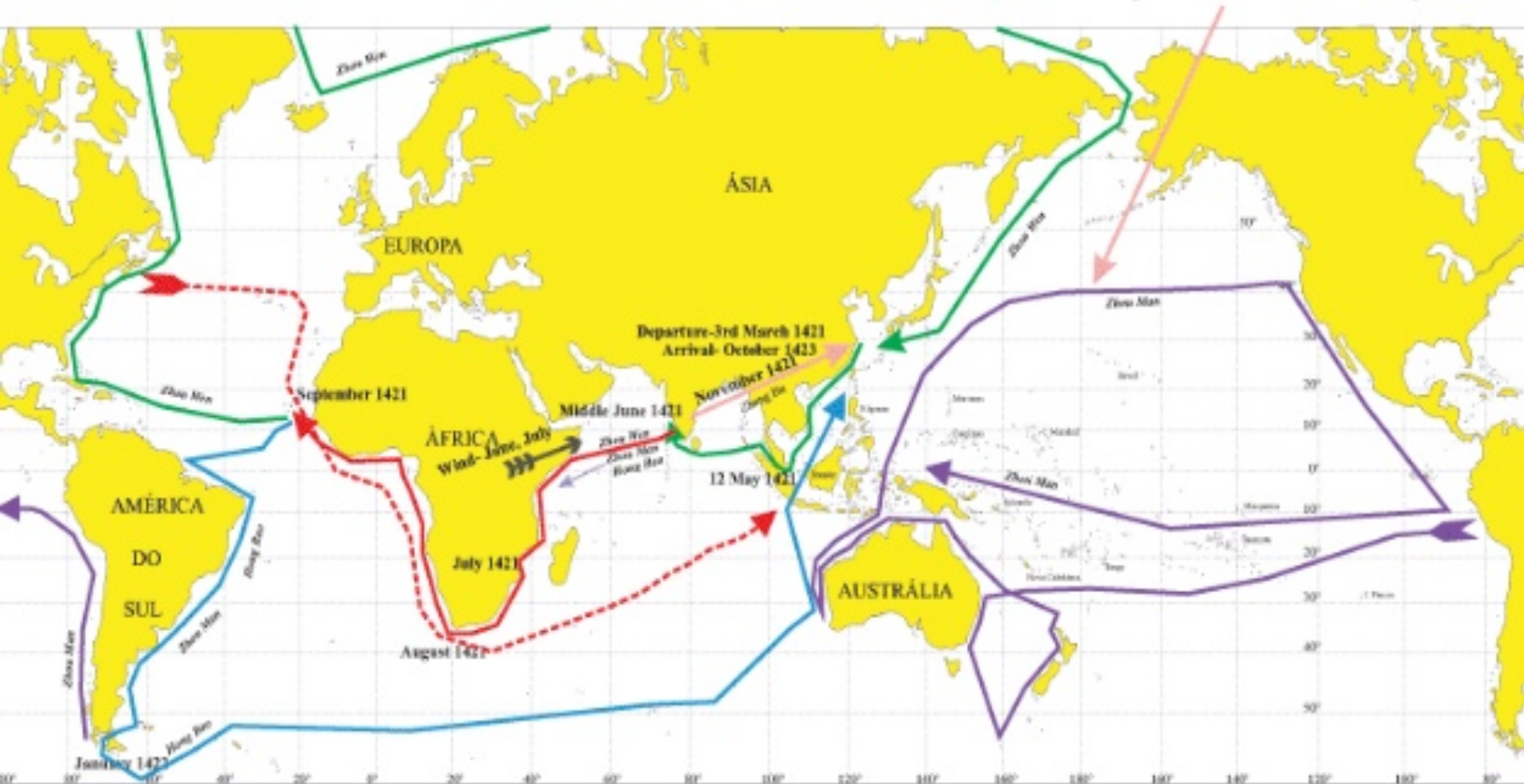
Main voyages

- ① ——— Zheng He (1405)
- ② - - - - - Christopher Columbus (1492)
- ③ ——— Vasco da Gama (1497)
- ④ - - - - - Jacques Cartier (1534)



Chinese voyages between 3rd March 1421 till October 1423, according with Gavin Manzies

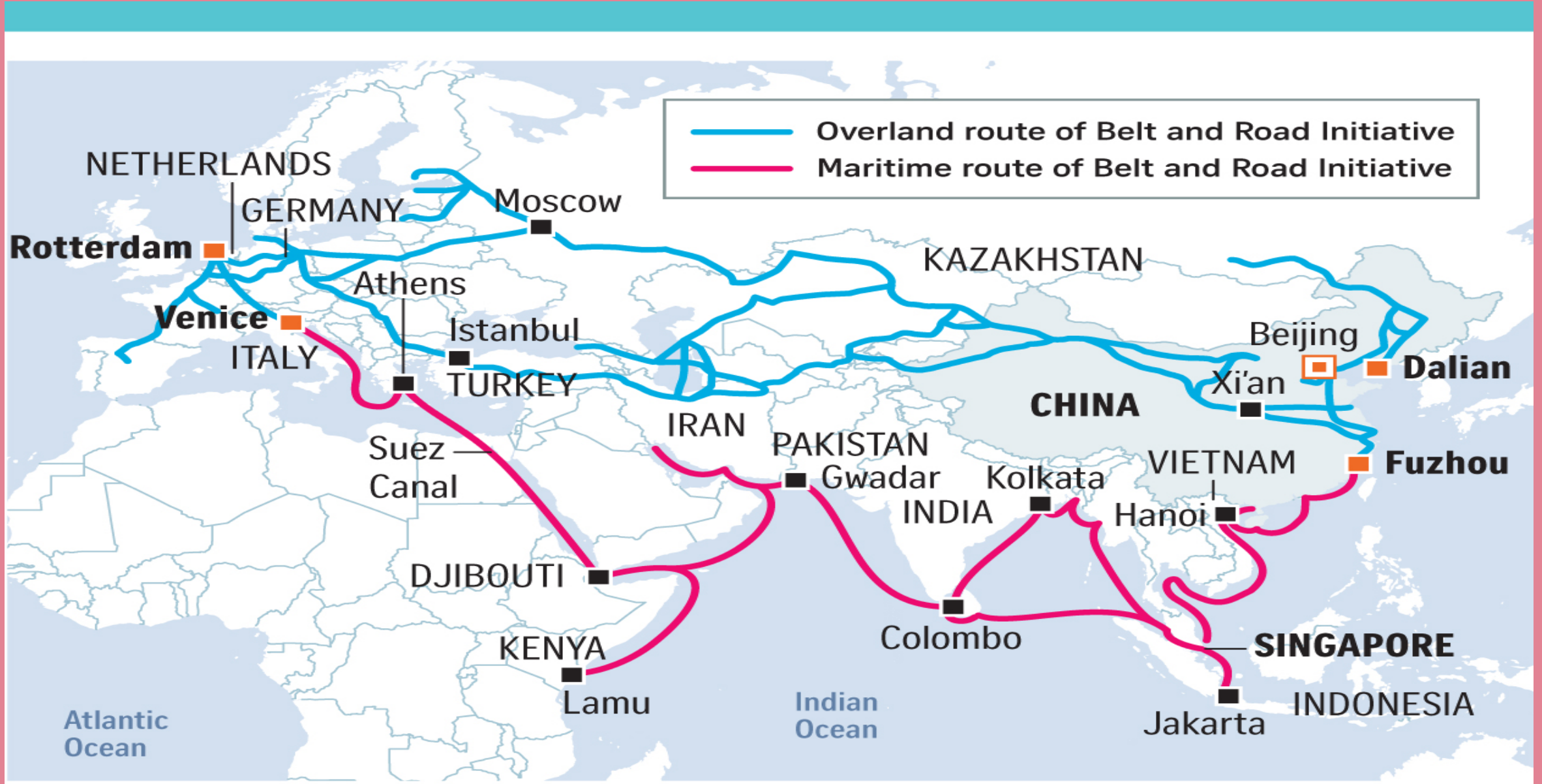
(Zhou Man- aprox. 73 000 miles in 940 days- 3.3 knots)



Average currents in the Gulf of Guinea

Did the Chinese Discover America Before Columbus?

The New Silk Roads

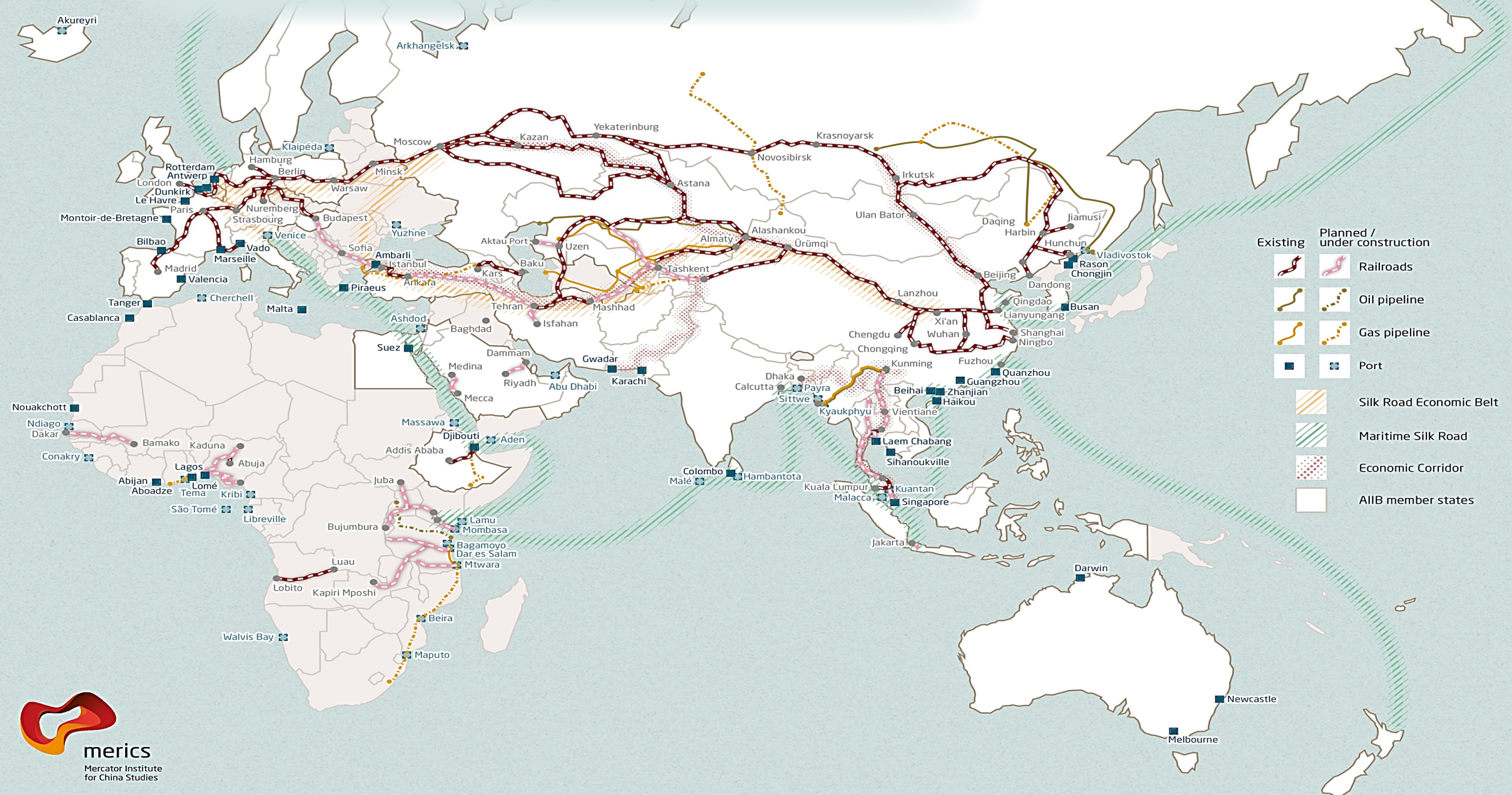


China's Proposed 'Polar Silk Road'



The Belt and Road Initiative creates a global infrastructure network

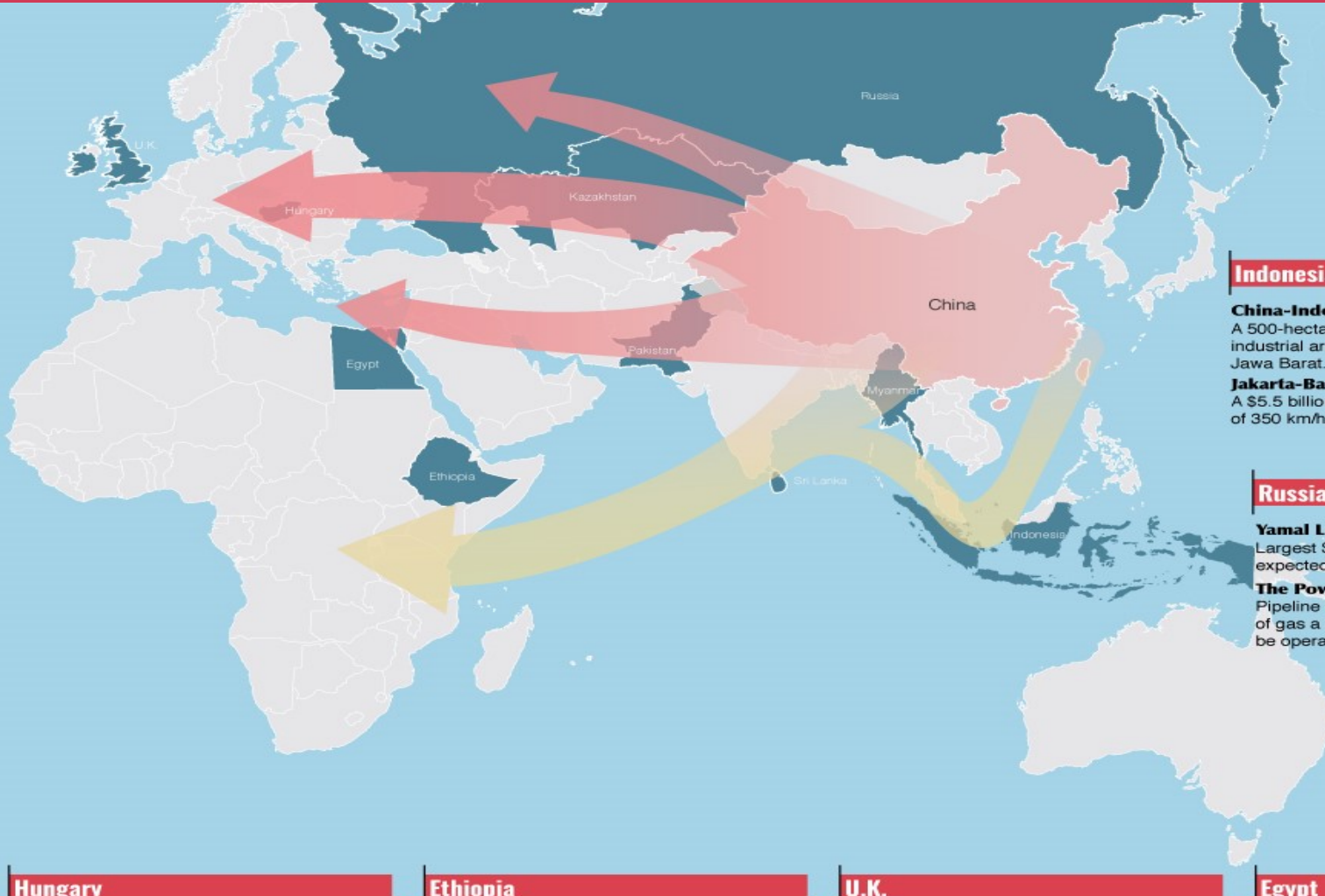
China uses, acquires and builds railroads, ports and pipelines



BRI – Major Projects

Belt and Road's Global Reach

The Belt and Road initiative involves the construction of roads, railroads, ports, oil and gas pipelines, power plants, telecom facilities and much more. Here is a sampling of recent projects in a few countries along the initiative's new trade routes involving Chinese companies working alongside local partners.



Hungary

Budapest-Belgrade High-Speed Railway
Expected to cost \$2.8 billion and take two years to complete.

Ethiopia

Ethiopian Transmission Project
A \$1.46 billion power project completed in December 2015.
Addis Ababa-Djibouti Railway
A \$4 billion, 753 km line that cuts intercity travel time to 10 hours from seven days.

U.K.

Clover Wind Project
China General Nuclear Power purchased an 80% stake in three onshore wind farms with installed capacity of 72 MW in 2014.
Hinkley Point C Nuclear Power Station
An £18 billion (\$23 billion) plant with investment from China General Nuclear Power and France's EDF due for operation in 2025.

Egypt

Egypt Transmission Project
A \$758 million transmission line covering most of the Nile River Delta, due to be finished in 2018.
Suez Trade Zone
Home to 58 enterprises and 2,000 employees, with total investment of \$610 million.

Indonesia

China-Indonesia Trade Zone
A 500-hectare economic zone and 120-hectare industrial area launched in 2013 in Bekasi, Jawa Barat.
Jakarta-Bandung High-Speed Railway
A \$5.5 billion, 150 km rail line with a top speed of 350 km/hour started in 2016.

Russia

Yamal LNG
Largest Sino-Russia project with first phase expected to be operational in 2017.
The Power of Siberia
Pipeline that will provide 38 billion cubic meters of gas a year to China for 30 years, expected to be operational in 2018 or 2019.

Pakistan

Haier-Ruba Economic Zone
The flagship project of the China-Pakistan Economic Corridor.
Karot Hydropower Project
A \$1.65 billion project with a 720 MW capacity expected to be operational in 2020.
Peshawar-Karachi Highway
A 1,152 km highway with first 400 km expected to be finished in 2019.

Myanmar

China-Myanmar Oil and Gas Pipelines
A 2,000 km network linking Myanmar's southwest coast with southwest China.
Myitsone Hydropower Station
Being reassessed after 2011 suspension.
China-Myanmar Railway
A 10 billion yuan (\$1.45 billion), 1,920 km line, started in August 2016, linking Kunming and Yangon.

Kazakhstan

Southern Natural Gas Pipeline
A 1,452 km pipeline, finished in April 2017, which provides gas to southern Kazakhstan and will provide 5 billion cubic meters of gas a year to China.
Mangystau Photovoltaic Power Station
A 5-MW photovoltaic power station under construction.

Sri Lanka

Colombo Port City
Sri Lanka's largest foreign-investment project with first phase attracting \$1.4 billion.
Hambantota Port
Completed in 2011 with a total construction cost of \$1.5 billion, the port has eight 100,000-ton container terminals.

Source: Compiled by Caixin based on public documents and media reports

Powering the Belt and Road Initiative

China builds and invests in power plants and grid infrastructure worldwide

planned/under construction completed no. of projects: >1
Project value: > 100 million USD

FOSSIL-FUEL POWER PLANTS*
*at least: 350 MW

RENEWABLE ENERGY POWER PLANTS**
**at least: 200 MW

NUCLEAR POWER PLANTS

GRID EXTENSION / DISTRIBUTION NETWORK EXPANSION

TRANSMISSION LINE (PLANNED/UNDER CONSTRUCTION)

TRANSMISSION LINE (COMPLETED)

INVESTMENT IN GRID OPERATORS (COMPLETED)



- CHINA'S ENERGY FLAGSHIP PROJECTS**
- 2 billion USD**
Pacific Hydro (Australia)
Renewable energy (completed)
 - 1.8 billion USD**
Patuakhali Power Plant (Bangladesh)
Fossil fuel (planned)
 - 1 billion USD**
Addis Ababa-Grand Renaissance Dam (Ethiopia)
Transmission line (completed)
 - 760 million USD**
EETC Transmission Network (Egypt)
Grid expansion (under construction)
 - 360 million USD**
ADMIE (Greece)
Grid investment (completed)



- FLAGSHIP PROJECTS IN PAKISTAN**
- 2 billion USD**
Port Qasim Coal Power Plant
Fossil fuel (completed)
 - 1.4 billion USD**
Karot Hydro Power Plant
Renewable energy (under construction)

Building the Digital Silk Road

China is setting up a global network

planned/under construction completed



INVESTMENT ACTIVITY BY CHINESE TECH GIANTS



NETWORK EQUIPMENT DEALS



SMART PROJECTS IMPLEMENTED BY CHINESE COMPANIES



CHINESE RESEARCH AND DATA CENTRES



FIBRE OPTIC CABLES (COMPLETED)

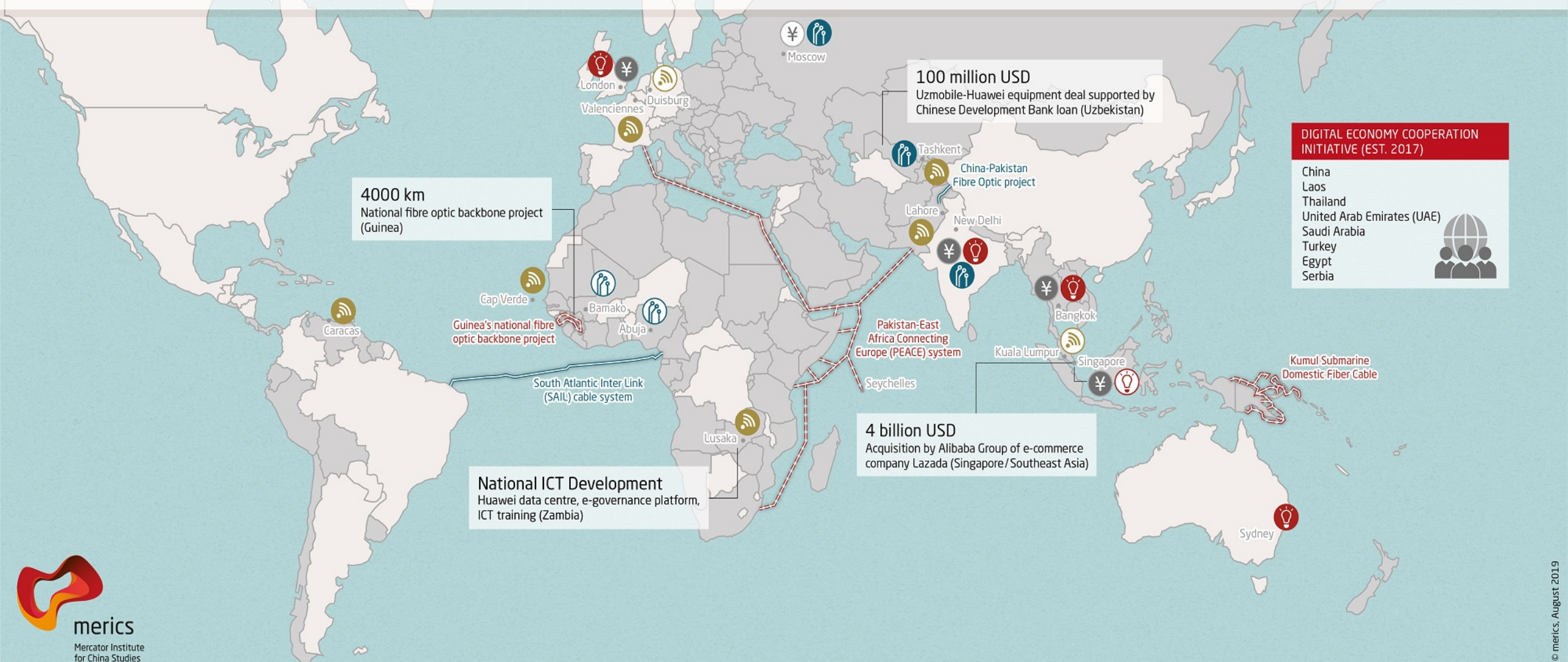


FIBRE OPTIC CABLES (PLANNED/UNDER CONSTRUCTION)



BRI MEMORANDUM OF UNDERSTANDING SIGNED (ACCORDING TO OFFICIAL CHINESE DATA)

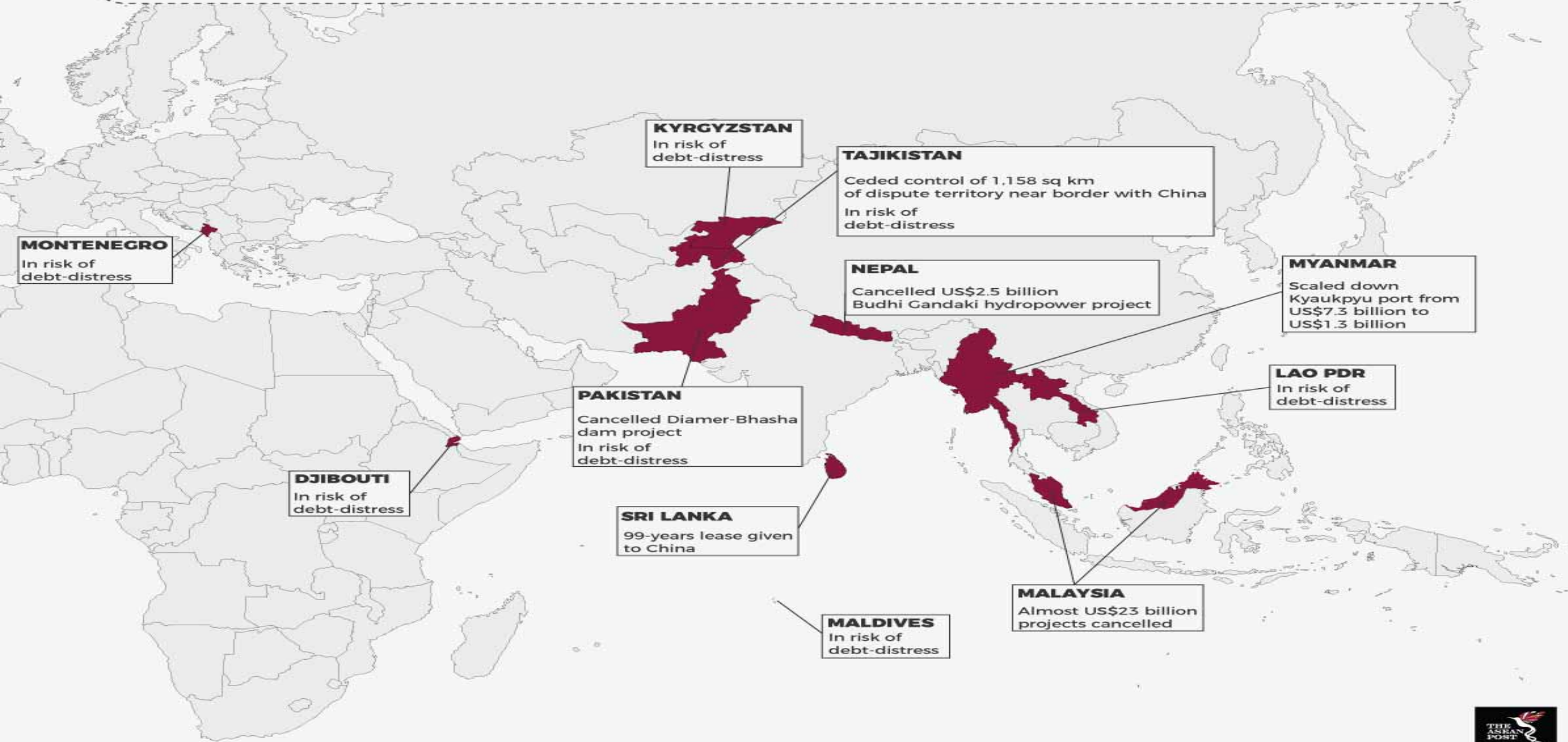
Selected projects from MERICS database. Criteria: financial volume, assessment of political and economic impact, representation of larger body of data and variety of project categories

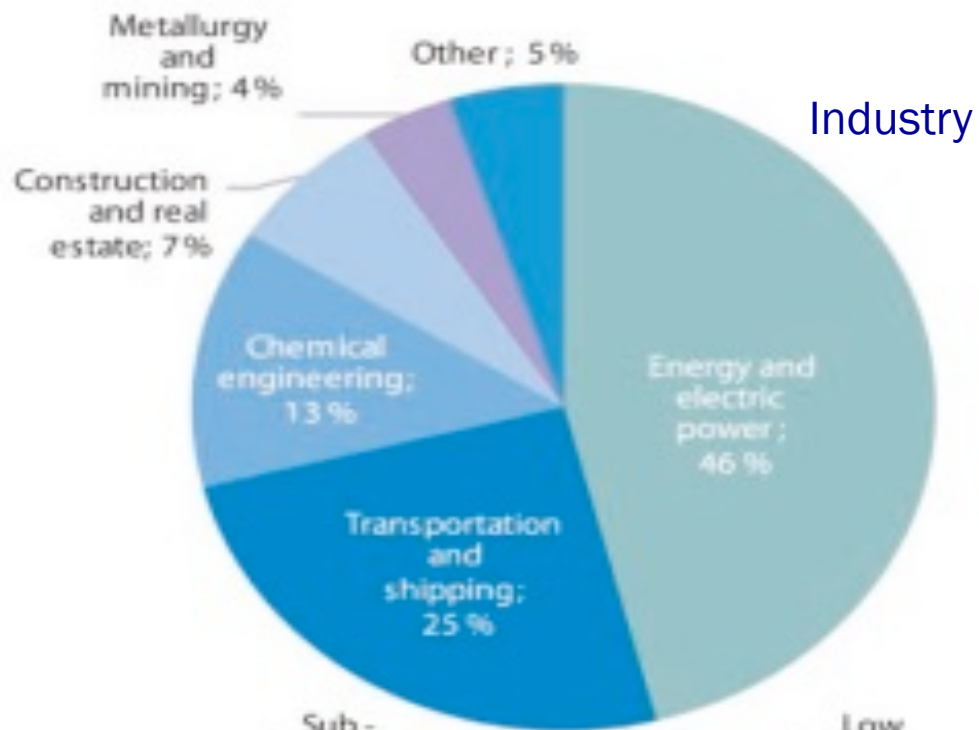


DIGITAL ECONOMY COOPERATION INITIATIVE (EST. 2017)

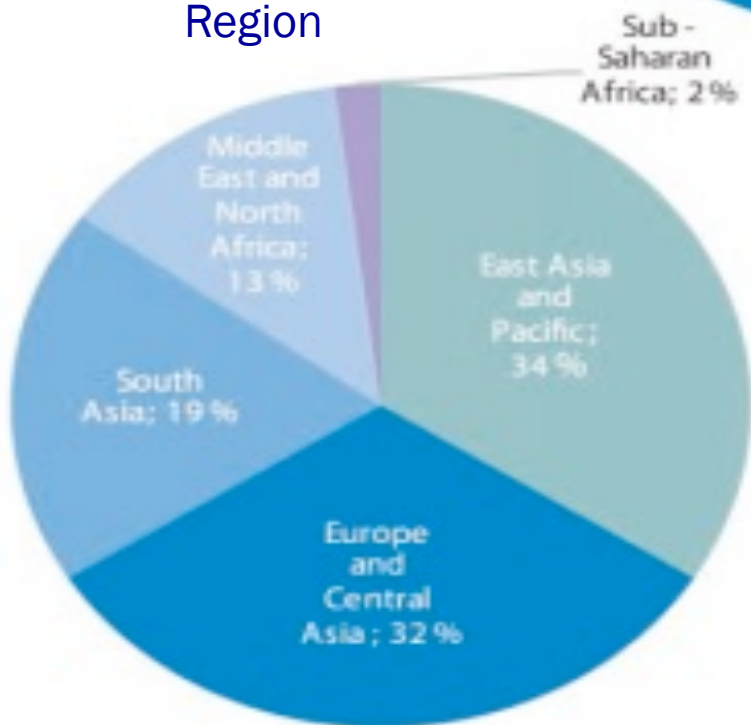
- China
- Laos
- Thailand
- United Arab Emirates (UAE)
- Saudi Arabia
- Turkey
- Egypt
- Serbia

BELT AND ROAD INITIATIVE DEBT IMPLICATIONS

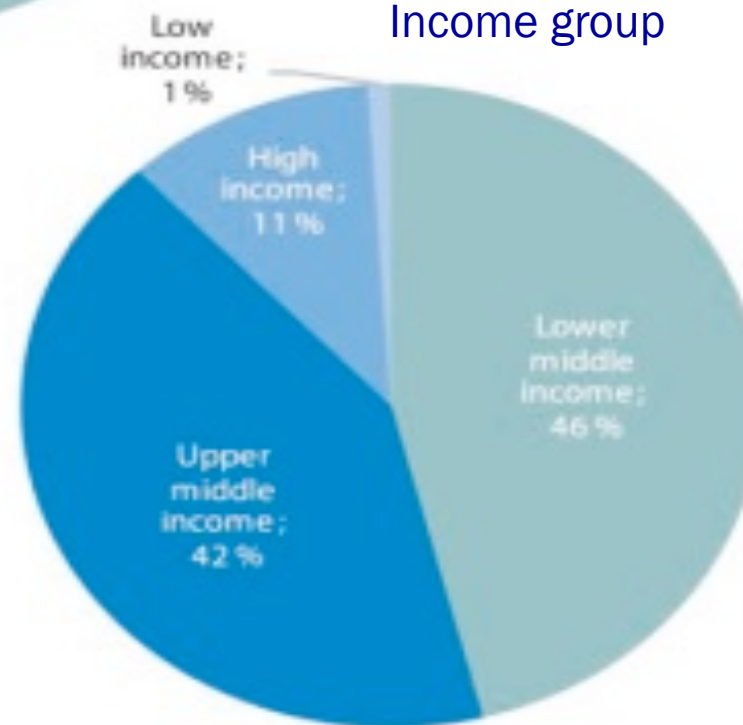




Region



Income group



BRI Investments in Belt and Road Corridor Economies (percentage shares of US\$575 billion)

Definitions and Example of Corrupt Practices in the Infrastructure (Transport) Sector

Corrupt Activity	Definitions and Examples
Bribe	Payment to a government official for any type of favor. Bribes are paid by firms to be short-listed or prequalified, to win contracts, to approve contract amendments and extensions, to influence auditors, to induce site inspectors to compromise their judgment regarding quality and completion of civil works, and to avoid cancellation of contracts for poor performance.
Kickbacks	Payment made by a successful bidder to a third party as a result of an arrangement made prior to bidding. This is typically regarded as a share of proceeds from a bid that has been padded sufficiently to cover the kickbacks.
Collusion	Agreements among bidders to manipulate the bidding process or its results in a manner that is mutually satisfactory. Public officials may orchestrate or be involved in collusion in return for a bribe. Collusion often involves bid rigging (see below).
Bid rigging	Actions that influence a bid price in a noncompetitive way to achieve a prearranged objective. All forms of bid rigging include some type of information or procedural asymmetry to tip the scale in favor of a contractor or consortium. Two common forms are manipulation of bid specifications and sole-source contracts, both of which unfairly exclude competition. In bid rigging involving collusion, parts of a bid may be deliberately raised in order to create a losing bid. The winning bid may be set above the known cost estimate (“highball”) in order to finance kickbacks after award. In noncollusive bid rigging, contractors may submit a “lowball” bid, where the price is set low to win the contract, only to be increased after the contract award through change orders or addenda, often with the help of officials.
Fraud	Illicit documentary practices to subvert qualification requirements, such as commercial registration or financial capacity, or to cover up poor performance and corrupt practices, such as billing for work never performed, failing to meet contract specifications for road construction, and inflated billing for goods and services, among others. Fraud by project officials includes diverting project assets such as computers or vehicles, documenting “ghost employees,” and setting up front companies (to create the illusion of competition or conceal the identity of the principal owners or beneficiaries for taxation avoidance, usually working in concert with selected complicit firms).



The Uighurs are a Muslim ethnic minority that make up around **45%** of the **Xinjiang** province in western China, home to roughly **10 million** ethnic Uighurs - less than **1.5%** of China's population



In 2017, **228,000** people were arrested in Xinjiang on criminal charges according to rights group China Human Rights Defenders (CHRD)



Uighurs in detention are housed in small, overcrowded rooms and provided with insufficient amounts of food



Uighurs are often arrested arbitrarily with no charge of any crime, held indefinitely, and denied access to legal representation

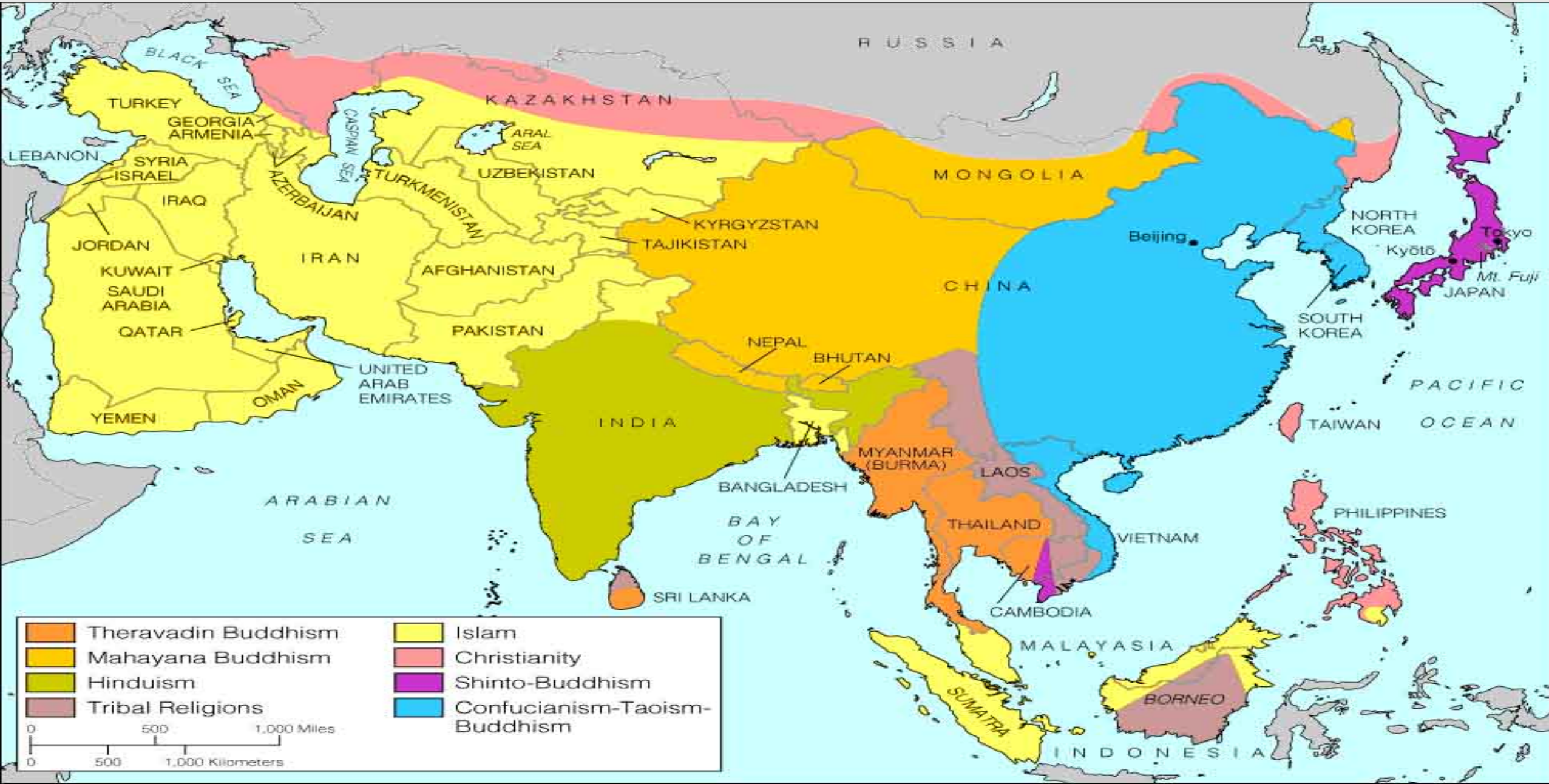


China has also prohibited long beards and the wearing of veils in public places



Those who are detained have to repeatedly watch 're-education' films featuring a state-appointed imam who explains 'legal religious practices' and 'appropriate interpretations of Islam'

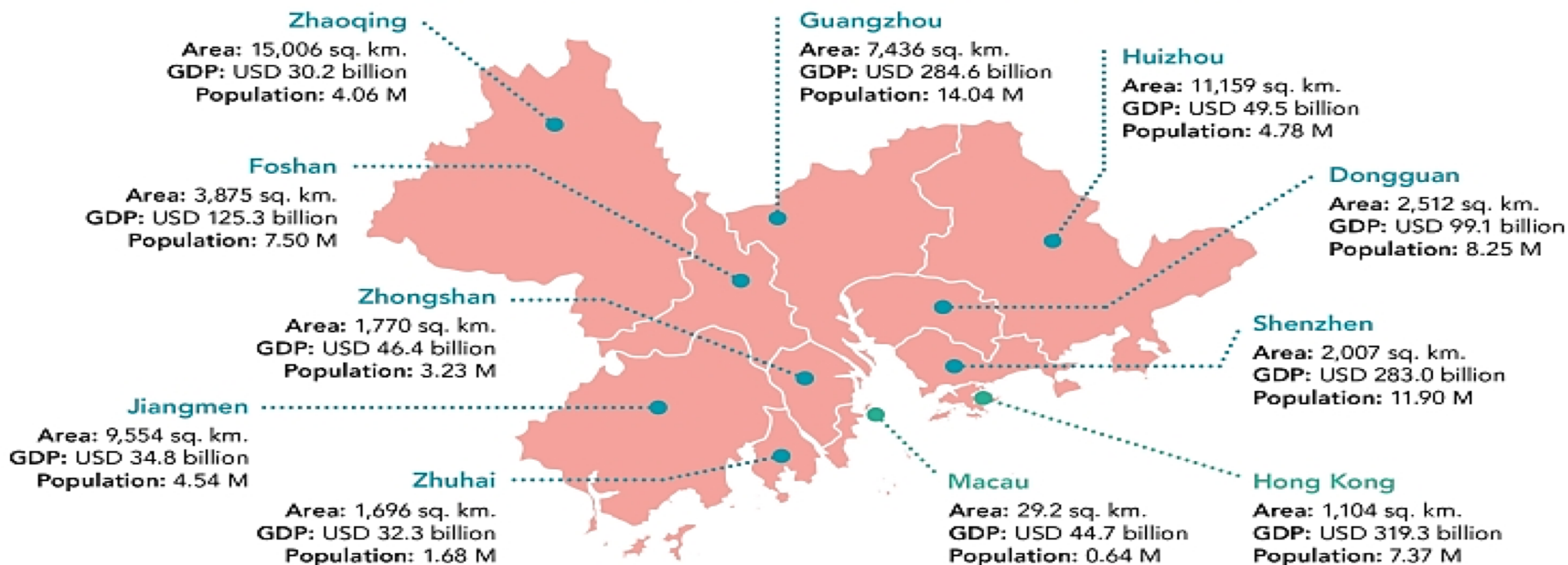
Religions in Central/Western Asia



THE GREATER BAY AREA

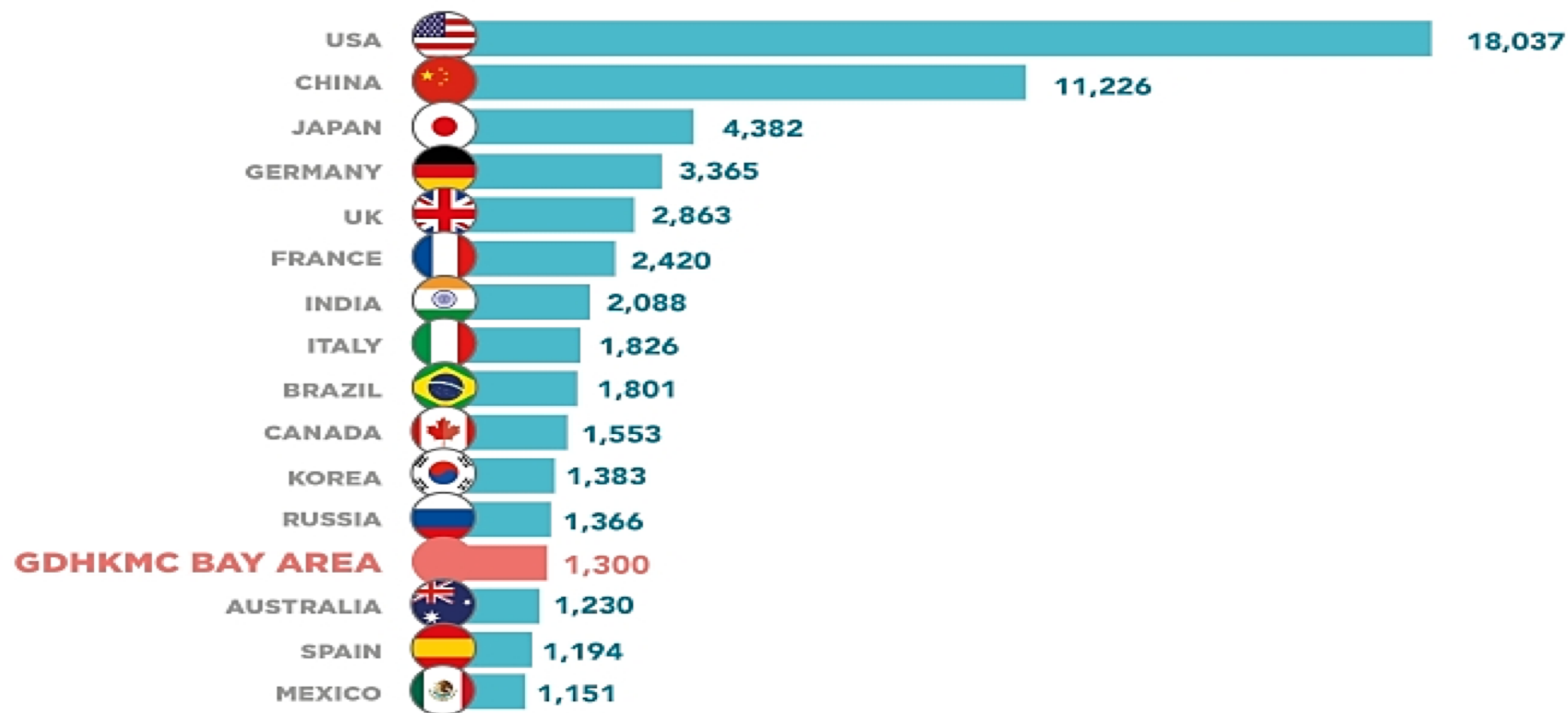
The "Greater Bay Area" (GDHKMC Bay Area) refers to the Chinese government's scheme to link the cities of Hong Kong, Macau, Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing into an integrated economic and business hub.

The Greater Bay Area, taken as a whole, forms the world's largest mega-city at 66 million people - nine cities in Guangdong province and the two Special Administrative Regions (SARs): Hong Kong and Macau



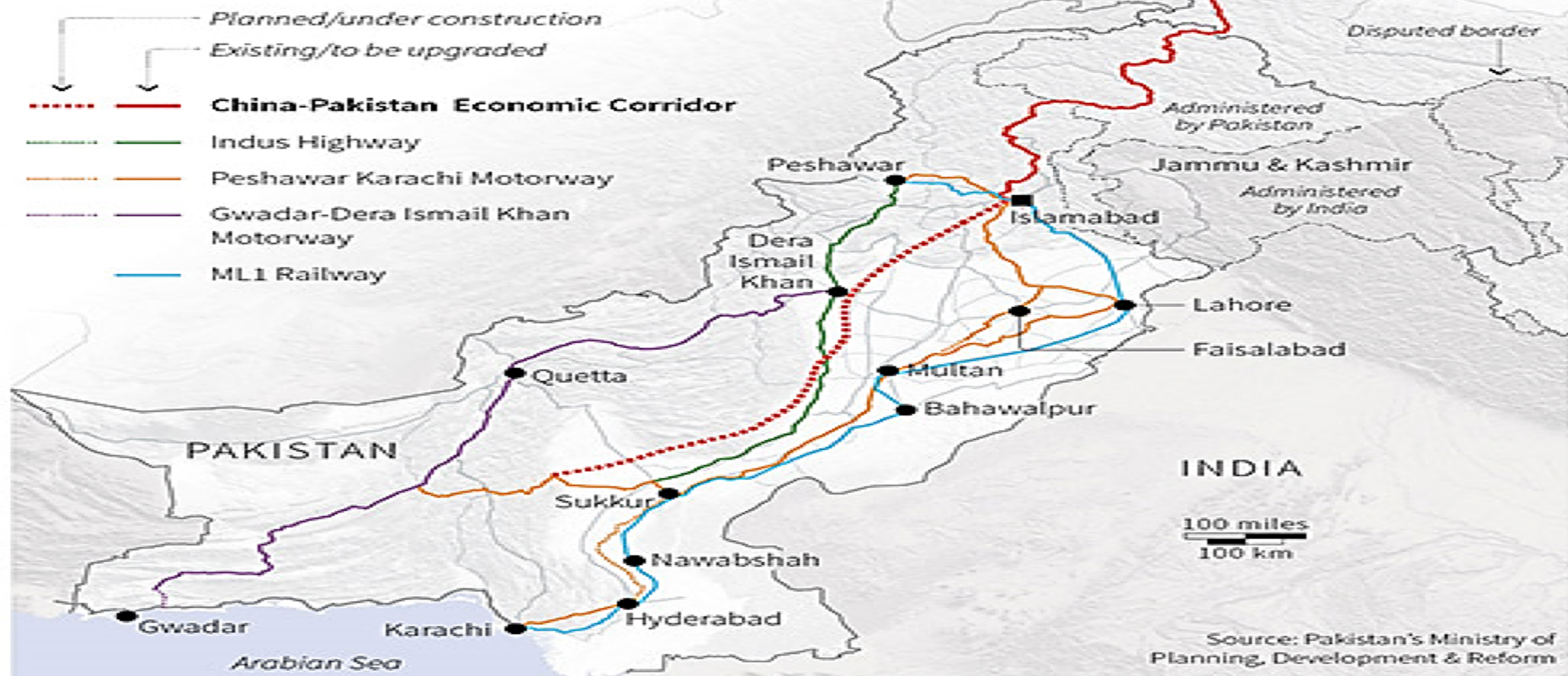
GLOBAL COUNTRY GDP RANKINGS

IF THE GDHKMC BAY AREA WERE TAKEN AS A COUNTRY IN ITS OWN RIGHT, IT WOULD RANK 13TH OVERALL - JUST BEHIND SOUTH KOREA AND RUSSIA AND AHEAD OF AUSTRALIA, SPAIN AND MEXICO.



China-Pakistan Economic Corridor

A planned \$57 billion China-Pakistan economic corridor will link Gwadar, Pakistan, to China's far-western Xinjiang district.



CHINA - INDIA - PAKISTAN



A map of the Indo-Pacific region, outlined with a thick blue oval. The map shows the Indian Ocean to the west and the Pacific Ocean to the east. A dashed horizontal line represents the equator. The text 'INDO-PACIFIC REGION' is written in large, blue, serif capital letters across the center of the map. Various countries and bodies of water are labeled.

INDO-PACIFIC REGION

Uzbekistan

Turkmenistan

Afghanistan

Pakistan

India

Bay of Bengal

Andaman Sea

Laccadive Sea

Indian Ocean

China

South Korea

East China Sea

Myanmar (Burma)

Thailand

Vietnam

Philippines

Malaysia

Indonesia

Banda Sea

Arafura Sea

Papua New Guinea

Coral Sea

Australia

WA

NT

SA

QLD

NSW

Saudi Arabia

Oman

Yemen

Gulf of Aden

Mar d'Arabia

Somalia

Kenya

Tanzania

Zimbabwe

Madagascar

Syria

Iraq

Saudi Arabia

Ethiopia

Kenya

Tanzania

Zimbabwe

Madagascar

Sea of Japan

Japan

NT

SA

QLD

NSW

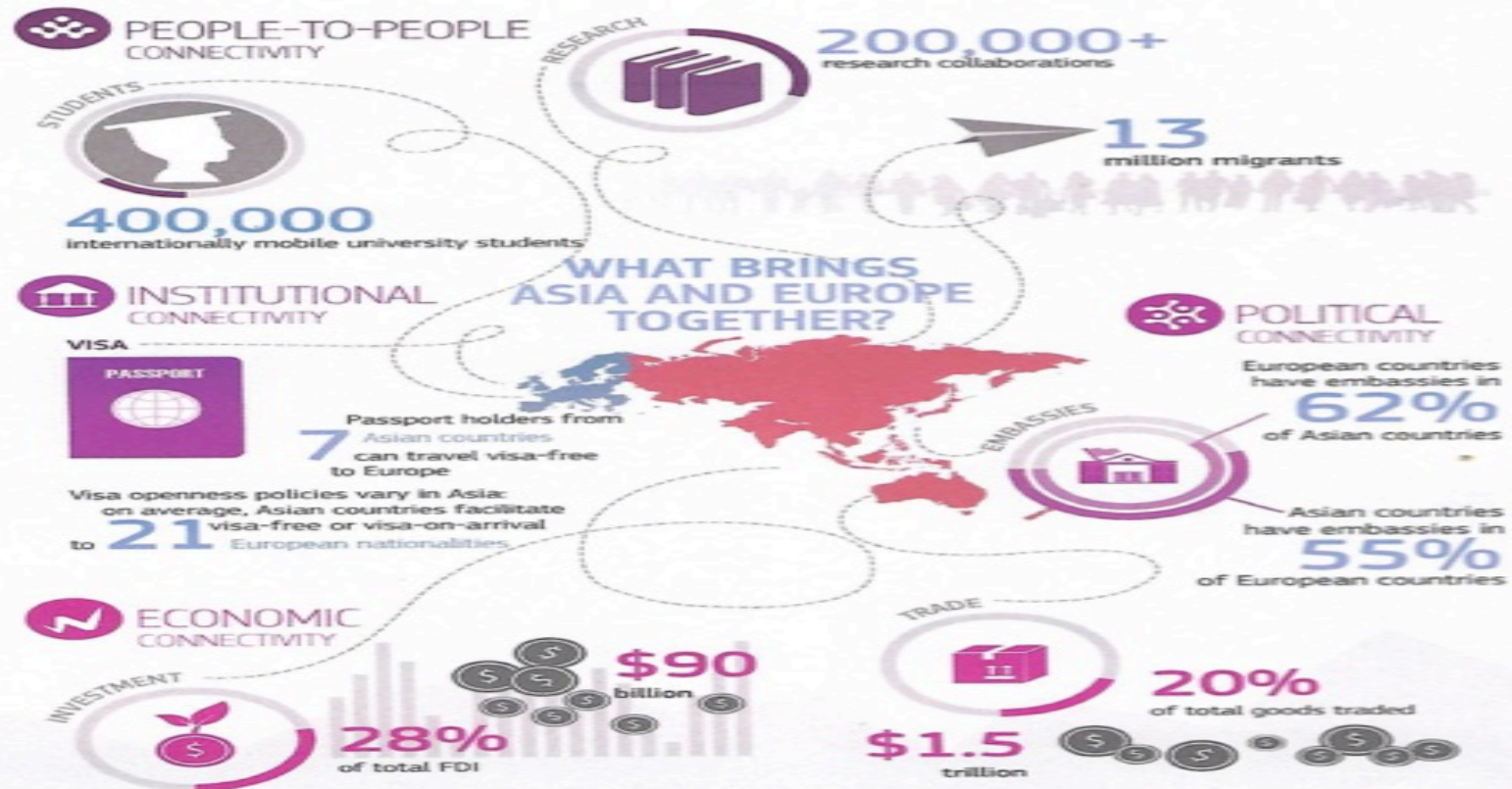
Claims to the South China Sea



EU-ASIA CONNECTIVITY

30

3.1 AN INTERCONNECTED ASEM



Figures refer to flows and connections between Asian and European ASEM partners

The Belt and Road Initiative's European Partnerships

- Countries with a BRI joint declaration
- Countries with a BRI memorandum of understanding
- Countries in BRI negotiations



EURASIAN ECONOMIC UNION



Factors Affecting the Outcome of the BRI

Political

- Evolution of the role of the CPC
- Chinese nationalism
- Isolationism in the West
- Attitude of EU
- Attitude of Russia
- Attitude of India
- Attitude of US
- Islamic fundamentalism
- Rise of Africa

Economic

- Economic growth in China
- Success of individual projects
- Future of globalization

Ecological

- China implements green commitments
- Natural disasters

Cultural

- Evolution of the Chinese population
- Emigration from China
- Immigration into China

Possible Attitudes of Western Countries and Their Consequences

Opposition

- Confrontation with China
- Loss of opportunities if BRI succeeds
- Avoidance of risks if it fails

Participation

- Promotion of China's ambitions
- Benefits from BRI's success
- Responsibilities for its failures

Neutrality

- China assumes leadership of the events

Recommendations

- Promote the international rules-based system of international governance (WTO, IMF, World Bank, etc.)

- Avoid confrontation with China
- Avoid dominance by China

- Promote development programs integrating liberal values

- Provide an alternative to China's CPC-dominated system

- Participate on a case-by-case basis in the BRI projects

- No general validation of the BRI
- Exert influence on the evolution of the BRI
- Reap the benefits of successful projects



THANK YOU*



Daniel Laprès

*Special thanks to Jessica Grimault for
help with the slide presentation