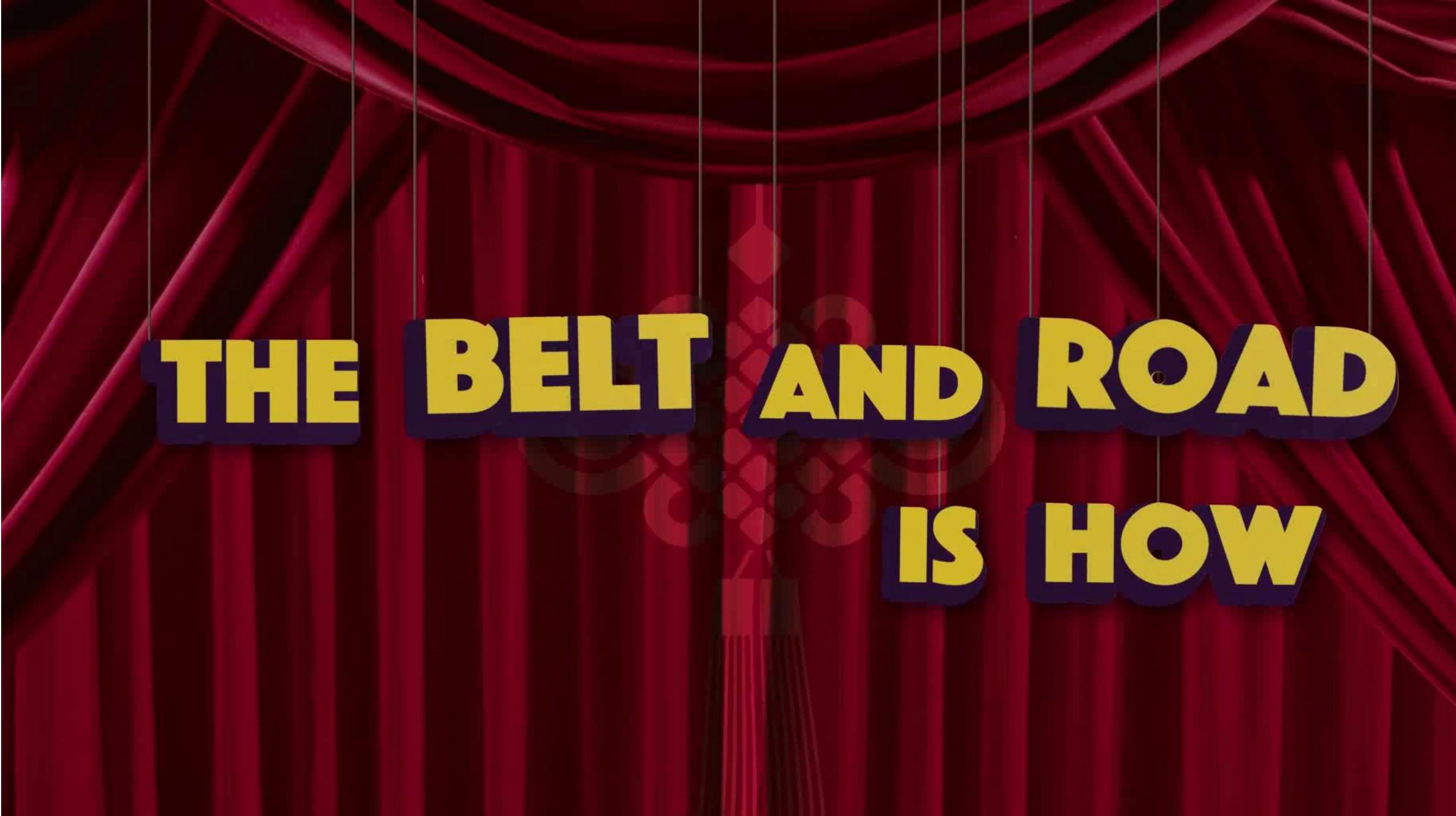


# China's Belt and Road Initiative



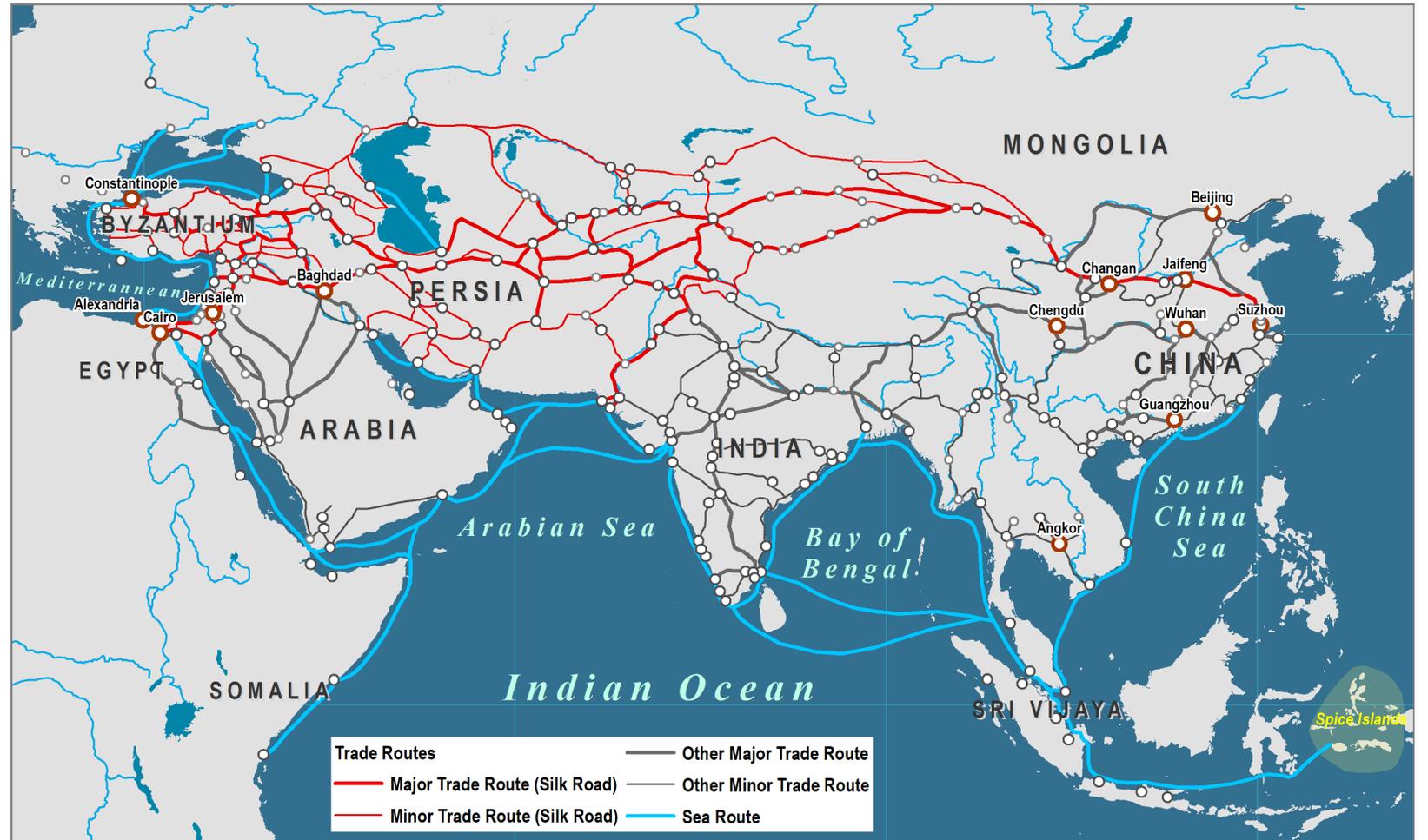
By: Patrick Irish





**THE BELT AND ROAD  
IS HOW**

Inspired by  
the Silk Road



- Silk, spices, gold, ivory, and other goods moved across Central Asia
- Peaked during Tang Dynasty of 618-907 AD

## Belt and Road



- Silk Road Economic Belt includes railways, pipelines, highways, bridges, streamline border crossings
- Maritime silk road includes port development from SE Asia to East Africa
- Total of over \$1 trillion in infrastructure investments in 60 countries
- End goal of becoming a regional trade hub and not a destination

# Short term goals



Fuel Chinese economic growth



Remove overcapacity in manufacturing and related industries while increasing speed of trade



Create deep relationships with trade partners



Expand influence and export culture

# Long term goals



Renminbi as a global currency



Better use of capital

Currently getting small return on US bonds  
Foreign reserves in developing countries may provide higher yield



Expand military abilities and presence



Reduce reliance on a single trade partner, resource, or route

# BRI Projects

- High speed rail
    - Indonesia - Jakarta-Bandung
    - Iran - Tehran-Mashhad
    - Laos – Laos-China Railway
    - Kenya – Nairobi – Mombasa
    - Ethiopia – Addis Ababa-Djibouti
  - Power
    - Sheila GanJie Station (Bangladesh)
    - Punta Sierrra Wind Farm (Chile)
    - Yamal LNG (Russia)
    - Isimba Hydropower (Uganda)
- 
- Ports
    - Muara (Brunei)
    - Gwadar (Pakistan)
    - Piraeus (Greece)
    - Zeebrugge (Belgium)
    - Hambantota (Sri Lanka)
  - Bridges
    - Temburong (Brunei)
    - Peljesac (Croatia)
    - Padma (Bangladesh)

# It's electric! Boogie woogie, woogie!



Iran's Tehran-Mashhad upgrade take 48 months to electrify route



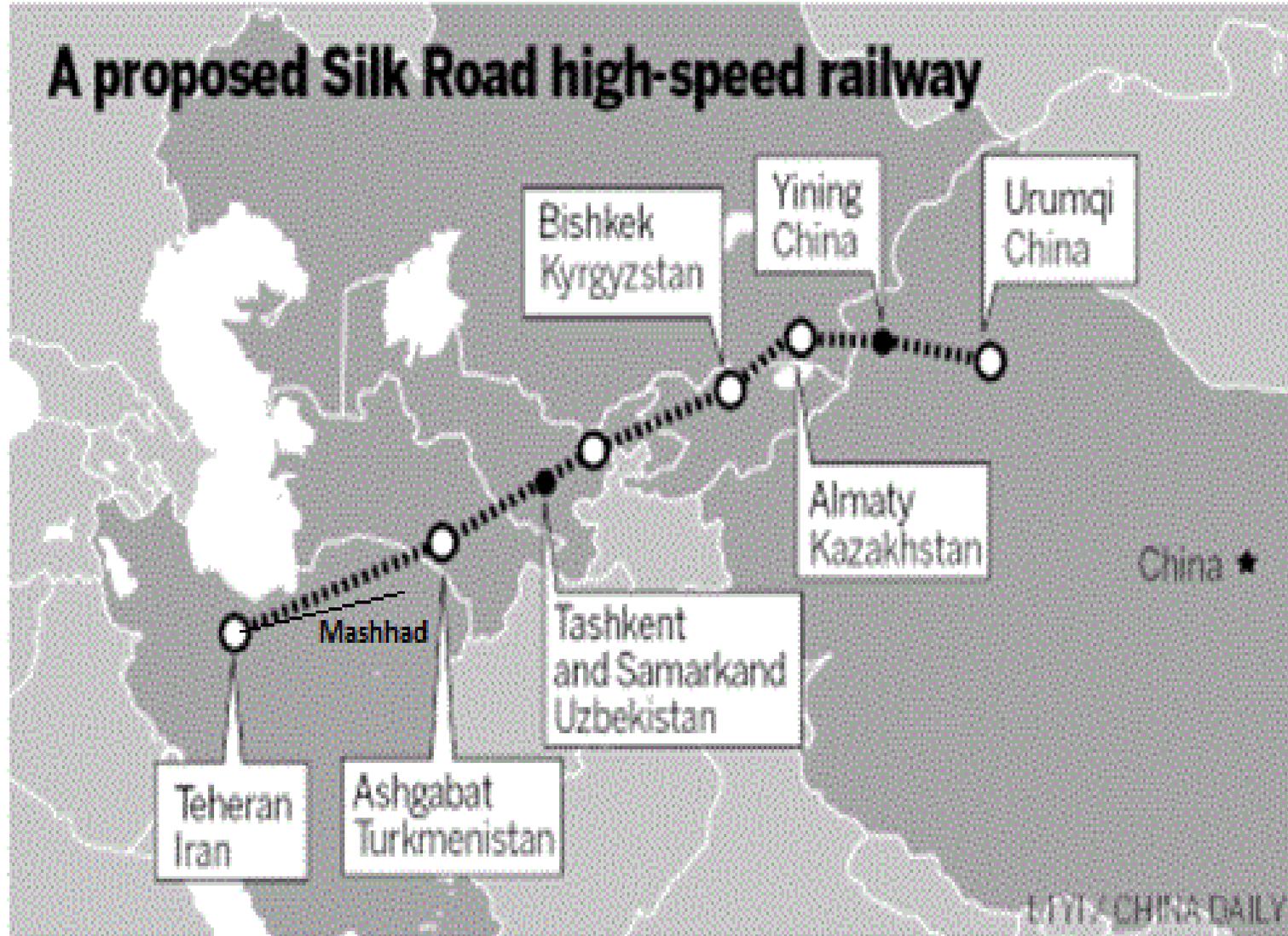
Reduce commute time from twelve to six hours



Financing split of \$200M from Iran, \$1.5B from China, 60% domestic workers



Reduces pollution, increases capacity



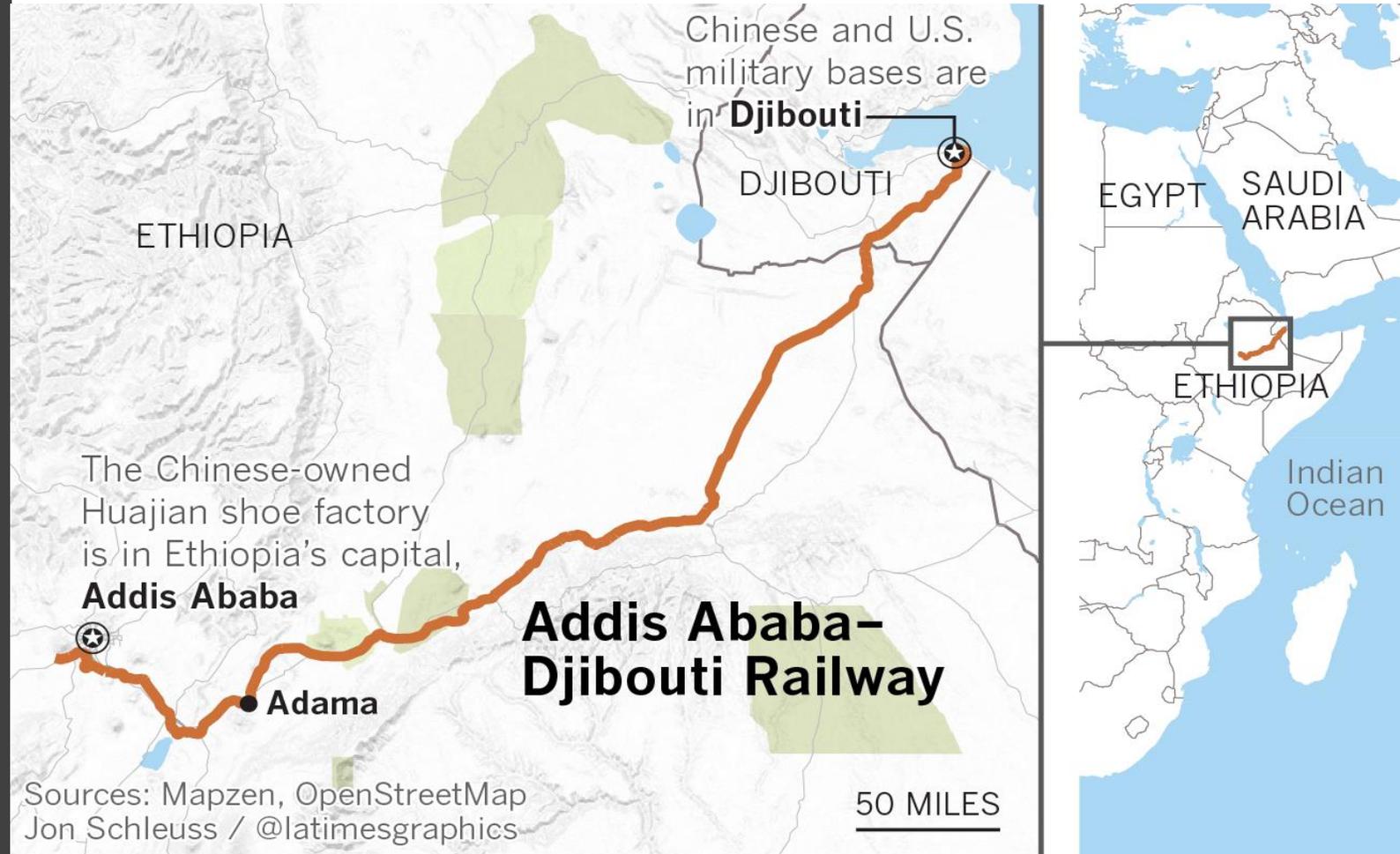
## Laos – Landlocked to landlinked hub

- \$6B price tag, 60% private investors, 40% gov. w/70% from China. Laos 30% secured loan
- Thousands of promised jobs, locals claim all are Chinese
- Landowners' compensation delayed "indefinitely"
- Mohan to Vientiane will take three hours, currently 2 to 3 days by car
- Both tightly controlled communist governments, details are limited
- The end goal is through Thailand, Malaysia, and Singapore



# Ethiopia

- First railway built in 1901, collapsed in 2009, new one built in 2018
- Reduced time from 3 days to 12h but raised time for farmers
- Lack of surrounding infrastructure such as branch lines, access roads, and storage facilities
- Sinosure (insurance) had to payout \$1B for payment guarantees
- Debt extended from 10 years to 30 years, currently re-negotiating billions in debt



# Mombasa–Nairobi Railway

- \$3.6B in cost, Kenya's most expensive infrastructure project
- Operational loss of \$100M in first year
- Mired in scandals including
  - Transfer of jobs from Chinese to locals difficult due to language of technology
  - Physical punishment on local workers from Chinese managers
  - Land compensation fraud
  - Ticketing refund scam
- China's % of Kenyan debt went from 24% to 72% between 2013-2018

## New East African railway

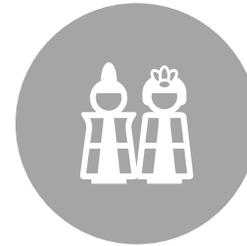


Source: Kenyan Railways, Ethiopian Railway Commission, Transit Transport Coordination Authority

# Jakarta-Bandung High Speed Rail (Indonesia)



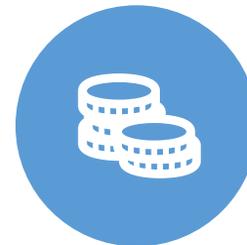
High speed rail will reduce time from two hours to 30 minutes.



Japan and China bid with Japan the heavy favorite



China wins project by offering all financing w/no official guarantees



Final price of \$5.5B, operational by 2019

# Crack in the Track

Groundbreaking in Jan 2016 – Three years later and not a single track has been laid

Current projection to complete tunnel 2021

Only 77% of needed land has been acquired

Projected cost already \$600M more than expected with labor cost doubling in past two years

## Gwadar Port (Pakistan)

- CPEC is the flagship of the BRI, its “Marshall Plan”
- \$63B in investments to modernize Pakistan
- Ports, railways, pipelines, and power
- China gets a 40 yr lease for Gwadar Port, bypasses Malacca Strait

### China-Pakistan Economic Corridor

China has pledged to spend \$63 billion to build roads, railways, energy infrastructure across Pakistan, linking Kashgar in China's western Xinjiang region with Arabian Sea port of Gwadar



## Piraeus Port

- COSCO (China Ocean Shipping) bought controlling stake in 2016
- Plagued by poor service and high costs, COSCO transformed terminal into second largest port in the Mediterranean
- China's main southern European hub
- Traffic up 20% in 2018



## Zeebrugge Terminal, Belgium

- Early 2018, COSCO shipping buys 50 year concession agreement
- Main northern European hub for China
- Trade between China and Belgium rose 8% in 2017
- Imports from Belgium rose faster than exports to the country

## China's Port Investing Spree

Chinese companies are investing in ports around the world. Here are more than a dozen in the Mediterranean and Europe in which the Chinese state-owned enterprises COSCO Shipping Ports and China Merchants Port Holdings have acquired stakes. Locations below correspond to port cities.



Source: *Olaf Merk, Revue internationale et stratégique (2017), China Merchants Port Holdings and COSCO Shipping Ports*

Credit: Research and fact check by Vanessa Qian and Ayda Pourasad/NPR. Design and development by Vanessa Qian/NPR

Maldives  
Bridge /  
Hospital /  
Airport /  
Hotel

Country of 400,000 owes China over \$3B, \$8,000 per citizen. 80% of Maldives' debt.

Voters kicked out strongman Yameen, despite political rivals jailed or in exile

New president Solih said state coffers were "looted", India offers \$1B in loans

Hospital rival bid was \$54M, Chinese costs for hospital hit \$140M

Little regard for debt sustainability, bribes, embezzlement, corruption run rampant

# One hand washes the other



2005: Sri Lanka President Rajapaksa receives economic, military, and political support from China to fight Tamil rebels



2007: Rajapaksa proposes port in his hometown of Hambantota despite feasibility studies calling it an economic dud



2008: China loans \$307M that requires Chinese companies and Chinese workers to build the port along with intelligence sharing



2010: After blasting a rock for \$40M to open the port on Rajapaksa's birthday, the port receives 1% of the traffic with Sri Lanka's Colombo port getting 99%.

# HAMBANTOTA PORT

November 15, 2017



## Game of Loans

- Unable to repay its debt, Sri Lanka gave a 99 year lease for Hambantota port in Dec 2017
- It could be turned into a Chinese naval facility
- A cautionary tale for Asian countries to limit debt to China and only build what it needs

# Cancelled BRI Projects

Malaysia: Debt concerns / Previous administration / \$23B

- East Coast Rail Link
- Two pipelines: Multi-Producti & Trans-Sabah

Pakistan: Debt concerns / Insurgent attacks

- \$2B Coal power project
- Scaling back rail projects from \$8.2B to \$6.2B
- \$14B Hydro Power Dam

Myanmar: Debt concerns / China owns half of debt

- Reduced port project from \$7.3B to \$1.3B

Bangladesh: Bribing government officials

- Dhaka Sylhet Highway

Nepal: Resettlement issues

- \$2.5B Hydro Dam

# India's Response



Project Mausam announced by Prime Minister Modi



Aim to reconnect and re-establish communications around Indian Ocean



Focus will be on SE Asia to East Africa and Arabian Peninsula



Not just trade but will feature culture and strategic dimensions



# US Concerns

- Economic and political influence over Eurasia.
- Decreased environmental and labor standards
- Erosion of western development norms, opaque bidding and payoffs
- Economically marginalize the US
- Pretext to expand China's overseas military presence

# More sour than sweet

Beijing has eroded national sovereignty through equity arrangements, long term leases, or operating contracts

BRI often uses Chinese firms and labor, not allowing the transfer of skills to local labor, and ignores local needs

Unsustainable financial burdens have left countries in risk of default, “white elephants” cause debt traps

The BRI is a combination of state-backed funds & Co. with money to burn. Future projects should proceed with caution

Belt and Road Initiative – A global expansion in trade

