The New Silk Road – A stock-taking and implications for Europe
Part I

Integration in Europe:
European Union (EU) and Eurasian Economic Union (EAEU)
18 May 2018
Joint Vienna Institute

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Introduction

- Selective project-oriented overview of China’s „Belt and Road Initiative“ (BRI)
- Definition, supporting institutions, financial means, motivations, goals, risks, challenges, rivaling initiatives?
- Which economic corridors? Link-ups with Paneuropean corridors (EU)?
- Some Belt & Road key projects
- Conclusions
„New Silk Road“ (NSR) = „Belt and Road Initiative“ (BRI)

consists of:

a) „Silk Road Economic Belt“ (overland)

b) „21st Century Maritime Silk Road“ (seaborne)

• Both focus on connectivity along infrastructural trajectories

• Compare: Marshall Plan
Selected institutions supporting the New Silk Road

- **Silk Road Fund** (USD 55 bn)
- **Asian Infrastructure Investment Bank** (AIIB, USD 100 bn)
- **New Development Bank** (BRICS, USD 10 bn)
- China‘s policy banks:
  - **China-EXIM Bank** (USD 100 bn)
  - **China Development Bank** (USD 120 bn)
  - **Agricultural Development Bank of China** (USD 20 bn)
- Special regional sub-initiatives
  - „**16+1 format**“ (USD 11 bn)
  - **China-Russia Renminbi Investment Fund** (USD 10 bn)
- **China‘s international reserves**
  - potentially **several USD 100 bn** to be used
Goals of BRI: largely economic and geopolitical

- **Improvement of transportation links**, reduction of trade costs
- **Redirection of surplus savings**, re-utilization of unused domestic productive capacities
- **Diversification of investments**, markets and suppliers
- Creation of “**strategic propellers of hinterland development**”
- Contribution to **internationalization of Yuan-Renminbi**
- Venue for addressing **strategic resource supply, security issues** (e.g. chokepoint Strait of Malacca)
- **Pragmatic infrastructural project cooperation** can be easier than „deepening“ trade integration areas
- Steady enhancement of **Chinese soft power**
- **China not necessarily interested in short-term profits** and may accept losing up to 30% of its BRI investment in Central Asia (Stronski and Ng, 2018)
New Silk Road challenges and risks

• **Weak local governance**, bureaucracy, potential political instability in partner countries
• Lavish B&R financial inflows might even add to **corruption**
• Often **lack of competitive tenders**, sometimes sovereign guarantees required
• Possible „**debt trap“**, particularly for small economies
• **Frequent Chinese dominance** in projects (financially and logistically), possibly limited regard for local conditions
• **Instances of popular resistance** to Chinese investment
• Yet China is often **prepared to take higher risks** than multilateral development banks
• Possible fallout from heightened **geopolitical tensions** and rivalry
Possibly competing programs of other powers

- „New Silk Road“-Initiative (NSRI) of USA (since 2011)
- Indian-Japanese „Freedom Road“ (since 2017)
- Intercontinental North-South Transport Corridor (INSTC), initiated by India, Iran and Russia (2002), re-activated after the lifting of the Iran sanctions
- TRACECA (Transport Corridor Europe-Caucasus-Asia), supported by EU, since 1993
  (see project map)
Constituent economic corridors

Map 1

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa

Eco. corridors as „runways“ or „platforms“ for infrastructural trajectories and transp. hubs

Source: China Trade Research (Hong Kong Trade Development Council – HKTDC)
Maritime connectivity still outstrips overland connectivity, which however is gaining ground

- For price reasons, lion’s share (around 80-90%) of long-distance trade over the NSR is likely to remain seaborne
- However, modernization of relatively weakly developed overland transportation is bound to reduce price gap somewhat
- Emergence of profitable niche for long-haul Eurasian rail conveyance of
  - High value-added products or
  - Time-sensitive goods or
  - Products involved in manufacturing processes
- See Trans-Eurasia-Express…. 
Re: Economic corridors

• Maritime Silk Road, its Europ. extension (Land-Sea Express Route/LSER) as well as
• New Eurasian Land Bridge
may directly link up with
• Pan-European Transport Corridors (see Map 1, corridors 2, 10)
• Trans-European Transport Network (see Map 2, corridors North Sea-Baltic, Orient-East Med)
Maps 4 and 5:
### Some key 'One Belt, One Road' projects and their financial support

<table>
<thead>
<tr>
<th>Project</th>
<th>Host country of investment</th>
<th>Construction period (planned)</th>
<th>Amount of Chinese investment or financial support, or total costs (in USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khorgos Gateway (Special Economic Zone)</td>
<td>PRC, KAZ</td>
<td>2014-17</td>
<td>6.5 (total)</td>
</tr>
<tr>
<td>West Europe-West China Expressway</td>
<td>PRC, KAZ, RUS</td>
<td>2009-20</td>
<td>3.0 (Silk Road Fund)</td>
</tr>
<tr>
<td>High-Speed Rail Link Moscow-Kazan¹)</td>
<td>RUS</td>
<td>2018-22</td>
<td>7.4 (China Dev. Bank et al.)</td>
</tr>
<tr>
<td>Yamal LNG Project</td>
<td>RUS</td>
<td>2015-23</td>
<td>12.0 (China EXIM, CDB)</td>
</tr>
<tr>
<td>Power of Siberia (Sila Sibiri) Gas Pipeline</td>
<td>RUS</td>
<td>2015-19</td>
<td>2.0 (Bank of China)</td>
</tr>
<tr>
<td>Deep-Sea Port Gwadar</td>
<td>PAK</td>
<td>2015-17</td>
<td>1.6 (total)</td>
</tr>
<tr>
<td>Karakorum Highway Reconstruction</td>
<td>PAK, PRC</td>
<td>2012-18</td>
<td>2.5 (China EXIM, China Dev. Bank)</td>
</tr>
<tr>
<td>Trans-Myanmar-Oil and Gas Pipelines</td>
<td>Myanmar, PRC</td>
<td>2009-2013/14</td>
<td>2.5 (total)</td>
</tr>
<tr>
<td>Colombo Port City and Sri Lanka infrastructure dev.</td>
<td>Sri Lanka</td>
<td>from 2014</td>
<td>5.0 (total, of which 1.4 bn for Colombo)</td>
</tr>
<tr>
<td>Djibouti and Ethiopia infrastructure development</td>
<td>DJI, ETH</td>
<td>from 2010</td>
<td>12.0 (China)</td>
</tr>
<tr>
<td>Port of Piraeus (acquisition and modernization)</td>
<td>GRC</td>
<td>from 2016</td>
<td>0.81 (China Ocean Shipping Co.)</td>
</tr>
<tr>
<td>High-Speed Rail Link Belgrade-Budapest</td>
<td>SRB, HUN</td>
<td>2014-18</td>
<td>1.73 (total)</td>
</tr>
</tbody>
</table>

¹) part of planned High-Speed Rail Link Berlin-Moscow-Beijing (see memo items below)

### Memorandum items:

- Trans-Siberian railroad link to Austria (broad-gauge track extension Košice-Vienna/Bratislava)  
  - SVK, AUT  
  - 2023-2033  
  - 6.5 (total, financial commitments not yet determined)

- High-Speed Rail Link Berlin-Moscow-Beijing (Evrazia)  
  - BLR, RUS, KAZ, PRC  
  - 2018-2026  
  - 130 (total, fin. commitments not yet fixed)

Source: various international press articles, Silk Road Fund, Asian Infrastructure Investment Bank
Map 6:
Some major Belt & Road projects: a spatial overview

Source: Authors’ compilation, technical cartographic expertise of Florian Patti.
Some major New Silk Road projects (EU-Russia-Central Asia): close-up
Another comparative look at Chinese investment contracts along the New Silk Road (based on the *China Global Investment Tracker*, published by Heritage Foundation)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total amount (USD bn)</th>
<th>Chinese inv. as ratio to host country GDP (%)&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10.93</td>
<td>0.99</td>
</tr>
<tr>
<td>Kyrgyz Rep.</td>
<td>3.80</td>
<td>8.92</td>
</tr>
<tr>
<td>Mongolia</td>
<td>1.72</td>
<td>2.40</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>3.32</td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Southeast Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>3.72</td>
<td>3.55</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19.86</td>
<td>0.38</td>
</tr>
<tr>
<td>Laos</td>
<td>13.22</td>
<td>15.81</td>
</tr>
<tr>
<td>Malaysia</td>
<td>22.73</td>
<td>1.19</td>
</tr>
<tr>
<td><strong>Russia and Eastern Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montenegro</td>
<td>1.12</td>
<td>4.34</td>
</tr>
<tr>
<td>Russia</td>
<td>27.34</td>
<td>0.27</td>
</tr>
<tr>
<td>Serbia</td>
<td>5.04</td>
<td>2.06</td>
</tr>
<tr>
<td><strong>East Africa and Middle East</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Djibouti</td>
<td>1.72</td>
<td>17.37</td>
</tr>
<tr>
<td>Egypt</td>
<td>14.17</td>
<td>0.74</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>8.93</td>
<td>2.48</td>
</tr>
<tr>
<td><strong>West Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>7.45</td>
<td>0.30</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5.89</td>
<td>0.14</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.74</td>
<td>0.13</td>
</tr>
<tr>
<td>U.A.E.</td>
<td>9.41</td>
<td>0.41</td>
</tr>
<tr>
<td><strong>South Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>21.30</td>
<td>1.93</td>
</tr>
<tr>
<td>Nepal</td>
<td>1.43</td>
<td>1.54</td>
</tr>
<tr>
<td>Pakistan</td>
<td>39.90</td>
<td>2.58</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>4.88</td>
<td>1.02</td>
</tr>
<tr>
<td><strong>Memo item (comparative Chinese investments)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>27.71</td>
<td>0.33</td>
</tr>
<tr>
<td>Canada</td>
<td>26.19</td>
<td>0.26</td>
</tr>
<tr>
<td>Italy</td>
<td>14.62</td>
<td>0.12</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9.34</td>
<td>0.05</td>
</tr>
<tr>
<td>United States</td>
<td>28.33</td>
<td>0.03</td>
</tr>
</tbody>
</table>

<sup>1) </sup> Only host countries in which above Chinese investment exceeds USD 5 bn and/or 1% of GDP are listed.

<sup>2) </sup> Respective countries’ average GDP of the years 2014 and 2015 is taken as denominator. The contract sum total for the period 2012 to 2017 is divided by the number of years (6) of this period and related to the average annual GDP of 2014-2015.

Source: *China Global Investment Tracker* (American Enterprise Institute, Heritage Foundation)
Concluding,

• **BRI** has largely **economic and geopolitical motivations**
• **BRI** corresponds to **enormous investment program** with total est. needs of USD 800 bn to USD 1.5 trn
• **BRI** is new type of promoting development through „**nuts and bolts“ connectivity** which aims at **reducing transportation costs**
• B&R corridors are also **venues for addressing strategic resource supply** and security issues for China (tackling Strait of Malacca dilemma)
• **Chinese authorities** have **hundreds of billions of dollars** at their disposal for B&R purposes
• B&R projects **partly help Russia circumvent Western sanctions** and replace some blocked Western investors by Chinese and/or other investors
• Acc. to expert estimates (Herrero and Xu, 2016), global **trade of EU could rise 6%** and of Austria 9% if important B&R projects – incl. the trans-Eurasian rail axis – were accomplished
Concluding (cont.)

• However, potential „debt trap“, particularly for smaller countries, and danger of fueling **corruption**

• There is **frequent Chinese dominance in projects** (financially and logistically) and sometimes limited concern for local conditions

• In **absolute terms**, the seven BRI countries in which China invests most in transportation / energy projects are relatively big neighbors:
  – Pakistan, Australia, Russia, Malaysia, Bangladesh, and Indonesia

• Yet **in relation to GDP** of recipients, strategically-located smaller countries benefit most:
  – Djibouti, Laos, Kyrgyzia, Montenegro, Uganda, Kenya, Cambodia
  – However, some of these countries also carry particular **risk of debt distress** (Hurley, Morris, Portlance 2018)

• Chinese contribution to global connectivity through strengthening **geoeconomic linkages**
References

Aglietta, M. (2018) Un modèle original pour le XXI siècle – Pour l'économiste Michel Aglietta, la trajectoire chinoise peut aboutir à un mode de croissance apte à proposer un ordre mondial alternatif au capitalisme financier, Le Monde, 22-23 avril, p. 6


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Many thanks for your attention
Благодарю вас за внимание