

L'initiative "Belt and Road" est une stratégie du gouvernement chinois pour connecter l'Asie, l'Europe et l'Afrique grâce à un développement massif des infrastructures et faire de la Chine la force centrale de la production, de l'approvisionnement et de la logistique. C'est l'entreprise politique et économique la plus vaste et la plus complexe toujours tentée par l'humanité. Il y a beaucoup de défis difficiles. Si elles sont surmontées, à la maturité, l'Initiative se transformera dans une force très puissante pour la coopération internationale.

The Belt and Road (formerly known as "One Belt One Road") Initiative is a strategy of the Chinese government to connect China with the rest of the world. The Initiative was first announced by China's President Xi Jinping in September 2013.

The Belt refers to the Silk Road Economic Belt which traces the ancient Silk Road, a network of trade routes travelled by traders and explorers (the likes of the famous Marco Polo and numerous unsung ones) for centuries from before the birth of Christ (see Illustration 1 and Illustration 2).

The Road refers to the 21<sup>st</sup> Century Maritime Silk Road which, to a great part, traces many of the routes from China to Africa of the 7 voyages of Zheng He, a Muslim Chinese mariner, explorer, diplomat, fleet admiral and court eunuch of the early Ming Dynasty in the 15<sup>th</sup> century (see Illustration 1 and Illustration 2).

"It is in our shared interest to show that the global economy can serve all the world's people."



Illustration 1

## ECONOMIC CORRIDORS & COVERED TERRITORIES

Under the Belt and Road Initiative, there are to be six proposed international economic co-operation corridors to link core cities and key ports through existing and new transportation routes and infrastructures:

- (1) The New Eurasia Land Bridge Economic Corridor which encompasses a network of international railway lines starting from Lianyungang in China's Jiangsu Province through Xinjiang, Kazakhstan, Russia, Belarus and Poland and ending in Rotterdam in the Netherlands.
- (2) The China-Mongolia-Russia Economic Corridor which envisages a strengthening of rail and highway connectivity through the renovation of Russia's Eurasia Land Bridge and the proposed development of Mongolia's Steppe Road.
- (3) The China-Central Asia-West Asia Economic Corridor which runs from China's Xinjiang to be connected to the rail network of Central Asia and West Asia, covering mainly Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan.
- (4) The China-Indochina Peninsula Economic Corridor to be developed in the five countries in the Indochina Peninsula in accordance with Chinese Premier Li Keqiang's "three suggestions" of (1) planning and building an extensive transportation network together with industrial co-operation projects; (2) establishing a new mode of co-operative fundraising; and (3) promoting sustainable socio-economic development. Currently nine cross-national highways are being built, connecting east and west and north and south.
- (5) The China-Pakistan Economic Corridor which entails highways, railways, oil and natural gas pipelines and optic fibre networks. The most important are the pipelines connecting Kashgar in Xinjiang to Gwadar Port. This is singularly the most significant strategy for China as China imports most of its oil and gas from the Middle East and the pipelines will save cost, enhance security and, most important of all, relieve China from the stranglehold and perils of the Strait of Malacca.
- (6) The Bangladesh-China-India-Myanmar Economic Corridor which was jointly proposed by India and China in May 2013 and initially planned in the first meeting of the Bangladesh-China-India-Myanmar Economic Corridor Joint Working Group meeting in Kunming in December 2013. However due to the recent friction between China and India, the thrust of development has been between China and Myanmar with Chinese companies being awarded contracts for substantial infrastructure developments.

The Belt and Road Initiative in its original conception envisaged an involvement of 65 countries, including their 4.4 billion inhabitants. The geographical area covered

generates about 55% of the global GNP and embodies approximately 70% of the global population. But as it has developed and evolved, the Belt and Road Initiative now embraces all countries which subscribe to the Initiative's core goals of policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds.

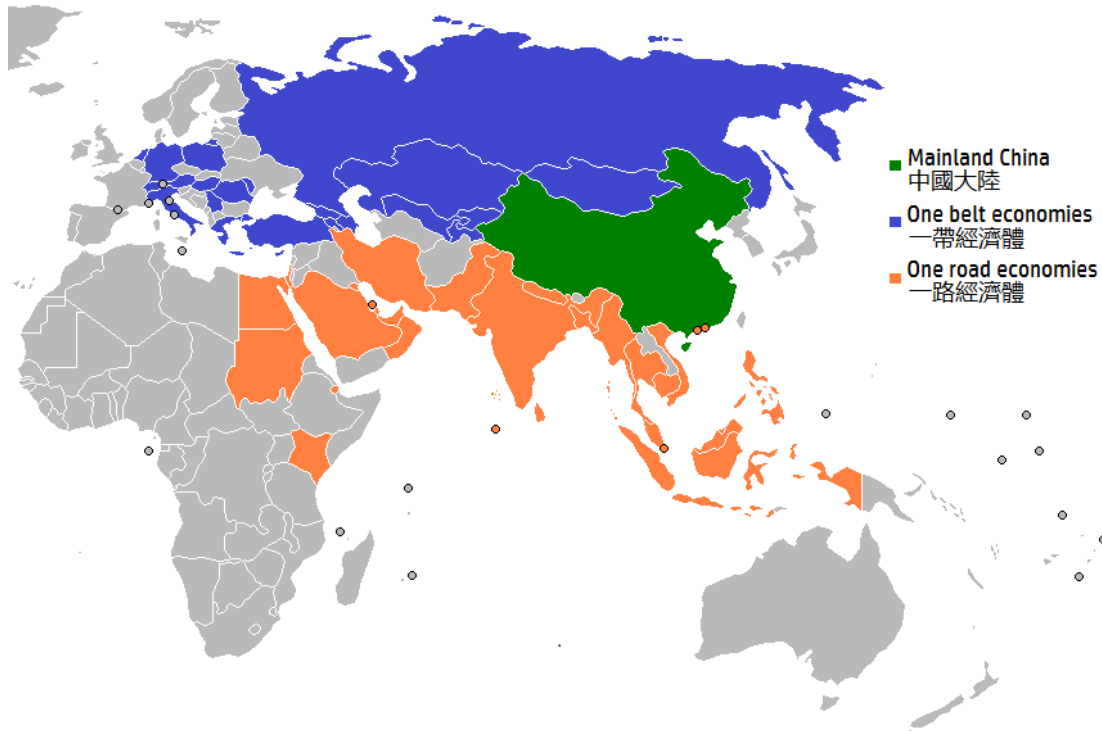


Illustration 2: <http://interculturecapital.de/seidenstrasse-zum-erfolg-chinas-one-belt-one-road-initiative>

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## CHINA'S AIM – CONNECT THE WORLD

**“The most dramatic transformation of the world economy since the industrial revolution”**

China's president Xi Jinping launched the idea of the Belt and Road Initiative in 2013. However until today, there is no solid legal or political basis. It is a “loosely defined framework” on China's unilateral initiative. It covers not only trade agreements, but it also aims for economic integration, by investing up to US\$850 billion in developing infrastructures in foreign countries. About 900 individual projects are envisioned, such as building new roads, high-speed railroads and deep-sea ports along the routes, constructing gas-pipelines through Central Asia's steppes and deserts. This project is revolutionary. If successfully carried out, it could

well unleash – through infrastructure, trade and investment – the most dramatic transformation of the world economy since the Industrial Revolution.

The Chinese government announced its strategy in a “Vision and Action plan” in 2015. It is the only definitive statement that has been made about the Belt and Road Initiative. The 5 major goals of the plan that are aimed to be implemented by 2049 – the 100<sup>th</sup> anniversary of the People’s Republic of China - are: policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds.

Policy coordination among the concerned jurisdictions predicates on political communication to enhance mutual trust, to agree on a consensus, to deepen common interests and to leverage comparative strengths. This connectivity will have a multiplying effect, and will stimulate and accelerate growth.

Connection between countries will also be extended and strengthened through infrastructures created, linked and improved along the routes. This entails investing in the building of highways, railways, energy and transportation networks and the spread and application of communication technology.

Unimpeded trade means the establishment of free trade zones, removal of trade barriers and facilitating trade and investment. Having created a safe environment for investment, China hopes to win over private investors to the cause.

It is crucial for the success of the Belt and Road Initiative to deepen financial integration and for countries to join hands to establish common financial institutions, like the Asian Infrastructure Investment Bank (AIIB).

Like all human endeavours, winning the people's support is absolutely essential. This will be achieved by promoting extensive cultural and academic exchanges, expanding the scale of tourism, cooperation on medicine and health care, as well as technology and the sciences.

## FIRST ACHIEVEMENTS

President Xi took the occasion of the opening ceremony of The Belt and Road Forum for International Cooperation held in Beijing on 14 May 2017 to report on the achievements in the first four years of the Initiative.

He pointed out the enhanced coordination with policy initiatives of relevant countries and cited the examples of the Eurasian Economic Union of Russia, the Master Plan on ASEAN connectivity, the Bright Road Initiative of Kazakhstan, the Middle Corridor initiative of Turkey, the Development Road of Mongolia, the Two Corridors, One Economic Circle Initiative of Vietnam, the Northern Powerhouse

Initiative of the UK and the Amber Road Initiative of Poland. Under the Belt and Road Initiative, complementarity is promoted between China's development plan and those of Laos, Cambodia, Myanmar, Hungary and other countries. China has signed cooperation agreements with over 40 countries and international organizations and carried out framework cooperation on production capacity with more than 30 countries.

To realize its major goal of regional integration, China has enabled and empowered multilateral investments through the creation of new funding institutions.

The **Silk Road Fund (SRF)** was established in December 2014 by China's Administration of Foreign Exchange, the Export-Import Bank of China, the China Investment Corporation and the China Development Bank. There was an initial funding of US\$40 billion to foster increased investment in countries along the Belt and Road routes. The SRF has invested in many projects including the construction of the Mombasa-Nairobi Standard Gauge Railway, the Karot Hydropower Project and other hydropower projects in the China-Pakistan Economic Corridor, and the Yamal LNG Project in Sabetta on the Yamal Peninsula in Northern Russia.

Furthermore, China initiated the founding of the **Asian Infrastructure Investment Bank (AIIB)** which came into operation on Christmas Day in 2015. AIIB is a new multilateral financial institution, established to bring countries together to address the daunting infrastructure needs across Asia. 57 states are its Founding Members. Its capital is US\$100 billion, equivalent to 2/3 of the capital of the Asian Development Bank and about half that of the World Bank. Good governance is the hallmark of AIIB with the highest possible standards in transparency and accountability. China is AIIB's largest shareholder and it currently holds 27.5 percent of the bank's voting rights. AIIB is purposely a demonstration of the willingness and readiness of the Chinese government to abide by international financial standards and practices. Among AIIB's many approved projects are the Gujarat Rural Roads (MMGSY) Project, the Nuremberg Hydropower Rehabilitation Project in Tajikistan, the Batumi Bypass Road Project in Georgia, the Natural Gas Infrastructure and Efficiency Improvement Project in Bangladesh, the Regional Infrastructure Development Fund Project in Indonesia, the Trans Anatolian Gas Pipeline Project in Azerbaijan (co-financing with the World Bank), the Railway System Preparation Project in Oman and the Myingyan Power Plant.

Meanwhile, China is already building expressways, inter alia, in the Middle-East and up to Europe (Madrid, Spain and Duisburg, Germany), several deep-sea harbours in the Indian Ocean and the largest harbour in Tanzania, Africa. It invested in the port of Piraeus (Athens, Greece), coupled with investment in high-speed railway from Piraeus to Budapest (Hungary), thereby opening new trade routes.

The most telling project is the construction by China Railway Group and the China Civil Engineering Construction Corporation of the railway from Addis Ababa to

Djibouti, a lifeline of the landlocked Ethiopia to a seaport and a strategic goal to allow Ethiopia a sustainable and stable economic growth. Funding was secured from the Export-Import Bank of China, China Development Bank and the Industrial and Commercial Bank of China. 20,000 Ethiopians and 5,000 Djiboutians were hired for the construction.

## REASONS FOR INITIATING THE BELT AND ROAD INITIATIVE

It goes without saying that China does not embark on the Belt and Road Initiative solely for altruistic reasons.

China has developed in just 30 years from a poor introspective agricultural nation into a global manufacturing powerhouse. It has become the world's second largest economy. But its economy is slowing. China's top priority is therefore to stimulate its economy.

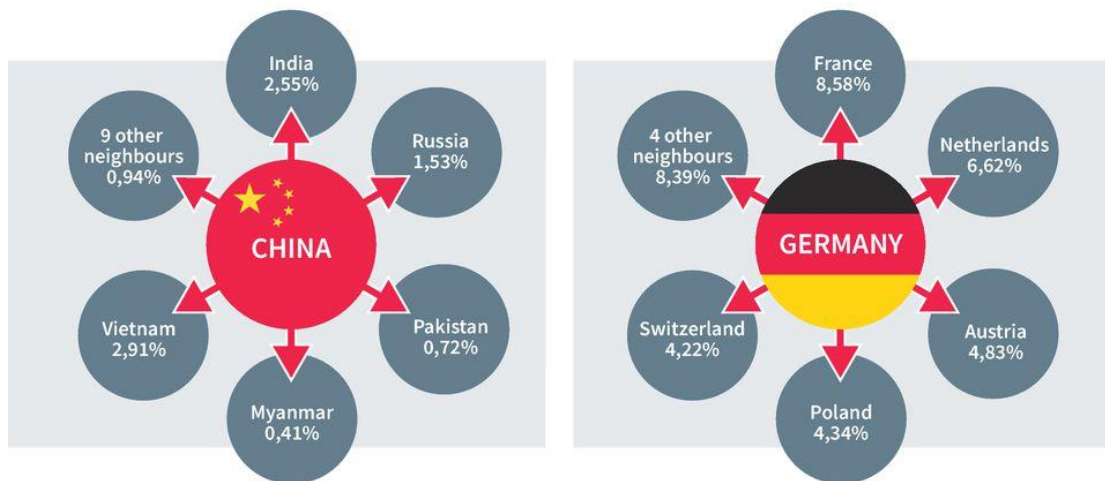
As a result of China's economic growth over the last years, it has accumulated vast overcapacities in the industrial sector, such as steel, cement and aluminum. By helping other countries to further develop themselves via infrastructure, China can distribute those overcapacities, open new trade markets and maintain its economic growth.

China can export more to its neighbours. So far only a small percentage (9.06%) of China's export goods reached neighbouring countries. Whereas in Germany, also being a country surrounded by various nations, it is 36.98%. New trade routes mean better sales opportunities (see illustration 3).

The Asian Development Bank has estimated that there is an US\$800 billion annual shortfall for infrastructure needs in the Asia-Pacific countries. China is banking its future on responding, via the Belt and Road Initiative, to its neighbours' huge infrastructural needs.

## China: Export into neighbouring countries weakening

Share of China's export goods going to neighbouring countries in 2015, as a percentage



Source: UNCTAD

 Institut der deutschen  
Wirtschaft Köln

Illustration 3: <https://www.iwkoeln.de/en/studies/beitrag/thomas-puls-one-belt-one-road-china-s-new-silk-road-302612>

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The Belt and Road Initiative was conceived at a time of trade-war jitters. It is seen to be a counter measure to the exclusion of China in the Trans-Pacific Partnership (TPP) and its companion, the Transatlantic Trade and Investment Partnership (TTIP), the Eurasian Economic Union (EEU) and the EU-Japan Economic Partnership Agreement. These trade agreements have comprehensive liberalization agendas. Exclusion of China from these trade agreements has the potential of increasing China's trading costs. China needs to avoid isolation and reverse the process by opening up new trade opportunities.

The Belt and Road Initiative can be viewed as China's "Second Opening-up" of its economy, following the one in the 1970s, which boosted the prosperity of the coastal provinces. China's north-western and central areas remained less developed. Socio-economic imbalances occurred within the country, leading to emigration and unrest in the north-west. By installing over-land trade routes, the north and central regions of China would acquire access to wider international markets. Hence they would become independent from the maritime routes that are used for trade with Europe.

China is not a strong naval power. Learning from the experience of the Second World War (when its capital and population had to move west), developing the western parts of the country means a lifeline in times of war.

The Belt and Road Initiative is of great geopolitical significance to China. Although China claims not to have any political strings attached, one cannot dismiss the fact that once being supported by Chinese investments, receiving funds for infrastructure and being provided with consumer goods, the receiving countries are likely to be favorable to China in international and other affairs.

## CRITICS AND CHALLENGES

Like all human endeavors, particularly when they touch on economics and politics, the Belt and Road Initiative inevitably attracts detractors and skeptics.

Quite a number of countries on the Belt and Road routes are developing countries, often poor and politically unstable. Is the Belt and Road Initiative up to the task of traversing territories fraught with political and geopolitical uncertainties? Regimes come and go. Will there be consistent and concentrated political will to sustain focus on the Initiative's projects?

Certain countries or powers have historically exercised their dominance or influence over others. Is the Belt and Road Initiative a disruptor of the geopolitical status quo? Will it generate instability?

Will the Belt and Road Initiative open the floodgates to an influx of Chinese labourers and cheap Chinese products? Will unemployment rate increase? Will wages decline to stay competitive?

China is seen to have political motives. Western countries, concerned with human rights and transparency, are therefore skeptical and at times prescribe political conditions that need to be fulfilled before expanding trade with China.

So far, Europe has not agreed on a common policy in regard to the Belt and Road Initiative. China has completed agreements only with individual countries, inter alia Switzerland, Greece and Hungary. There is a suggestion which is gaining ground that if the EU could agree on a consensus, it could influence the process and have a control over it, instead of being played-off à la façon "divide and rule".

The biggest challenge and the litmus test for the Belt and Road Initiative are in attracting private sector participation. Funding needs for infrastructures cannot forever be met by China or a collection of countries. Funding from the private sector is essential.



The prime concern of private companies is profits. But where in the Belt and Road Initiative is the attraction for the private sector?

Even with governments in the lead, for large-scale infrastructural projects, the involvement from the private sector cannot be taken for granted.

The Trans-European Transport Network is a case in point. This project was recognized in the Maastricht Treaty in 1992 which included “30 priority projects” (railway projects, mixed railroad projects, waterway transport projects etc.). Private sector support is part of the financial strategy. However, private involvement in the projects has been very limited despite a special loan guarantee instrument established in 2008 to offset early-period risks of demand and revenue uncertainty. Efforts have been taken to look into technical and financial implementation so as to reduce investment risk and to make the projects more attractive to private investors. A cost-benefit analysis has also been conducted to select those projects out of the 30 which would be of common interest to a broader spectrum of investors.

Therefore, to attract private investments, China needs to demonstrate profitability through various selected projects undertaken and to ensure that proper corporate governance, market principles, procurement policies and environmental standards will not be compromised.

## GOING FORWARD

President Xi announced at the Belt and Road Forum for International Cooperation that China will steadfastly follow the Initiative’s five core goals of connectivity. To go forward China will, inter alia, scale up its financial support for the Initiative; will endeavor to build a Belt and Road free trade network; will launch the Belt and Road Science, Technology and Innovation Cooperation Action Plan and will offer 2,500 short-term research visits to China for young foreign scientists, train 5,000 foreign scientists, engineers and managers, and set up 50 joint laboratories; will provide assistance worth RMB 60 billion to developing countries and international organizations participating in the Belt and Road Initiative to launch more projects to improve people's well-being; and will also develop a network for cooperation among the NGOs in countries along the Belt and Road as well as new people-to-people exchange platforms.

The Belt and Road Initiative is the most expansive and complex political and economic undertaking ever attempted by mankind. It is much massive in scope than the Marshall Plan.

It is a long and winding road, taking decades to accomplish. There are numerous formidable challenges. However, if these formidable challenges are overcome, upon maturity the Belt and Road Initiative will develop into a most powerful force for international cooperation.

The Belt and Road Initiative is a vision of world peace and prosperity.

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