3 Reasons China's Belt & Road is Unlikely to Fail

By Bala Ramasamy & Mathew Yeung

There are at least three reasons why it would be unwise to bet against China's ambitious Belt & Road Initiative (BRI). The Asian giant has the resources, finances and industry to see through the project which will impact more than 60 countries as it connects three continents through five routes that span six economic corridors on both land and sea.

Resources

China has already proven that it is capable of executing massive infrastructural projects such as the centuries old Great Wall. Among its more recent projects is the 20th century Golmud-Lhasa rail route that linked Tibet to the eastern coast. Dealing with tough terrain and high altitude, Chinese engineers accomplished a nearly impossible task and, in the process, accumulated both expertise and confidence. These skills will help with the BRI. The BRI will also benefit from overcapacity in China's large construction material industry. With the domestic market saturated, projects along the route provide a ready market for Chinese firms that have bought into the ideology of the BRI, as outlined below.

According to China's National Development and Reform Commission (NDRC), the BRI is based on four principles: openness, inclusivity, market-based and mutually beneficial. Thus, no country is excluded from this initiative and countries outside the belt and road region are allowed to participate. However, as the BRI is modelled after the old Silk Route, it mainly plans to connect Asia, Europe and Africa using the landmass of Eurasia, as well as the Indian and the Pacific oceans. The plan is for five routes. The first links China to Europe through Central Asia and Russia. The second links China to the Middle East via Central Asia, Iran and Turkey by land. The third links China with South and Southeast Asia by land. The fourth and fifth are sea routes. The fourth connects China to Europe through the South China Sea, the Indian Ocean and the Mediterranean with an extension to the eastern coast of Africa while the fifth takes a detour to the South Pacific Ocean from the South China Sea. These land and sea routes are divided into 6 economic corridors:

1. The new Eurasia Land Bridge Economic Corridor (Eurasia), which connects China and Europe. The backbone of this corridor is an international railway line from Jiangsu Province to Rotterdam in the Netherlands. Upon exiting the province of Xinjiang, the railway line cuts through Kazakhstan, Russia, Belarus and Poland where it joins the European railway network.

2. The China-Mongolia-Russia (CMR) economic corridor will see the Russia Eurasia Land Bridge renovated and the development of Mongolia's Steppe Road.

3. The China-Central Asia-West Asia (CA/WA) economic corridor connects the railway network from Xinjiang through Central Asia and West Asia to the Arabian Peninsula and the Mediterranean Sea. It connects China, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Iran and Turkey.

4. The China-Indochina Peninsula Economic (Indochina) corridor connects China with the five countries in Indochina and extends this to Malaysia, Singapore and Indonesia.

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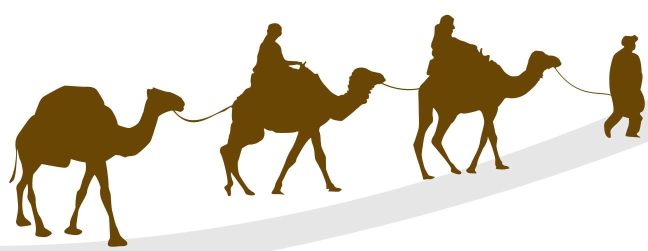

5. The China-Pakistan (CP) Economic Corridor connects Kashgar in Xinjiang Province to Gwadar Port in Pakistan.

6. The Bangladesh-China-India-Myanmar (BCIM) Economic corridor involves co-operation among these four countries that share common borders.

Although the Hong Kong Trade Development Council lists more than 60 countries that would be affected by the BRI, adhering strictly to the corridors described above, we envisage 21 countries that would have direct involvement (excluding China). They are Bangladesh, India, Myanmar, Cambodia, Lao PDR, Thailand, Vietnam, Malaysia, Singapore, Indonesia, Pakistan, Mongolia, Russian Federation, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Iran and Turkey. Kazakhstan, Russia and Myanmar are involved in more than one corridor.

Finances

With a gross savings rate of 50% of GDP and more than USD3 trillion in reserves, China has the financial power to support the BRI. China-led agencies such as the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (NDB, BRICS Bank), Silk Road Fund and China Development Bank will provide the financial backing for BRI projects. In fact, during the May 2017 Belt and Road Forum for International Cooperation in Beijing, President Xi Jinping pledged USD113 billion towards the BRI.

Industry

China also has the power of its manufacturing sector behind it, companies eager to expand abroad. Research has shown that some of the more labour intensive industries within China's manufacturing sector are ready to be relocated to regions where wages are relatively lower. This is not unique to China; it is simply a continuation of the process started by Japan, and later Asia's newly industrialised economies of South Korea, Singapore, Hong Kong SAR and Taipei China in the 1980s.

So China has the skills, cash and labour to make the BRI a success. These three factors are enhanced by the country's recognition that it cannot achieve this mammoth task alone. Six months after being elected President of the People's Republic of China, during a visit to Central Asia in September 2013, Xi Jinping suggested the idea of jointly building the new Silk Road Economic Belt. A month later while visiting Southeast Asia, a complementary 21st Century Maritime Silk Road was further introduced. This saw the beginnings of the BRI, perhaps China's most significant international relations initiative in recent times. When President Xi Jinping hosted the Belt and Road Forum for International Cooperation in Beijing in May 2017, it was attended by 28 other heads of state and dozens of other senior leaders of countries involved in this gigantic project. It appears they also understand that the BRI is bigger than any one single country, and that its success depends on them all working together.

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