

# AN ECONOMIC PERSPECTIVE ON BRI: FIVE YEARS AFTER ITS LAUNCH

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# INTRODUCTION

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- BRI is **5 years old**—timely to take stock
- Focus on **economics**, not geopolitics
- **Study** began in January 2018
- Team has 15 people, based in 11 countries
- Bibliography with summary of 77 reports on EMF website

# BRI IS MORE THAN INFRASTRUCTURE

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- Five BRI themes:
  - Physical connectivity
  - Policy coordination
  - Trade and investment
  - Financial integration
  - Cultural (people to people) exchanges

# **BRI'S POTENTIAL CONTRIBUTIONS TO GLOBAL COMMUNITY**

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- Provides **significant amount of capital**
- Focuses on: **infrastructure, agriculture & industry**
- **Reduces transport costs** (dramatically for landlocked countries)
- Lays foundations for **new multi-modal networks** between East Asia & rest of the world
- **Reduces risks to global trade flows** (due to blockages of choke-points)
- Recycles part of **China's large surpluses**

# **BUT... ALSO MAJOR CHALLENGES**

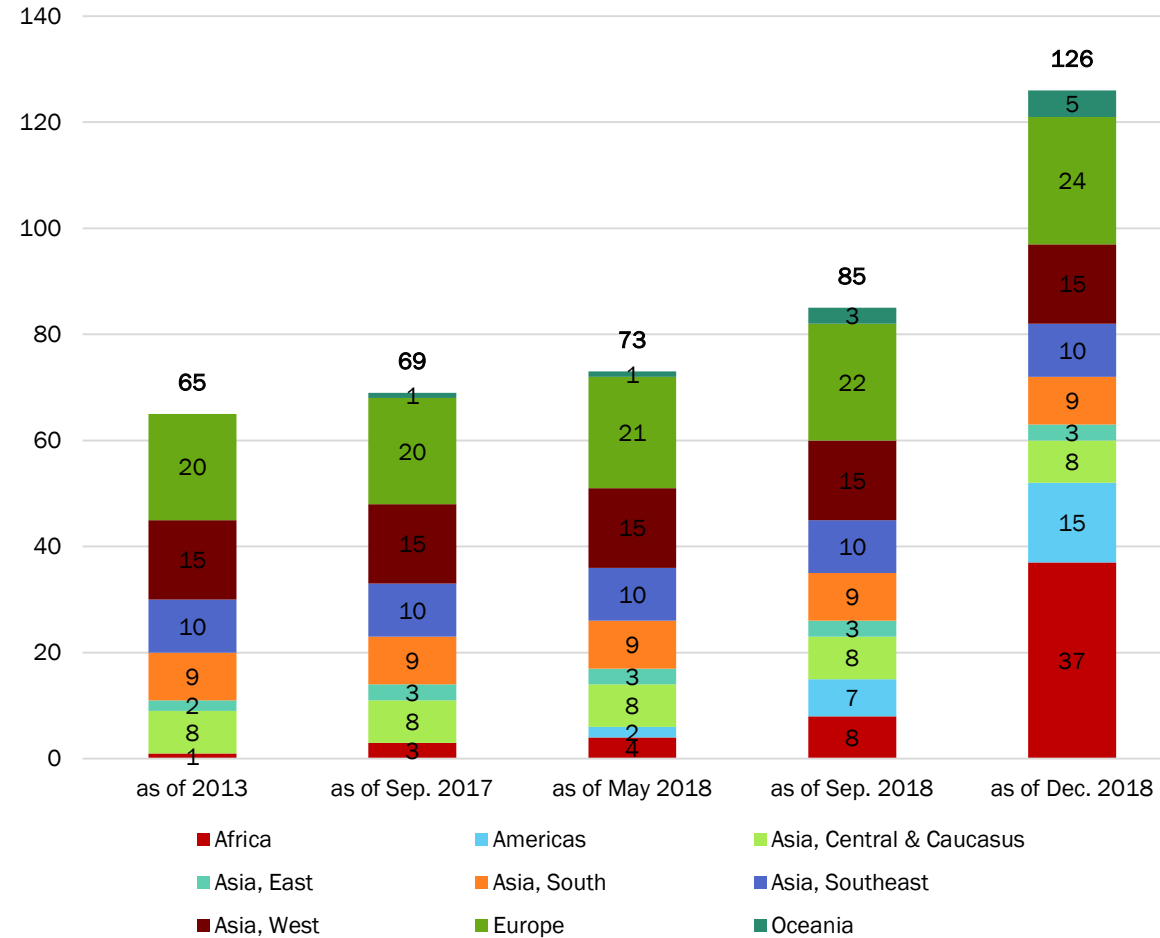
- Many countries not creditworthy
- Most have limited fiscal headroom
- Domestic economic and business environment
- Fragile domestic governance environment
- Local capacity to evaluate project viability
- Significant operations & maintenance burdens
- Complexities of cross-border projects

# **BRI AT 5 YEARS: WHAT WE KNOW AND DO NOT KNOW?**

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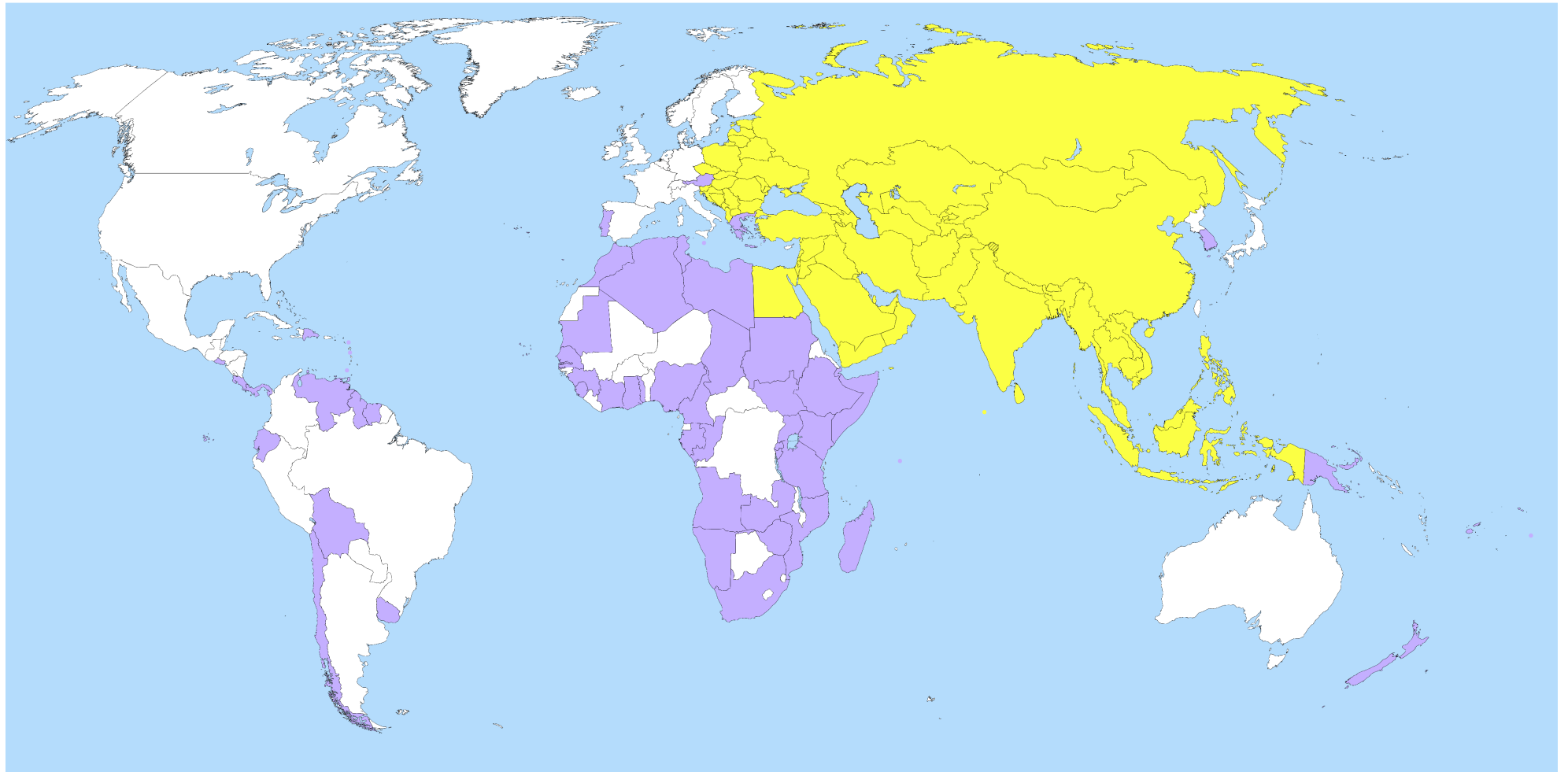
- **Massive undertaking – Grown from 65 to 126+ countries in 5 years (75+% of global population)**
- **China is placing a huge bet on BRI countries**
- **No known master plan, or central list of projects**
- **No official data on investments (to date or planned)**
- **Anecdotes about individual projects dominate news (Sri Lanka, Malaysia, Pakistan...Chinese labor)**
- **Yet, many examples of successful projects and some countries with transparent programs (Kyrgyz)**

# DRAMATIC EXPANSION IN 2018 INTO AFRICA, LATIN AMERICA... EUROPE



# BY NOW, ALMOST A GLOBAL INITIATIVE

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# **PRELIMINARY CONCLUSIONS FROM EXTERNAL DATA ON BRI INVESTMENTS**

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- Total Chinese exposure (equity and loans) to BRI countries is very significant and appears to be rising
- Unable to calculate a single figure for China's total BRI investments
- FDI outflows to BRI countries: **\$80.7 billion** (2013-17)
- Reported commitments by all Chinese banks: around **\$400 billion** (2015-17)
- For reference, **\$490 billion** lent by WBG, ADB, AfDB, IDB worldwide during 2013-17
- Most Chinese investments so far have gone to countries outside the traditional Silk Route(s)
- Oil & gas sector received most support, followed by power

# BROADER QUESTIONS ARISING FROM OUR STUDY

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1. Fit with domestic development strategies
2. How to create “win-win” outcomes and win hearts and minds of locals
3. Impact on debt and fiscal sustainability
4. Economic and financial viability of projects; risk assessment in country and China
5. Environmental sustainability and social impact
6. Transparency of Chinese assistance under BRI
7. Financial risks to China
8. Role of International Financial Institutions