

BRI in Central Asia and South Caucasus

An “inside-out” assessment

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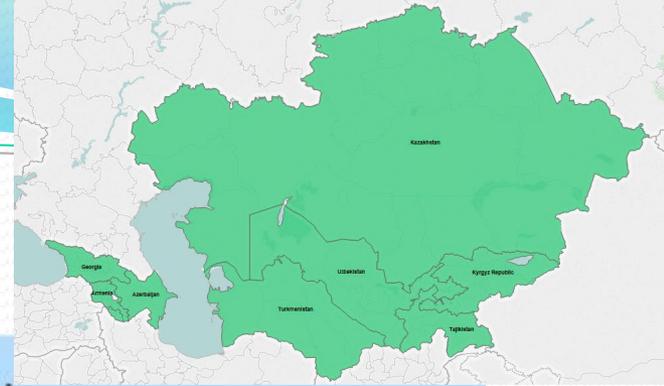
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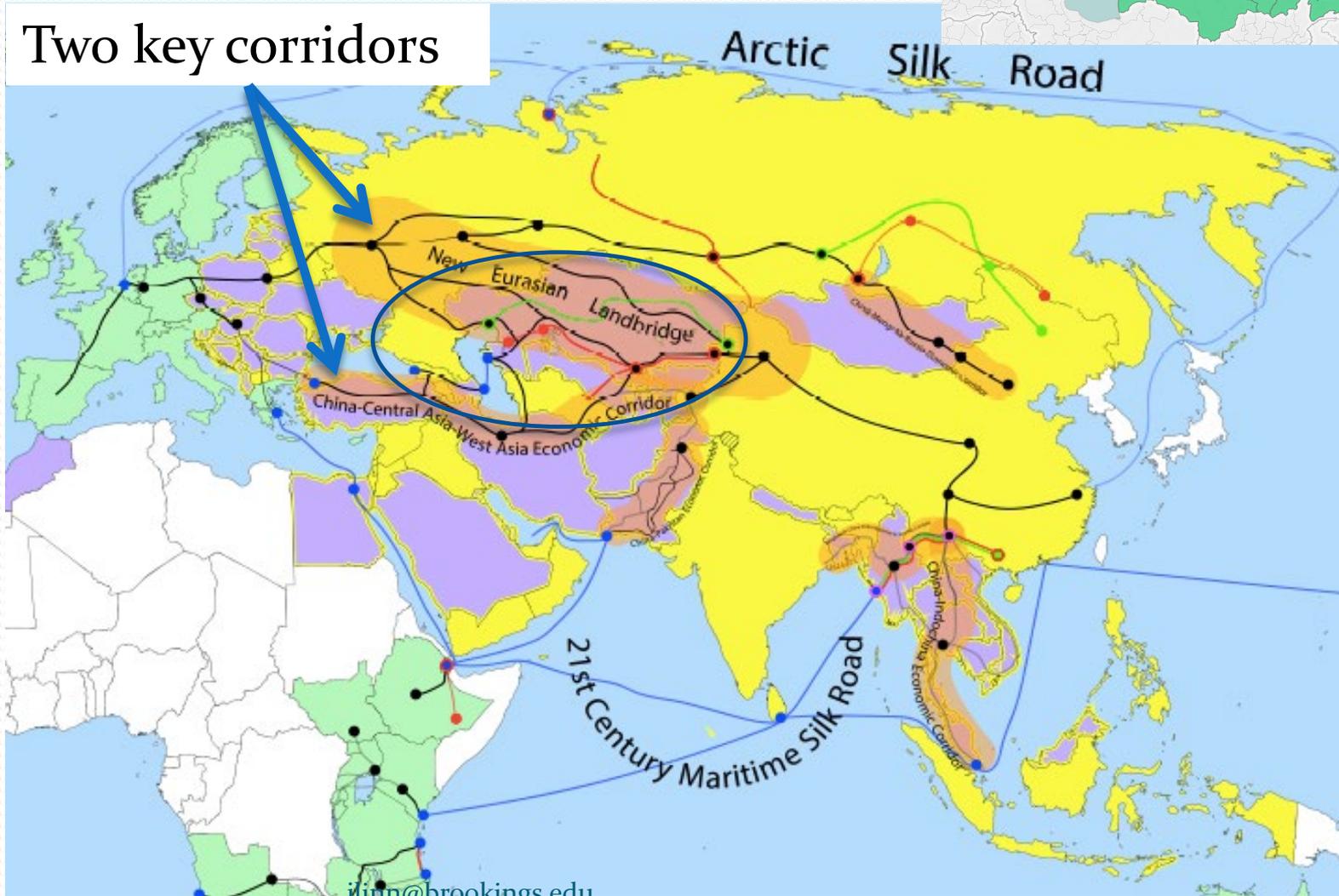
Introduction

- BRI announced 2013 at Nazarbayev University, Astana, KZ
- 6 land corridors, 2 maritime corridors, 1 “cyber corridor”
- Five areas of engagement:
 - (1) *hard infrastructure*; (2) *soft infrastructure*; (3) *productive investment*; (4) *financial integration*; (5) *cultural exchange*
- Approach: visionary in design -- ambitious, comprehensive, flexible and dynamic in execution

Central Asia and South Caucasus (CASC) at Core of BRI



Two key corridors



Our study of BRI in CASC

- Eight countries, two sub-regions
- Exploratory “inside-out” assessments by national experts (5 country/regional notes)
- Based on a structured questionnaire (scale, composition, impact, benefits and costs, perceptions, policy implications, future research)
- Plus expert notes on major partner perspectives (China, EU, India, Russia, US)
- An overview and preliminary assessment of current state and implications of BRI
- Agenda for future research

Principal findings: a quick scan

- Connectivity is critical for the future growth and prosperity of CASC and for greater economic integration of Asia-Europe (WB)
- BRI can support increased connectivity and economic growth for CASC, but important risks exist
- BRI should – and does – have a broad-gauged approach
- A key factor determining success: effectively integrate BRI investments in national plans and priorities and their execution.
- A regional perspective and regional cooperation necessary
- Support from other partners helps , esp. IFIs
- More transparency and information sharing about BRI investments are critical
- Limited information, but great differences across countries
 - more information for Kyrgyz Republic than for other countries
 - different BRI engagement (incl. so far more in CA, less in SC)
 - risks greater in smaller, poorer countries

Deeper dive: potential benefits

- **Energy and mining:** more intensive utilization of the countries' natural resources and greater energy security
- **Transport and trade:** reduced time and cost of travel facilitate trade
- **Productive capacity:** expanded agriculture, industry and services (including financial services); access to technology
- **Macro economic:** Short-term stimulus from investments, and fiscal revenues from natural resource rents and transit fees
- **Human resources:** education, training and knowledge networks
- **Economic growth and prosperity:** if and when the above benefits are sustainably achieved

Deeper dive: potential risks

- **Energy and mining:** lack of diversification, unfair resource rent sharing, insufficient transparency regarding public revenues and their utilization, environmental and climate impacts (esp. for coal)
- **Transport and trade:** competition between major corridors, excessive and/or imbalanced investments (with too little in secondary and tertiary infrastructure); lack of attention to operations and maintenance, and to soft infrastructure; potential losers
- **Productive investment:** white elephants, little technology transfer, poor business climate, external control of key sectors
- **Macroeconomic:** impaired debt sustainability
- **Social:** little employment creation, Chinese immigration and land acquisition (leading to popular resentment)
- **Governance:** low-productivity “show” projects, lack of transparency, corruption, corrosive impact on domestic politics and bureaucracy

Implications for policy (1)

(for BRI countries and China)

- BRI investments should reflect **country priorities**, be integrated with national and regional plans, and be underpinned by **cost-benefit analysis**.
- BRI investments in **connectivity infrastructure** need to be **balanced** across different infrastructure areas, across hard and soft infrastructure (logistics, border management, etc.), and with investments in secondary and tertiary infrastructure.
- New investments in infrastructure need to be balanced with adequate, and often strengthened **O&M capacity and finance**.
- BRI investments in infrastructure and mining, industry, services and agriculture activities should address **social and environmental impacts** and related concerns of the population.

Implications for policy (2)

(for BRI countries and China)

- BRI engagement should focus on creating **local employment opportunities**, facilitating **technology and knowledge transfer**, and building **institutional capacity**.
- BRI should provide for **transparent planning and design, procurement, implementation, monitoring and reporting** of BRI investments, with all relevant information in the public domain, esp. where public resources or liabilities are involved.
- **Macroeconomic constraints** should be carefully monitored and respected (esp. debt sustainability).
- CASC countries need to **work together** to ensure regional coherence, learning and leverage.
- Countries need to work **with other international partners** (multilateral and bilateral) in implementing BRI-related activities; and they need to strengthen and effectively use **regional institutions** in support of BRI investments.

Implications for research

- **Facts:** more fact finding at country level
- **Substantive:**
 - Quantify benefits/risks; winners/losers
 - Assess alternative corridors, and options for inclusive corridor development
 - Assess O&M implications of BRI infrastructure investments
 - Potential new areas of BRI engagement (ICT, water, other)
 - Analysis of role of private sector in BRI
- **Institutional and process:**
 - Links of national/sector plans and BRI investments
 - Role of advanced economic/social/political analysis for benefit/cost/risk assessment
 - Potential role of regional organizations and international partners
- **Other:** assessment of lessons from other regions for CASC



Thank you!