AN ECONOMIC PERSPECTIVE ON BRI: FIVE YEARS AFTER ITS LAUNCH

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HARINDER KOHLI
INTRODUCTION

• 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

• Five BRI themes:
  • Physical connectivity
  • Policy coordination
  • Trade and investment
  • Financial integration
  • Cultural (people to people) exchanges
BRI’S POTENTIAL CONTRIBUTIONS TO GLOBAL COMMUNITY

- 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?

• 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
PRELIMINARY CONCLUSIONS FROM EXTERNAL DATA ON BRI INVESTMENTS

• 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

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