BRI in Central Asia and South Caucasus
An “inside-out” assessment

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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

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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!