

# The New Silk Road program: Myths and realities

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# What is the Belt and Road Initiative ?

« A project promoting Chinese hegemony »

« A win-win initiative for the benefit of all peoples »

One Belt, One Road, launched in 2013 in Astana and Jakarta

Land and sea dimensions

Several maps circulate with the media – all wrong

Transportation is often thought to be the only element – but B&R is a vast program aiming at developing « connectivity » between peoples, thus in several dimensions :

- Transportation
- Energy
- Communication
- Currency policy and economic cooperation
- Health cooperation
- Tourism
- Cultural industries





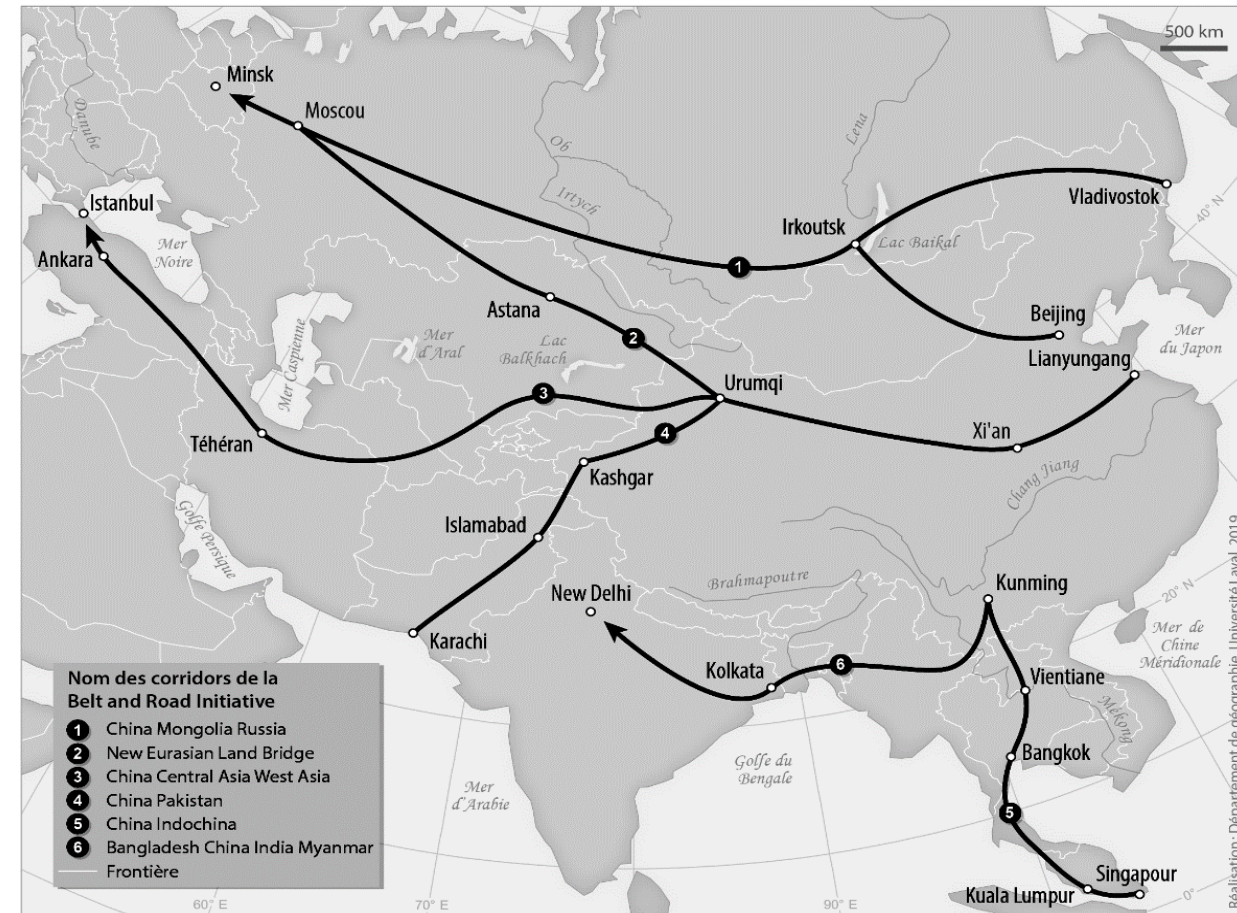
# The Belt and Road, two axes and six corridors

A road : Sea-lane trade still central along a classical route.

A Belt : Six corridors, more accurately defined in 2015.

One Belt, One Road : expression switched to B&R in English in 2015 to look more inclusive.

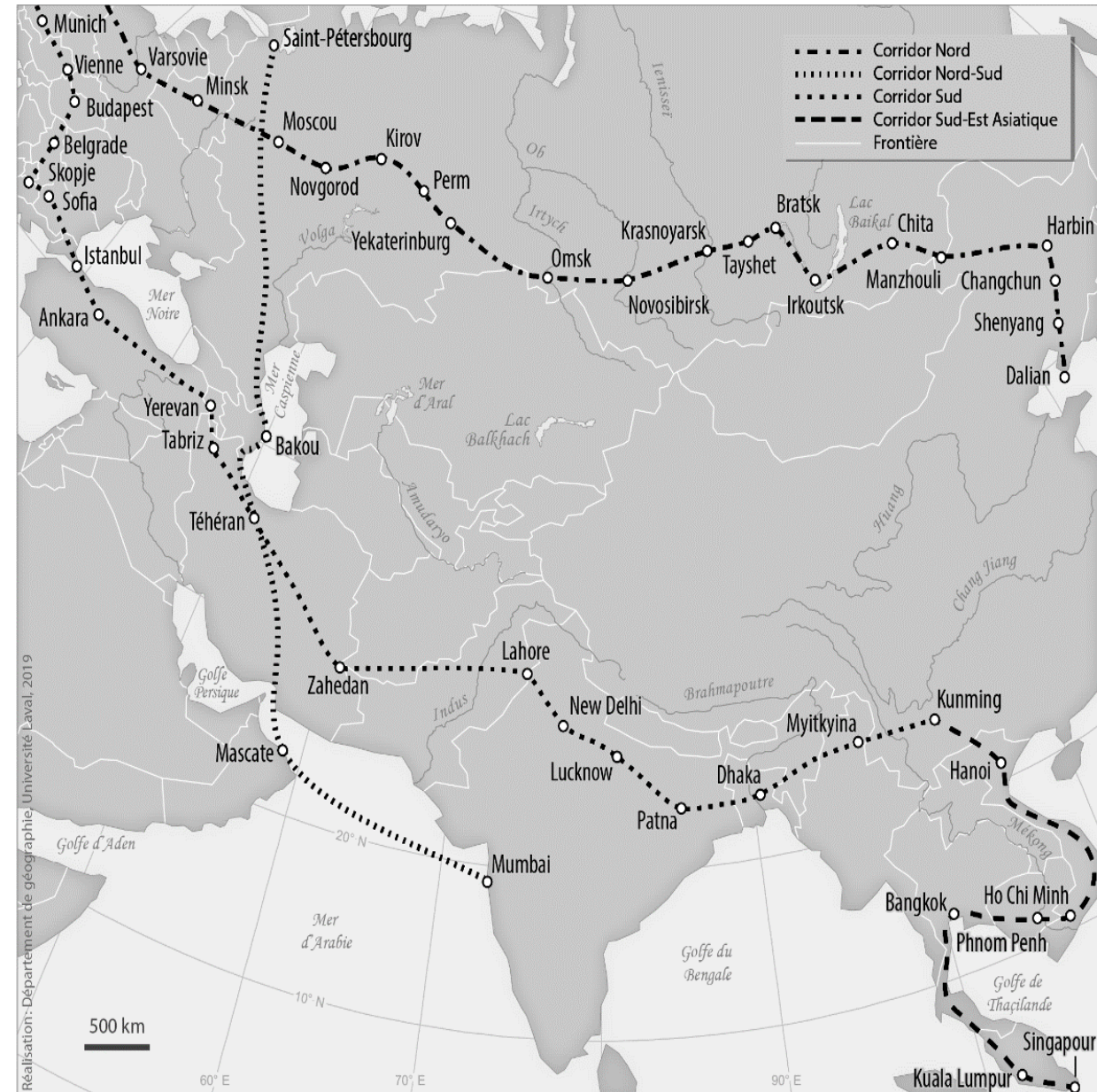
Remains 一帶一路 (yi dai yi lu) in Chinese



- The B&R is now the flagship of China's diplomacy and soft power initiatives in Asia, Africa, Europe and even in the Americas.
- Japan and Russia each had a similar program at the turn of the century, nobody talked about it.
- Leaves no one indifferent because of China's rising power upsetting present Western-based world order
- Several misconceptions or errors are circulated

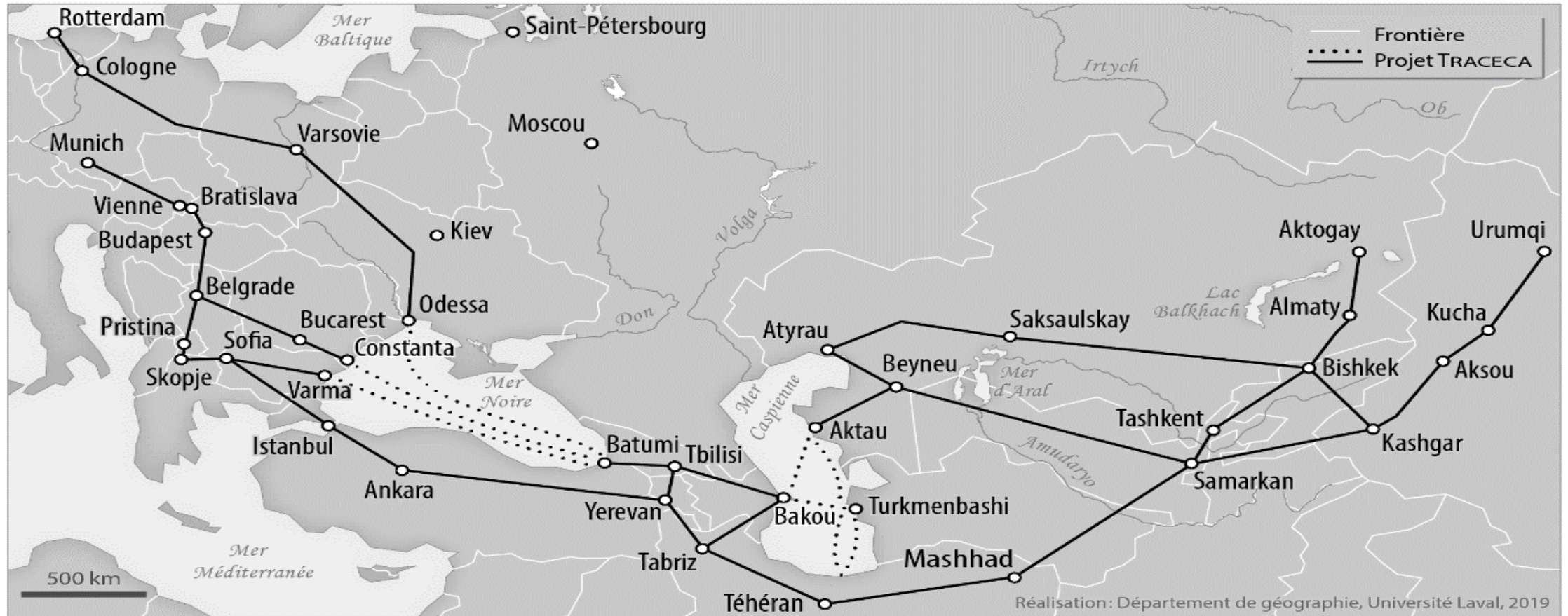
# First misconception : corridor developments are products of the B&R

- Trans Asia Railway project (TAR), 1959.
- Designed by UN Economic and Social Commission for Asia and the Pacific (UNESCAP) and its European vis-à-vis, the UNECE.



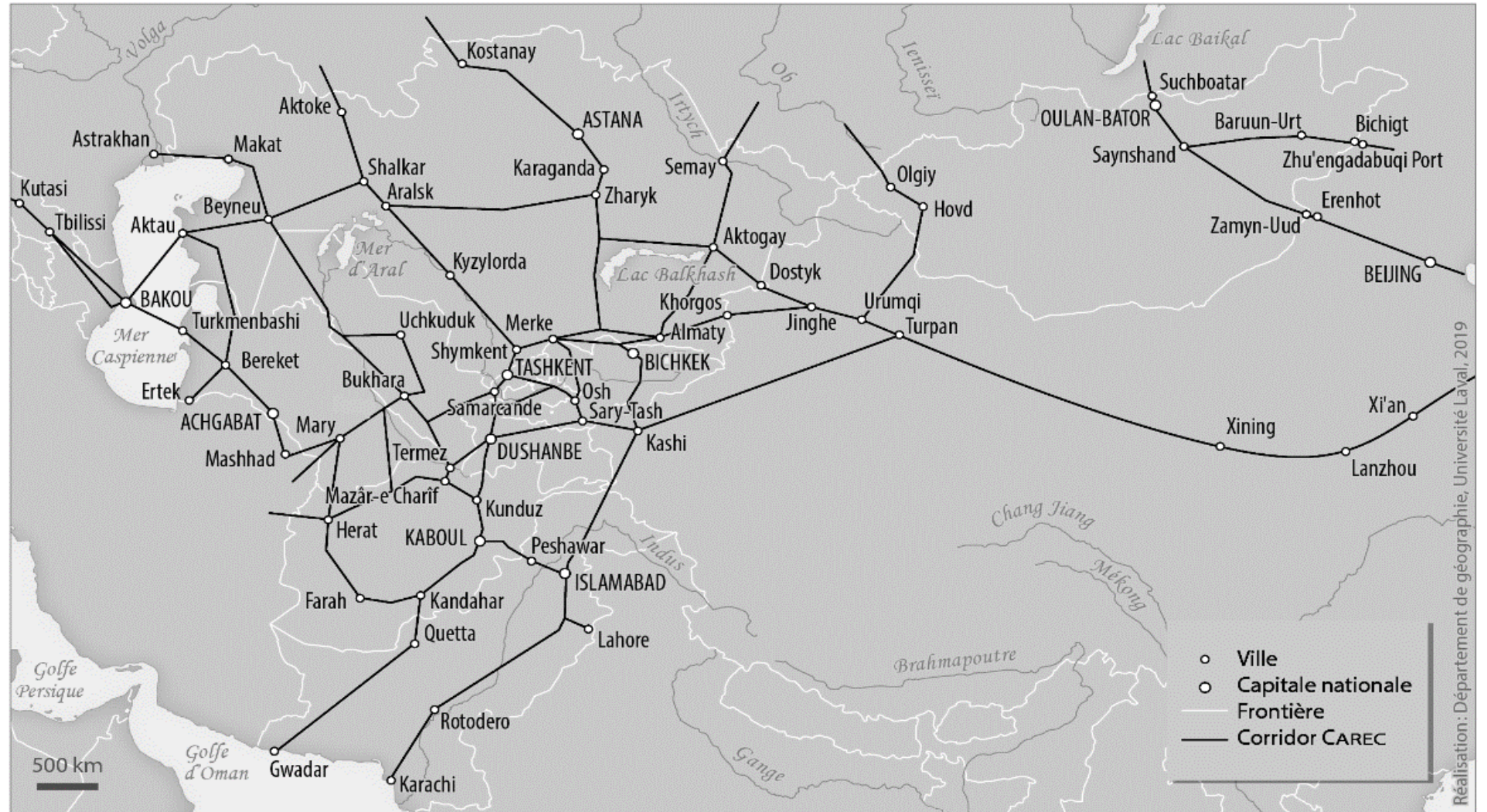


- The European Union project TRACECA (1993)
- TRANsport Corridor Europe Caucasus Asia





- Japan backed Asian Development Bank Central Asia Regional Economic Programme (CAREC) (1997)





Map of actual railways in Asia:  
existing, in construction and  
projected.

Most were built without Chinese  
assistance.

Exceptions :  
Pap-Angren rail : operator  
Ankara-Istanbul HSR: operator,  
before B&R (2005)  
Kunming-Vientiane HSR  
Bangkok-Northeast Thailand HSR

Several projects, that are going  
nowhere :  
Moscow-Kazan HSR  
Kashgar-Karachi rail  
Khorgos-Tehran HSR  
Kashgar-Osh rail  
Dali-Kolkata rail



Écartement russe (1,52 m)	Écartement standard (1,435 m)	Écartement indo-pakistanaïs (1,676 m)	Écartement métrique (1,000 m)
<b>Réseau ferroviaire</b>			
Existant	Existant	Existant	Existant
Transversier	En construction		
	En projet		
<b>Ligne à grande vitesse (LGV)</b>			
Existant	Existant		
En projet	En construction		
	En projet		
<b>Ligne parcourue par les convois transasiatiques</b>			



## Second misconception : the development of traffic is led by China

- As early as 2008, the Deutsche Bahn considered setting up convoys
- As of 2011, major role from Western manufacturers with operations in China (VW, HP, Dell, Decathlon...) and European forwarders (DB, SNCF, RZD, Maersk, Kuehne & Nagel) is the development of rail logistical services, with cooperation with China Railways.

=> Not a purely Chinese commercial initiative

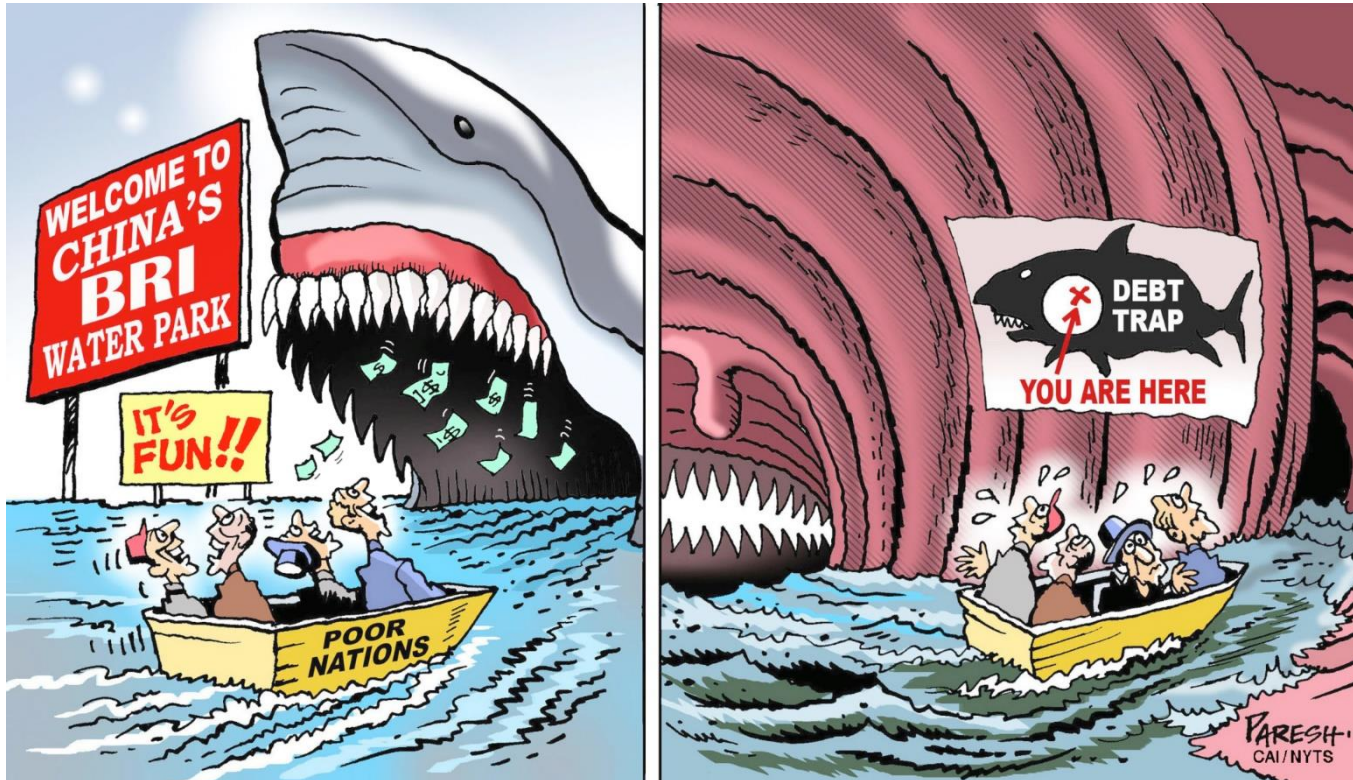
# Third misconception : China invests huge sums of money

- In Central Asia, the EU remains the largest investor in FDI, then the US.
- China invested in high-profile energy projects in KZ but otherwise remains cautious
- For the B&R, China invests little : the Silk Road Fund, the AIIB, the commercial Chinese banks **lend** money, they rarely invest.
- A few exceptions of course, like port of Piraeus in Greece, Zeebrugge in Belgium, Valencia in Spain – port development strategy. These are corporate investment strategies.



# A debt-trap strategy?

- This high-lending level and the financial failure of Sri Lanka that led to the takeover of the port of Hambantota for 99 years, triggered the idea of a debt-trap strategy.
- Indeed, several States witnessed a fast expansion of their debt level.



Some States developed a very high debt ratio with a large share owed to China in the past few years.

Lack of transparency.

Sri Lanka

Djibouti

Montenegro: 1 billion \$ loan from China in 2014 for 41 km of highway.

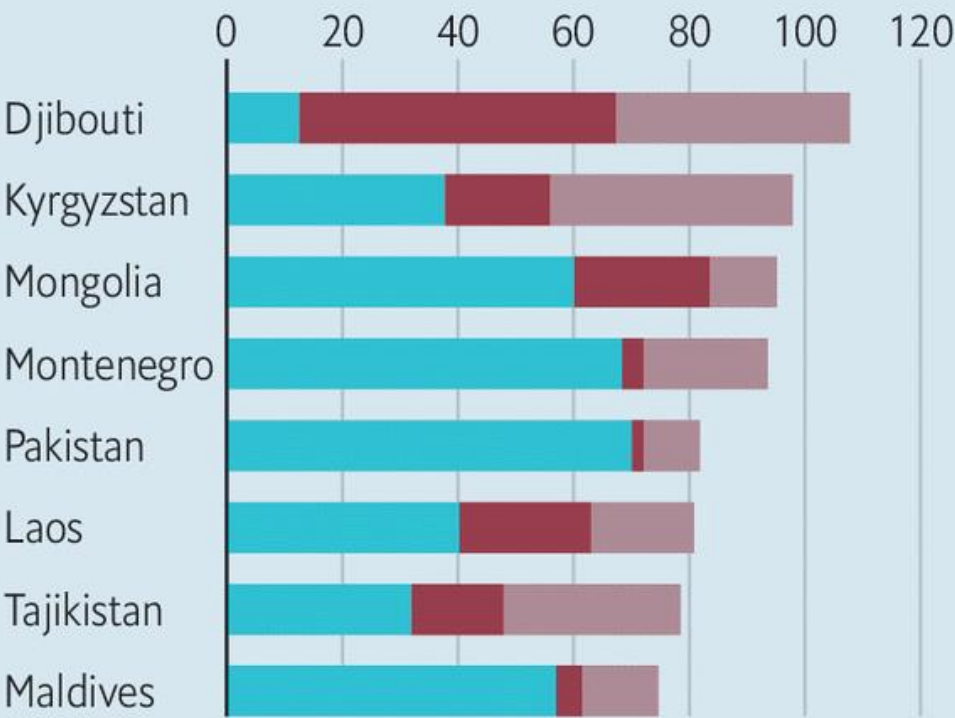
Payment default in 2021. Loan mortgaged on territory...

# The wrong road

Belt-and-road countries identified as dangerously indebted by the Centre for Global Development

Debt as % of GDP, 2018 estimates

- Public debt (excluding to China)
- Existing debt to China
- Expected additional debt to China, 2024 forecast



Sources: Centre for Global Development; World Bank; IMF; Economist Intelligence Unit



But then...

- States agreed for the loans as well as Chinese banks that were willing to take high risks
- New instructions from Beijing to restrict loans and make risk assessment
- Western banks acted the same during the 1970s with developing countries
- There is *no clear evidence* China acted on purpose to increase debt ; it does not mean it will not take advantage of local situations

# Fourth misconception : B&R is a political tool closely monitored by the central government

- Several research underline that the governance of B&R projects is far from being tightly monitored and planned by a central and unified body.
- Plurality of actors :
  - Bilateral : binational committees, like the Kazakh-Chinese Coordination Committee on Industrial and Investment Cooperation
  - Central government:
    - National Development and Reform Commission (NDRC)
    - Ministries (MoF; MoC; MFA; MoT)
    - AIIB, Silk Road Fund
    - State corporations
    - Commercial banks (*policy banks*)
  - Provincial governments
    - Nurture their own agendas, ex. Yunnan as early as 1999
    - Subsidize transportation
    - Were asked to submit their own proposals
- Actors act according to political games and their own priorities (Jones et Zeng 2019; Yuen Ang 2019)



# A geopolitical tool ?

- In this context, it is simplistic to depict the B&R as initially designed as a pure geopolitical tool skillfully used to undermine Western dominance.
- B&R not always a success
- Too early to assess global impact
- Economic dimension was very important in 2013 in the frame of a severe slowdown in China
- Political calculations not absent of course – answer to US pivot to Asia strategy
- For sure geopolitical consequences of China's economic rise in a context of growing assertiveness – but not necessarily deliberately planned in 2013
- Western States : be creative !

# Conclusion

- B&R is a wide-scope program that is evolving with time : opportunistic and pragmatic approach
- Economic goals first
- That does not mean China may not nurture geopolitical ambitions
- Not a new concept
- Set of bilateral arrangements more or less transparent; conditions may prove poorly sustainable but partner State bears a responsibility too.
- Western States feel both attracted and uneasy -> think about other strategy