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清华大学中国科技政策研究中心

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# THE CHINESE ECONOMY TODAY

THE PERSPECTIVE OF  
RENOWNED CHINESE EXPERTS



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# The Belt & Road Initiative and US-China Strategic Competition

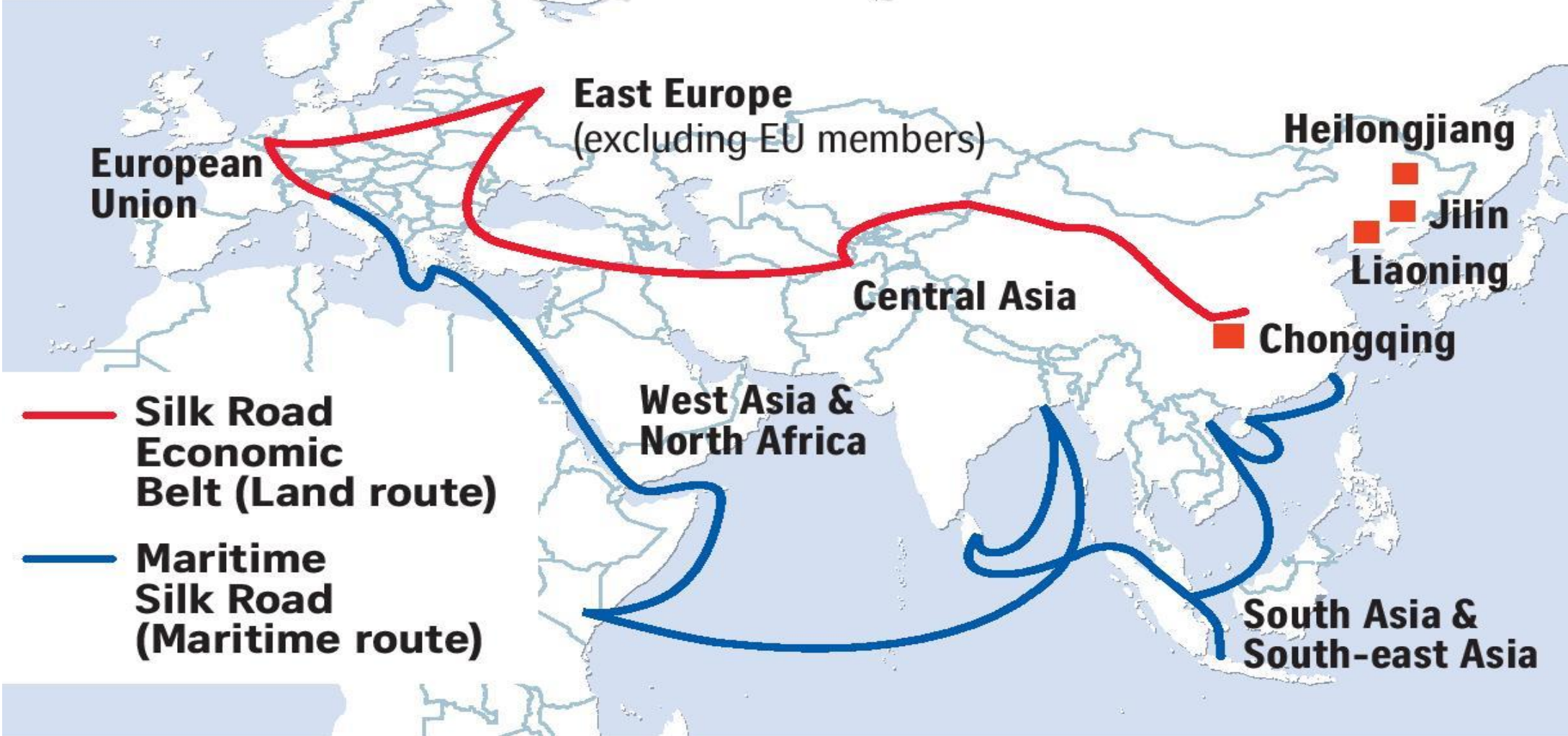
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# China's One Belt, One Road initiative



Source: BLOOMBERG STRAITS TIMES GRAPHICS

# Motivations

- Keep the economic boom alive
- Address internal development imbalance
- Enhance energy security
- Connectivity brings prosperity, and peace

a solution to “development deficits, security deficits and governance deficits”

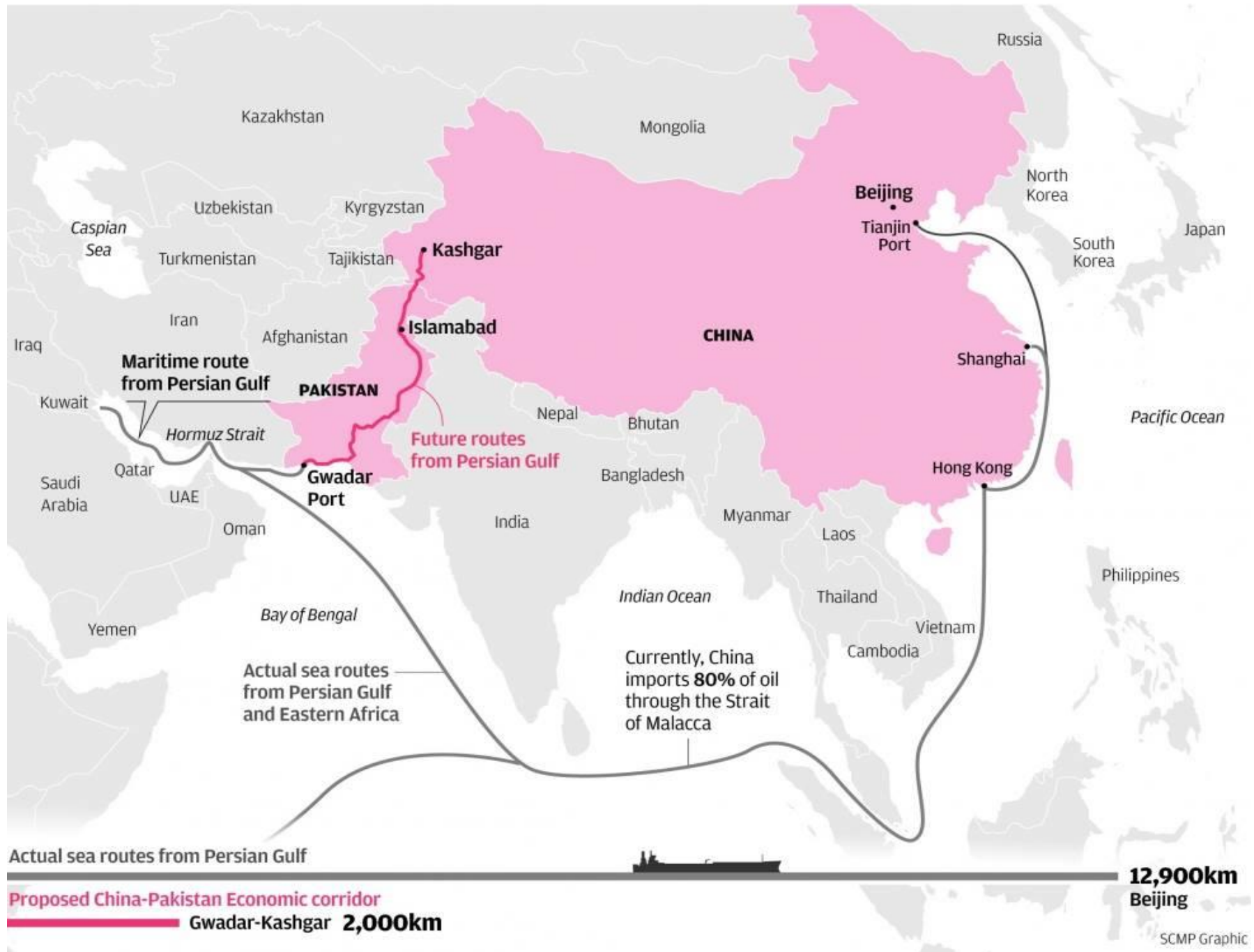
# BRI and Domestic Challenges

- falling economic momentum, soaring labor costs, and transition to innovation-led growth
- increasing social inequality and boom of middle class
- creating jobs for 560 million migrant workers and peasants
- safeguarding energy security (by 2030)
  - Largest net oil importer in 2014; 75% petroleum imported; 800 million tons of oil used annually

西部十二省区市位置示意图







# Scope

- 2/3 of world landmass
- 4.4 billion people in 65 countries
- A collective GDP of \$20 trillion
- Authorized capital of **AIIB** :\$100 billion
- **Silk Road Fund**: \$40 billion
- Asian Infra. Funding Need: \$1 trillion/year



# Basics/Timeline “a project of the century”

- Silk Road Economic Belt (September 2013)
- 21st Century Maritime Silk Rd (October 2013)
- The White Paper (March 2015)
- The BRI Forum for International Cooperation (May 2017)  
The Second Forum (April 2018)

## Xi's speech at the Belt and Road Forum in Beijing in May 2017

- Infrastructure connectivity is the foundation of development through cooperation. We should promote land, maritime, air and cyberspace connectivity, concentrate our efforts on key passageways, cities and projects and connect networks of highways, railways and sea ports....
- We need to seize opportunities presented by the new round of change in energy mix and the revolution in energy technologies to develop global energy interconnection and achieve green and low-carbon development.
- We should improve trans-regional logistics network and promote connectivity of policies, rules and standards so as to provide institutional safeguards for enhancing connectivity



# “一带一路”国际合作高峰论坛

BELT AND ROAD FORUM FOR INTERNATIONAL COOPERATION

2017年5月14-15日 中国·北京

14-15 MAY 2017 BEIJING, CHINA



# Basics/ Goals & Focus

- Goals: “Five Connection”

Hard: Infrastructure, Trade, Currency

Soft: Policy, People-to-People

- Focus

Infrastructure Networks:

Roads, Railways, Ports, Telecommunications

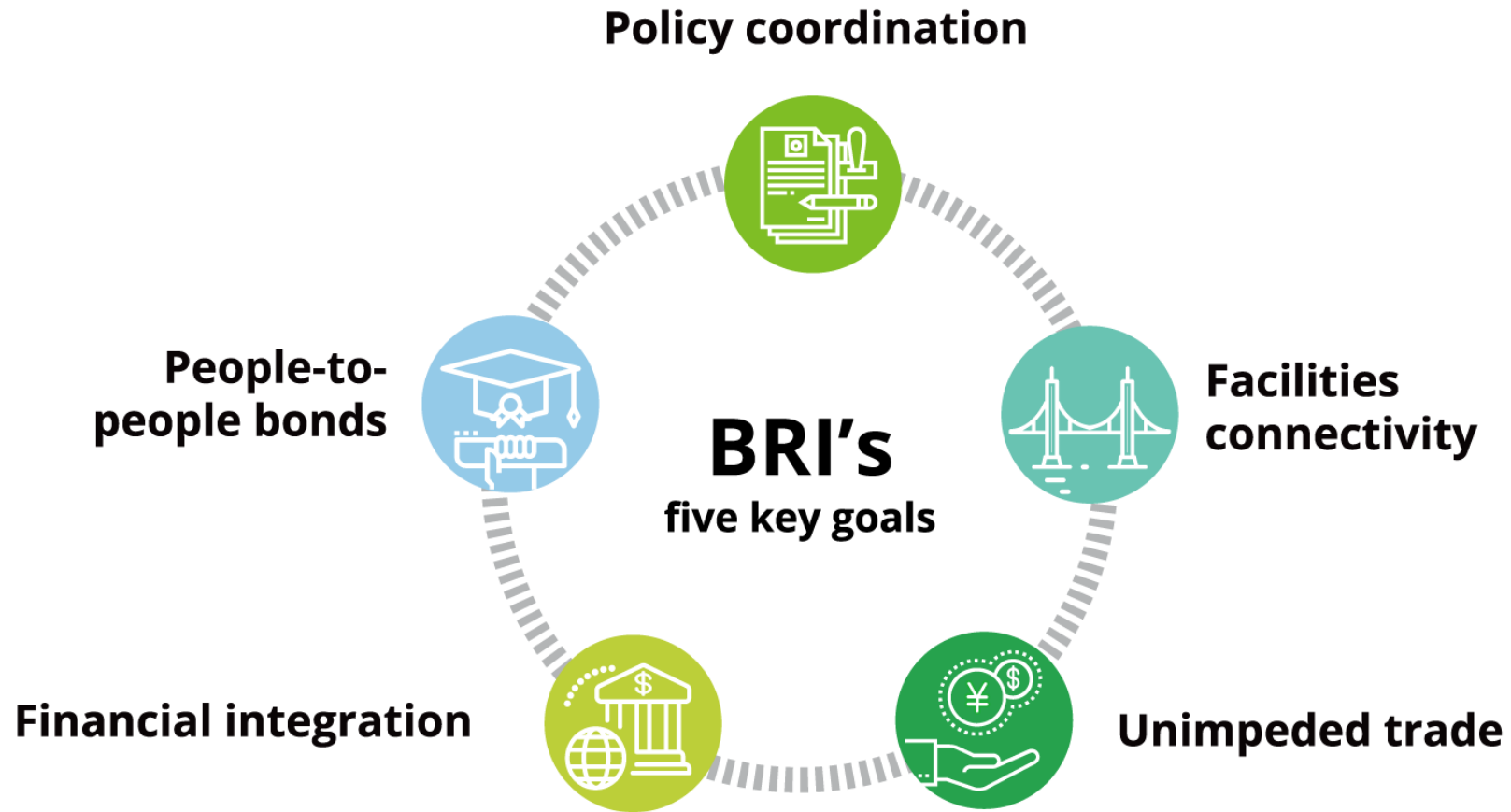
Industrial Cooperation:

Industrial Park, Development Zone



FIGURE 5

## BRI's five key goals



Source: Public information.

# Global Infrastructure Gap

- According to the Global Infrastructure Outlook released by Oxford Economics, global infrastructure investment needs will amount to \$94 trillion from 2016 to 2040. The urban population is expected to grow from 3.9bn today to around 6.3bn by 2050. The Asian Development Bank (ADB) estimates that some US\$1.7tn will have to be invested annually in infrastructure across Asia through 2030 if the region is to maintain its growth momentum, eradicate poverty and respond effectively to climate change
- According to Refinitive, a global financial market data provider, the total investment in projects related to the BRI was about \$3.7 trillion as of July 2020
- The pressing global need for substantial infrastructure is widely recognized. For populations worldwide, upgraded or new infrastructure will be pivotal to the future availability of clean drinking water, housing and business space, lighting, sanitation, and other vital resources.

# Global Demand for Infrastructure

- In countries alongside BRI corridors, both trade and foreign direct investment (FDI) are estimated to be lower than potential, by 30 percent and 70 percent, respectively, because of poor integration and connectivity.
- The World Bank estimates that \$97 trillion needs to be spent on infrastructure globally by 2040 in order to maintain economic growth and to meet the UN Sustainable Development Goals, but an \$18 trillion gap exists
- Asia alone is expected to require \$26 trillion in infrastructure investments by 2030 to maintain growth and respond to climate change

# The six economic corridors

- i. New Eurasia Land Bridge: involving rail to Europe via Kazakhstan, Russia, Belarus and Poland.
- ii. China, Mongolia, Russia Economic Corridor: linking with the land bridge.
- iii. China, Central Asia, West Asia Economic Corridor: linking to Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkey.
- iv. China, Indochina Peninsula Economic Corridor: Vietnam, Thailand, Laos, Cambodia, Myanmar, and Malaysia.
- v. China, Pakistan Economic Corridor (CPEC): Xinjiang Province (via Kashgar city) to the Pakistan port of Gwadar.
- vi. China, Bangladesh, India, Myanmar Economic Corridor.





*The six economic corridors designed to link China with developing countries*

# New Silk Roads | China is assembling new trade routes, binding other regions closer to it



Sources: Xinhua (Silk Road routes); U.S. Department of Defense, Gazprom, Transneft (pipelines); United Nations (rail entry points)



1992

2002

2012

2013

2014

2015

2016

2017

January-February

The China-Belarus industrial park Great Stone is designed to become one of the hubs of the Silk Road Economic Belt.



Nine resident companies have been registered in the park, and around 50 agreements to join the park have been signed.



**READY FOR COMMISSIONING:**

Administrative and business center

Office space

Production and storage premises

Belarus is currently implementing more than 30 investment projects financed by Chinese banks and government to the total tune of around \$6 billion

*\*Including Hong Kong, Macau, and Taiwan*

Source: Belarusian Statistics Committee, Belarus' Ministry of Foreign Affairs

© Infographics



# City, Transportation link and industrial zone





Rail freight between Chongqing and Duisburg, Germany is almost twice as expensive as shipping, but takes 12 days instead of 45. Air freight is at least twice as expensive as rail freight, but takes on average five days



# China's Digital Silk Road in Africa

Data centers and Smart City initiatives



# China to set up 6 vocational training institutes in Pakistan under CPEC



# Connectivity is the Key

- The BRI aims to promote connectivity in the fields of trade, infrastructure, currency through multi-layered collaboration among relevant countries and international organizations.
- The projects under the BRI are expected to connect the vibrant East Asia economic circle at one end and developed European economic circle at the other.
- It also can enable the development potential of countries in the hinterland of Asia and Europe to be fully released.
- BRI's size and scope give it the potential to boost global gross domestic product (GDP) by as much as \$7.1 trillion by 2040 and reduce global trade costs by up to 2.2 percent



# Potential Benefits

- The initiative will help 7.6 million people out of extreme poverty and 32 million out of moderate poverty. It will increase trade in participating countries by 2.8 to 9.7 percent, global trade by 1.7 to 6.2 percent and global income by 0.7 to 2.9 percent

-----World Bank, “Belt and Road Economics: Opportunities and Risks of Transport Corridors”, June 2019

# Partnership with International Organizations

- China seeks support from and partnership with over 40 international organizations, such as UN, World Bank, IMF, as well as regional organizations including ASEAN (东盟) and African Union (非盟)
- International Labour Organisation (ILO)
- Food and Agriculture Organisation (FAO)
- International Organisation for Migration (IOM)
- International Telecommunication Union (ITU)
- International Development Law Organisation (IDLO)
- World Intellectual Property Organisation (WIPO)
- United Nations Framework Convention on Climate Change (UNFCCC)



**1** NO POVERTY



**2** ZERO HUNGER



**3** GOOD HEALTH AND WELL-BEING



**4** QUALITY EDUCATION



**5** GENDER EQUALITY




**6** CLEAN WATER AND SANITATION



**7** AFFORDABLE AND CLEAN ENERGY



**8** DECENT WORK AND ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**10** REDUCED INEQUALITIES



**11** SUSTAINABLE CITIES AND COMMUNITIES



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



**14** LIFE BELOW WATER



**15** LIFE ON LAND



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**17** PARTNERSHIPS FOR THE GOALS



# UNDP and BRI

- UNDP and China BRI Agreement, September 2016
- On the ground in about 170 countries and territories, UNDP works to eradicate poverty while protecting the planet. UNDP helps countries develop strong policies, skills, partnerships and institutions so they can sustain their development
- The 2030 Agenda for Sustainable Development (SDGs) is a holistic framework to guide the course of world development between 2015-2030, adopted by world leaders in 2015. UNDP support countries' efforts to achieve the SDGs.
- It includes 17 Sustainable Development Goals, with 169 specific targets, most overlap with BRI's objectives

# The BRI in the Post-COVID Era

- China remain committed to the BRI
- 高质量发展 reorient the Belt and Road toward high-quality projects with clear, tangible and local benefits
- A revised form of BRI:
  - the Green Silk Road
  - the Health Silk Road
  - the Digital Silk Road.

# Major Concerns over the BRI

- Opaque bidding processes and terms
- Corruption
- Environmental risks
- Local involvement
- Geopolitical Consequence (Development-security nexus challenge)
  
- Mixed images of China

# Latin American and Caribbean region (LAC)

- 33 countries, with 9 countries recognize “Republic of China” (Taiwan)
- LAC as late comer to the BRI. In May 2017, Xi stated that LAC region was a ‘natural extension’ of the 21<sup>st</sup> Century Maritime Silk Road
- ‘Special Declaration on the Belt and Road’ in January 2018
- LAC Delegations attended the second BRF held in Beijing in April 2019
- China has inked BRI MoU with Ecuador, Chile, Uruguay, Panama among other LAC countries. Argentina, Brazil, Colombia, and Mexico participated in cooperation under the BRI banner
- BRI becomes a framework for China-LAC cooperation



# Belt & Road and Latin America

## What is the Belt and Road Initiative (BRI)?



The BRI aims to expand China's overseas investment by establishing land (“Belt”) and maritime routes (“Road”).

China has promoted the BRI as an opportunity for nations to develop infrastructure and create new trade opportunities with Chinese enterprises.



## LAC countries currently with BRI agreements:

- Antigua & Barbuda
- Barbados
- Bolivia
- Chile
- Costa Rica
- Cuba
- Dominican Republic
- Ecuador
- El Salvador
- Guyana
- Jamaica
- Panama
- Trinidad & Tobago
- Venezuela
- Uruguay

## Timeline of key events:



## Criticisms:



There are concerns over the debt burdens that small or weak economies take on when borrowing for BRI projects and the economic benefits these will deliver

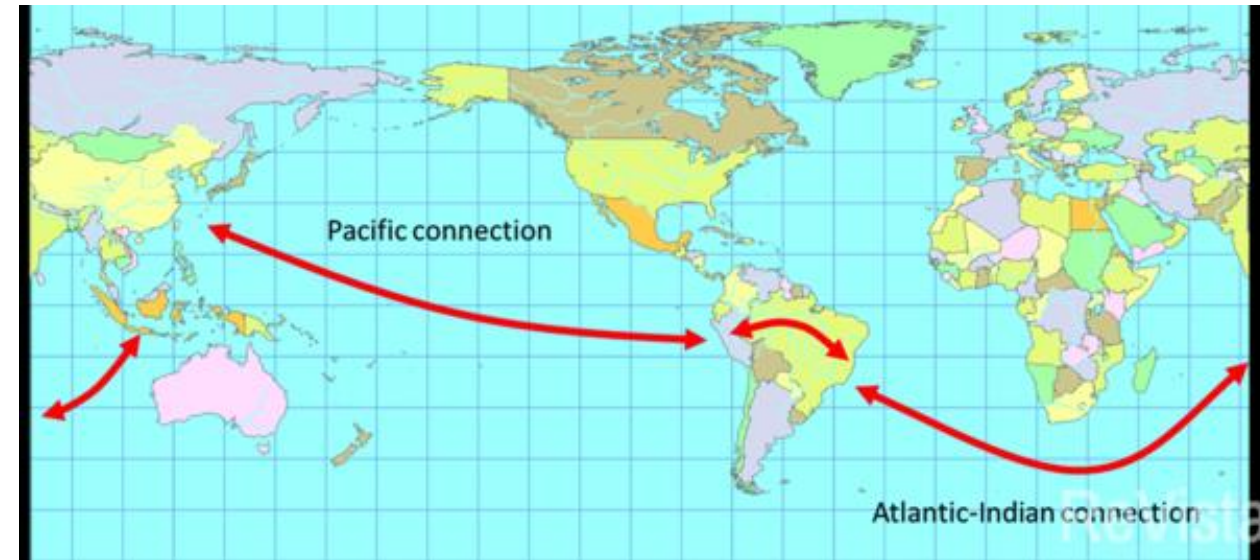


Some fear China's aim to control every link in supply chains and its growing portfolio of key sectors such as energy



BRI investments mostly focus on projects and sectors that carry big risks for the environment and the rights of indigenous communities

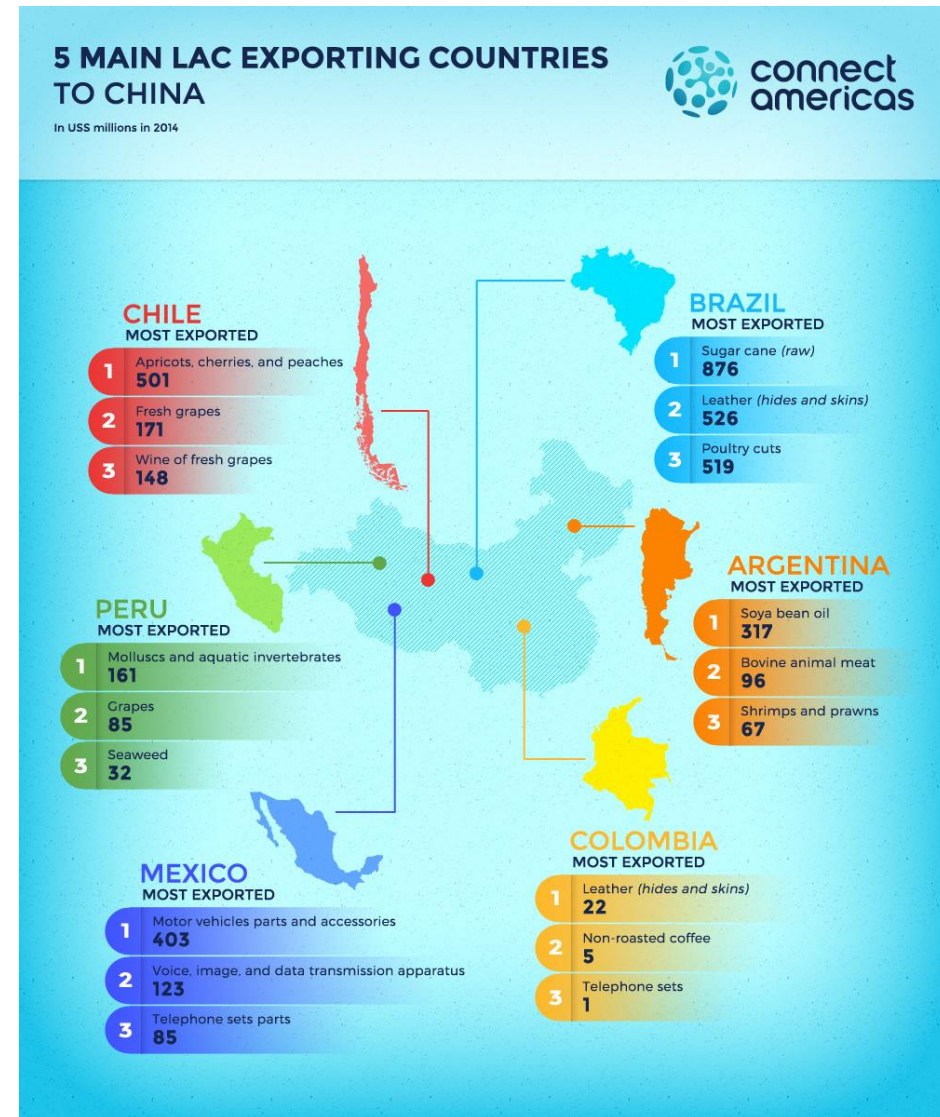
China-Latin America trade has soared from \$17 billion a decade ago to over \$315 billion today and is projected to reach \$500 billion by 2025





# Trade as major driving force for China-LAC relations

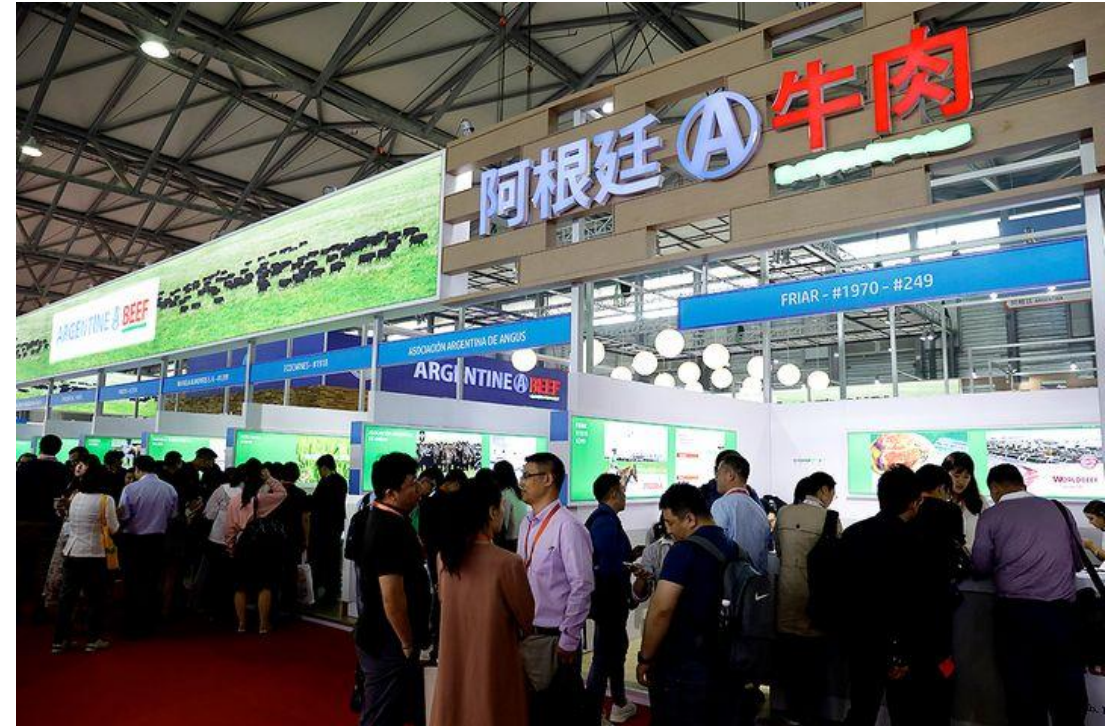
- China is the top trading partner of Brazil, Chile, Peru, and Uruguay and the second largest trading partner for many other countries
- China has free trade agreements with Chile, Costa Rica, and Peru
- China's total trade with the region reached to \$315 billion in 2020 (about \$18 billion in 2002)



A soybean plantation in Brazil. Brazil exports 80% of its soybean crop to China



China Makes Up 74% of Argentine Beef Exports



# LAC-China cooperation on infrastructure

- the infrastructure investment gap across the LAC region stands at 2.5% of regional GDP, or \$150bn per year, according to the Inter-American Development Bank
- China-LAC Infrastructure Cooperation Forum
- The Special Loan Program for China-Latin America Infrastructure Project offers a total credit of 20 billion USD and is operated by China Development Bank (CDB)
- Plan on a massive bi-oceanic railway running through Peru, Bolivia and Brazil

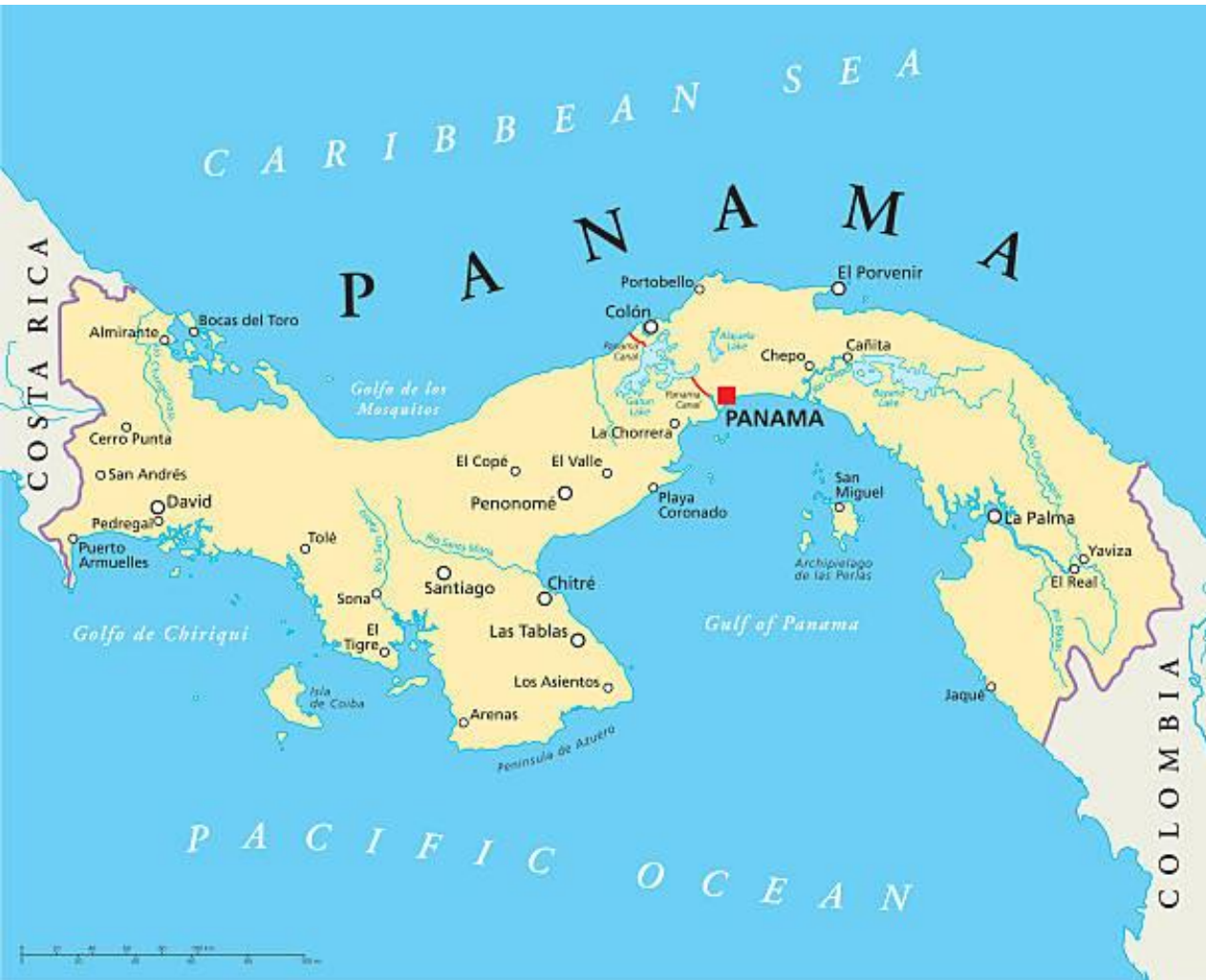


Infrastructure can bring a strong positive impact on quality of life and economic competitiveness. Studies suggest that LAC should invest between 4 and 7 percent of its GDP over a sustained period to close its infrastructure gap

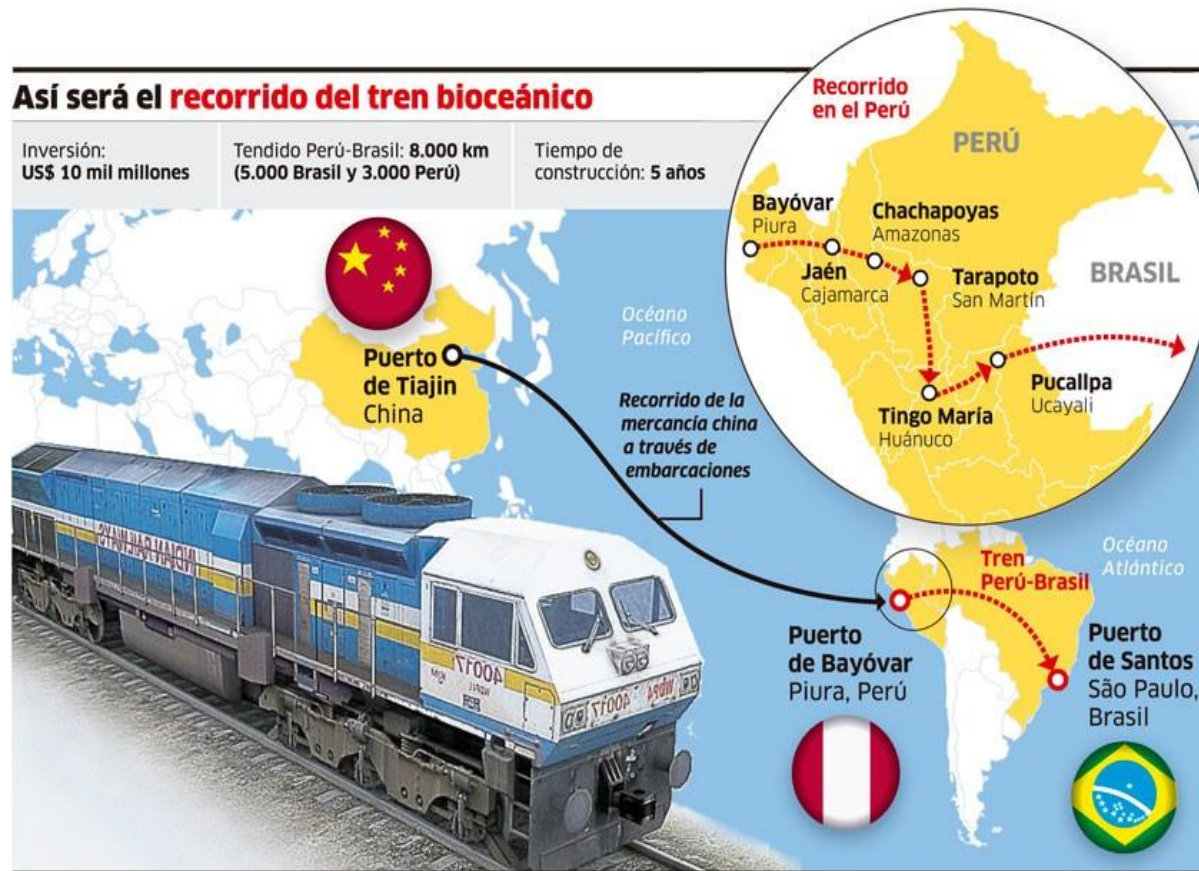




Panama canal: an artificial 82 km waterway connecting the Atlantic Ocean with the Pacific Ocean.



In December 2020, China Railway Construction Corporation (CRCC) and the Ministry of Transport of Argentina signed a contract worth \$2.6 billion to improve General San Martín Cargo Railway in Argentina, which will create 28,000 jobs, benefiting 13 provinces





Chancay port in Peru. Peruvian President Martín Vizcarra in 2019 , it will be “one of the best port offers in all of South America”

CHANCAY | REGIÓN LIMA  
NUEVO **MEGA PUERTO** PARA EL PERÚ

LA MINERA PERUANA VOLCAN Y LA EMPRESA CHINA COSCO FIRMARON UN ACUERDO PARA EL DESARROLLO DEL PUERTO DE CHANCAY.

**VENTAJAS**

**TERMINAL PORTUARIO DE CHANCAY**

ANCÓN LIMA  
CALLAO

CHANCAY ESTÁ A 55 KM AL NORTE DEL PUERTO DEL CALLAO.

PRURA  
LA LIBERTAD  
ANCASH  
LIMA  
CALLAO  
OCEANO PACIFICO  
ICA  
AREQUIPA  
MOQUEGUA

EL TERMINAL SERÁ UN HUB CONCENTRADOR DE CARGA DE TRASBORDO DE LOS PAÍSES SUDAMERICANOS DEL PACIFICO.

SE INVERTIRÁ  
**US\$ 3 MIL MILLONES**

EL ACUERDO SE FIRMÓ DURANTE EL FORO ECONÓMICO MUNDIAL, EN DAVOS (SUIZA).

SERÁ EL PUNTO DE CONEXIÓN COMERCIAL DE CHINA CON EL PERÚ.

EL PROYECTO ES IMPULSADO POR EL MINISTERIO DE TRANSPORTES Y COMUNICACIONES.



# LAC-China cooperation in energy sector

- 68% of Chinese investments in LAC is for energy sector, most of them are renewable projects
- 60% of China State Grid's overseas investment outside is in Brazil (US\$12.4 billion)
- Three Gorges (三峡) has business in Ecuador, Bolivia, Chile and Brazil. It operates or jointly operates 17 hydroelectric plants and 11 wind farms





# Coca Codo Sinclair hydroelectric dam

- built by Chinese construction company Sinohydro and funded largely by loans from Chinese institutions
- the largest energy project in Ecuador and fully operational in November 2016, creating 8,000 jobs
- reduce CO<sub>2</sub> emissions by 4.5 million tonnes a year



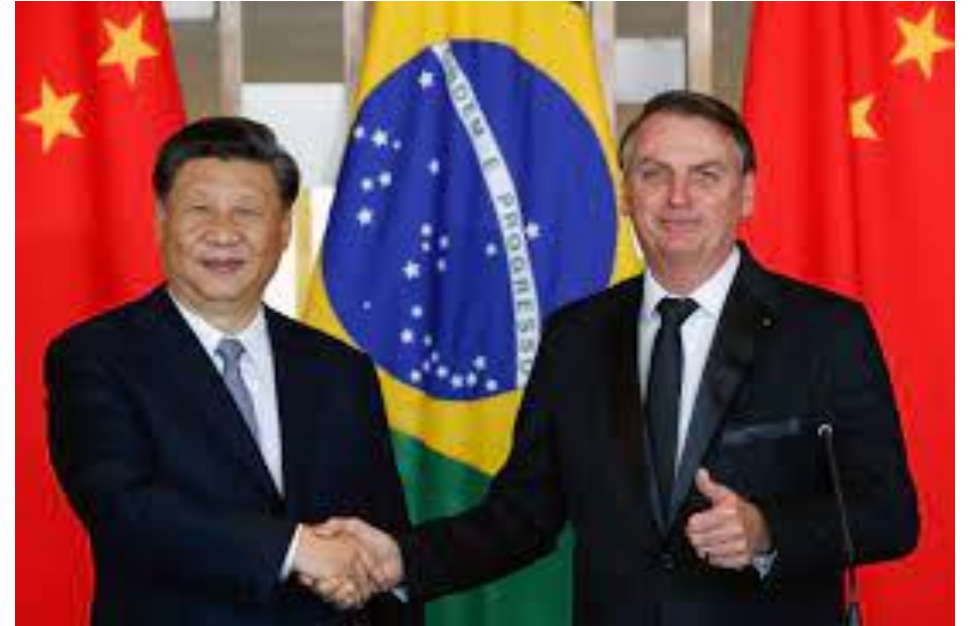
# China-LAC Cooperation Fund

- US\$2 billion co-financing facility (联合融资工具，China Co-financing Fund), administered by the Inter-American Development Bank (IDB)
- US\$3 billion investment fund, administered by the Export-Import Bank of China



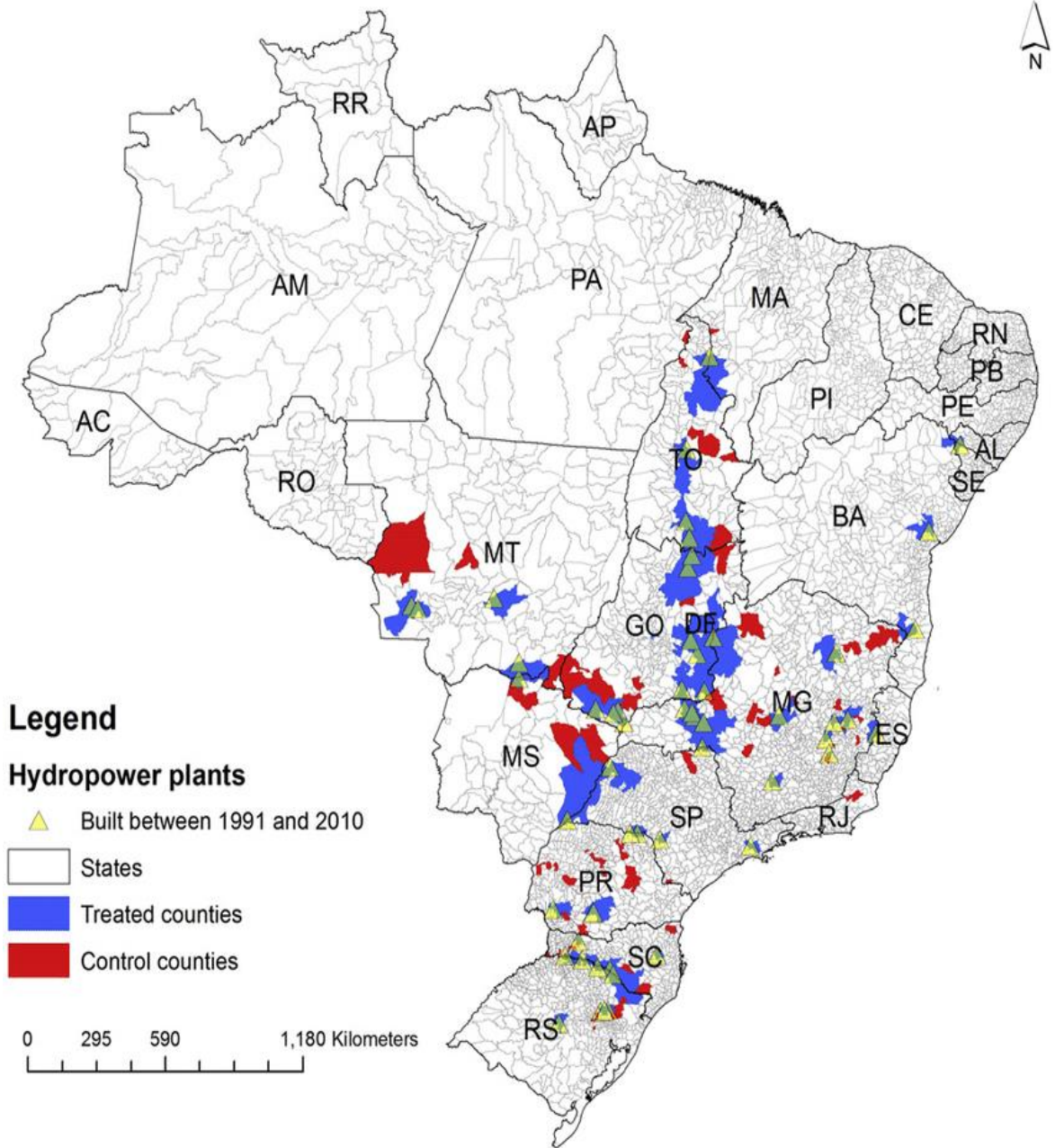
# Brazil-China cooperation

- Brazil is the LAC region's largest economy, the first among LAC countries to establish comprehensive strategic partnership with China
- China is Brazil's largest trading partner, largest export market and largest source of import
- China-Brazil High-Level Coordination and Cooperation Committee
- President Jair Bolsonaro excluded the Chinese telecommunications giant Huawei from bidding





# Hydropower in Brazil

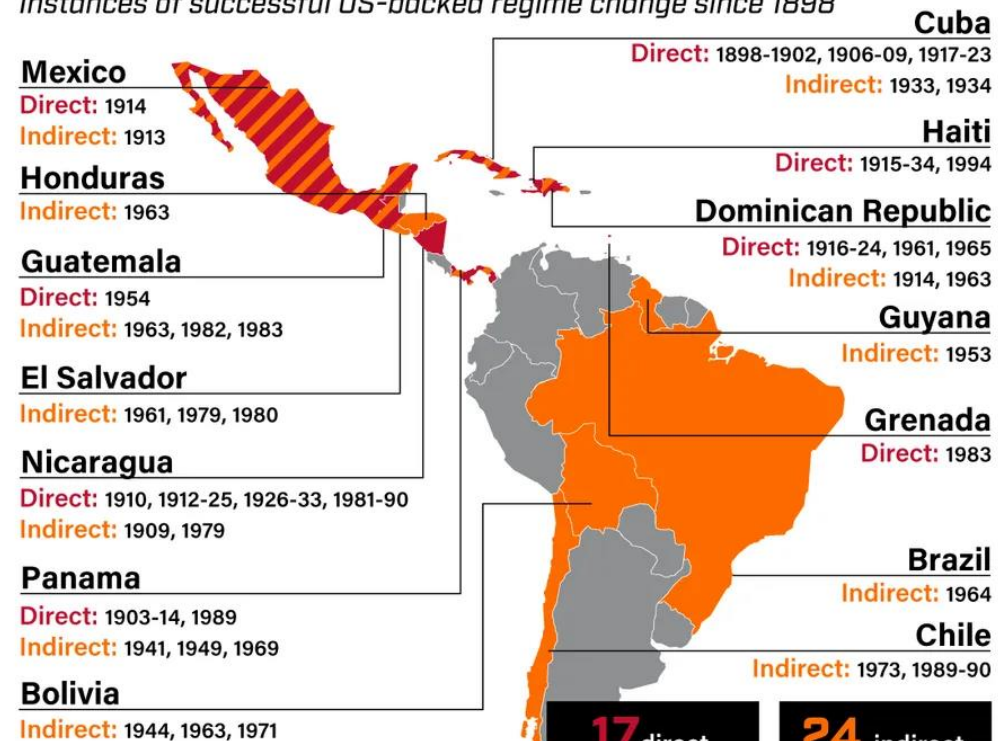


# Challenges facing LAC-China cooperation



## US MEDDLING IN LATIN AMERICA

*Instances of successful US-backed regime change since 1898*



Subscribe at [gzeromedia.com](http://gzeromedia.com)

Adapted from: Coatsworth, "United States Interventions" *Revista*, 2005

Note: Direct intervention defined as military or CIA activity that changes governments



# US: “our own backyard”

- SOUTHCOM’s chief, Adm. Craig Faller: Latin America has become the “front line” in a struggle against China’s challenge to US global hegemony
- the PRC is “seeking to establish global logistics and basing infrastructure in our hemisphere in order to project and sustain military power at greater distances.”
- China Used Pandemic to Expand ‘Corrosive, Insidious Influence’ in Central, South America



# America and the BRI

- the U.S. administration under Donald Trump waged a global war of resistance against the BRI. Senior U.S. government officials, including military leaders, have labeled the BRI with a series of negative concepts, such as “predatory economics” and “debt trap,” demanding that the countries concerned refuse to participate or withdraw from it
- In a speech in May 2019, Secretary of State Mike Pompeo criticized China for peddling “corrupt infrastructure deals in exchange for political influence,” and using “bribe-fueled debt-trap diplomacy” to undermine good governance

# US counterbalance against BRI

- U.S. members of Congress have also touted the BRI as a tool for Chinese global hegemony, which the United States must counteract. This rhetoric is more hyperbolic and imaginative and is intended to strategically mobilize competition with China.
- U.S. experts such as Johns Hopkins professor Deborah Brautigam have shown through empirical research that the BRI is not a debt trap.
- Better Utilization of Investments Leading to Development (BUILD) Act, Development Finance Corporation (DFC), Blue Dot Network (BDN)





# US Indo-Pacific Strategy

- The United States believes that BRI has the potential to put China in a hegemonic position in the Indo-Pacific region, where “Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific.”
- “America’s Indo-Pacific Economic Vision” at the Indo-Pacific Business Forum held by the U.S. Chamber of Commerce. concrete action plans such as Enhancing Development and Growth through Energy (EDGE).
- The Indo-Pacific Transparency Initiative aims to strengthen the capacity of countries in the region, improve their ability to defend their own sovereignty, and help them avoid falling into debt traps created by other countries



# Build Back Better World Initiative

- During the G7 summit in June 2021, the Biden administration rallied the other sides and pushed forward the Build Back Better World Initiative. The initiative emphasizes that developed democracies should cooperate and provide support to developing countries' infrastructure building to help narrow the \$40+ trillion infrastructure need in the developing world
- B3W is seen as a major strategic measure aimed at countering BRI cooperation
- Focus areas: climate change, health security, digital technology, gender fairness and equality
- Doubts over the B3W: financial resource; high standards in environment protection, labor rights and financial sustainability; hardly provide any incentives for private sectors; G7 member states' divergences
- US-China competition in the field of international development should not be zero-sum game. Developing countries which face real and urgent need in infrastructure and growth do not want to face the dilemma of choosing side